

annual report 2002



PWE Industries Berhad

18904-M

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NOTICE IS HEREBY GIVEN that the 28th ANNUAL GENERAL MEETING of PWE Industries Berhad (“PWE”) will be held at Ballroom I, Santubong Kuching Resort, Jalan Santubong, 93748 Kuching, Sarawak on Tuesday, 24 September 2002 at 11.30 a.m. for the following purposes:-

1. To receive and adopt the Company’s Financial Statements for the year ended 31 March 2002 together with the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To re-elect Mr Nicholas John Lough @ Sharif Lough Abdullah who retires pursuant to Article 91 of the Company’s Articles of Association as Director of the Company. **Resolution 2**
3. To re-appoint YM Tunku Dato’ Seri Mahmud bin Tunku Besar Burhanuddin who retires pursuant to Section 129 of the Companies Act, 1965 as Director of the Company. **Resolution 3**
4. To approve the payment of Directors’ fees. **Resolution 4**
5. To appoint Messrs Ernst & Young as Auditors of the Company in place of the retiring Auditors, Messrs Arthur Andersen & Co and to authorise the Directors to fix their remuneration. **Resolution 5**

Special Business

6. To consider and, if thought fit, pass the following ordinary resolution:-

“THAT pursuant to Section 132D of the Companies Act, 1965, Articles of Association of the Company and the Listing Requirements of the Kuala Lumpur Stock Exchange, the Directors be and are hereby empowered to issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from the Kuala Lumpur Stock Exchange for listing of and quotation for the additional shares so issued and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company.” **Resolution 6**
7. To consider any other business for which due notice shall have been given.

BY ORDER OF THE BOARD

YAP BEE LEE

Secretary

Kuala Lumpur

2 September 2002

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy or proxies, in the case of an individual shall be signed by the appointer or his attorney, and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised.
3. The instrument appointing a proxy or proxies must be deposited with the Company’s Share Registrars, Metra Management Sdn Bhd, Suite 37th Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than 48 hours before the time for holding the Meeting or any adjournment thereof.
4. Explanatory notes on Special Business:-

The Proposed Resolution (6) if passed, will empower the Directors of the Company to issue and allot shares in the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the next annual general meeting of the Company.

Statement Accompanying Notice of the 28th Annual General Meeting of the Company

- Directors who are standing for re-election at the 28th Annual General Meeting of the Company are as follows:-
 - Mr Nicholas John Lough @ Sharif Lough Abdullah
 - YM Tunku Dato' Seri Mahmud bin Tunku Besar Burhanuddin
- A total of five (5) Board of Directors' Meeting were held during the financial year ended 31 March 2002, and the attendance of the Directors holding office at the end of the financial year ended is as follows:-

Name of Directors	No. of Meetings Attended
Tan Sri Dato' Paduka (Dr) Ting Pek Khiing	3/5
YM Tunku Dato' Seri Mahmud bin Tunku Besar Burhanuddin	4/5
Mr Nicholas John Lough @ Sharif Lough Abdullah	5/5
Mr Sunny Khoo	5/5

- Details of the directors who are standing for re-election are as follows:-

Name Particulars	Mr Nicholas John Lough @ Sharif Lough Abdullah	YM Tunku Dato' Seri Mahmud Bin Tunku Besar Burhanuddin
Age	50	72
Nationality	British	Malaysian
Executive/Non-Executive	Non-Executive	Non-Executive
Independency	Independent Director	Independent Director
Present position	Director	Director
Working experience	In 1969, Mr Sharif Lough was admitted as a member of the National Association of Goldsmith London and has been a member of the Gemology Association, Great Britain since 1970. In 1985, Mr Sharif Lough joined the Melewar Group as the Group Executive Director and held the position for a period of 8 years. Thereafter he formed Baiduri Mewah Sdn Bhd and Mediconsult Group of Companies, focusing in property development and healthcare industry. He is the Executive Director of both companies. He also holds other directorships in several private limited companies.	YM Tunku has been actively involved in the corporate world for 21 years. He joined the Malay Administrative Services in 1953 and was subsequently appointed as the Assistant District Officer of Tampin and later the Assistant District Officer of Jelebu. In 1957, Tunku joined the Royal Customs and Excise Department (Customs) as a Superintendent. Tunku was with the Customs for 23 years and rose to the position of Director. In 1980 he retired from the Customs and joined Island and Peninsular Department Berhad as a General Manager where he remained until 1984. He also sits on the boards of Tamadam Bonded Warehouse Berhad, UCP Resources Berhad and Maxis Communications Berhad, all of which are listed on the Kuala Lumpur Stock Exchange, and several private limited companies.
Any other directorships of public companies	None	Tamadam Bonded Warehouse Berhad UCP Resources Berhad Maxis Communications Berhad
The securities holdings in PWE and its subsidiaries	None	None
The family relationship with any director and/or major shareholder of PWE	None	None
Any conflict of interest that the directors have with PWE	None	None

Notice of Nomination of Auditors

4 July 2002

The Board of Directors
PWE Industries Berhad
Level 16 Wisma Ting Pek Khiing
No. 1, Jalan Padungan
93100 Kuching
Sawarak

Dear Sirs

RE: NOTICE OF NOMINATION OF AUDITORS

I, the undersigned, being the holder of 23,637,465 shares in PWE Industries Berhad hereby give notice pursuant to section 172(11) of the Companies Act, 1965 of my intention to nominate Ernst & Young of Level 23A, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur for appointment as Auditors of PWE Industries Berhad in place of the retiring Auditors, Arthur Andersen & Co and of my intention to move the following motion to be passed as an Ordinary Resolution at the forthcoming Annual General Meeting of PWE industries Berhad:-

“THAT Ernst & Young of Level 23A, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur having consented be and are hereby appointed Auditors of the Company in place of retiring Auditors, Arthur Andersen & Co and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors.”

Yours faithfully

TAN SRI DATO' PADUKA (DR) TING PEK KHIING

Corporate Information

Board of Directors

Tan Sri Dato' Paduka (Dr) Ting Pek Khiing
(Executive Chairman)

YM Tunku Dato' Seri Mahmud
bin Tunku Besar Burhanuddin
(Independent Non-Executive Director)

Mr Nicholas John Lough
@ Sharif Lough Abdullah
(Independent Non-Executive Director)

Mr Sunny Khoo
(Non-Executive Director)

Audit Committee

YM Tunku Dato' Seri Mahmud
bin Tunku Besar Burhanuddin
(Chairman)

Mr Nicholas John Lough
@ Sharif Lough Abdullah

Mr Sunny Khoo

Company Secretary

Ms Yap Bee Lee
(MAICSA : 0864482)

Registered Office

Level 16, Wisma Ting Pek Khiing
No. 1, Jalan Padungan
93100 Kuching
Sarawak
Tel : (082) 236920
Fax : (082) 236922

Share Registrars

Metra Management Sdn Bhd
37th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : (03) 26948333
Fax : (03) 26948571

Auditors

Arthur Andersen & Co.
Public Accountants
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

Principal Bankers

Alliance Malaysia Bank Berhad
Public Bank Berhad

Solicitors

Chor Pee Anwarul & Co
Advocates & Solicitors
Suite 8-16-6
Level 16, Menara Olympia
8 Jalan Raja Chulan
50200 Kuala Lumpur

Stock Exchange Listing

The Second Board of the
Kuala Lumpur Stock Exchange

Profile of the Board of Directors

Tan Sri Dato' Paduka (Dr) Ting Pek Khiing

Tan Sri Dato' Paduka (Dr) Ting Pek Khiing, a Malaysian, aged 57. He was appointed to the Board of PWE on 9 January 1995 as Executive Chairman. Tan Sri Ting, a self-made businessman, has over 25 years of experience in construction, specialising in the technology of using wood-based pre-fabricated standardised components and has successfully completed numerous housing projects for the Sarawak State Government and resort hotels in Sarawak and Pulau Langkawi. He also sits on the boards of Ekran Berhad, PWE Industries Berhad and Wembley Industries Holdings Berhad, all of which are listed on the Kuala Lumpur Stock Exchange, and several private limited companies.

Tan Sri Ting is a major shareholder of PWE. He does not have any family relationship with any Director of the Company and he has no convictions for any offences within the last ten years. Tan Sri has no conflict of interest with PWE other than disclosed in Notes 7, 8 and 9 of the Financial Statements for year ended 31 March 2002.

YM Tunku Dato' Seri Mahmud bin Tunku Besar Burhanuddin

YM Tunku Dato' Seri Mahmud bin Tunku Besar Burhanuddin, a Malaysian, aged 72. He was appointed to the Board of PWE on 11 May 1989 as an Independent Non-Executive Director. He is also the Chairman of the Audit Committee. YM Tunku has been actively involved in the corporate world for 21 years. He joined the Malay Administrative Services in 1953 and was subsequently appointed as the Assistant District Officer of Tampin and later the Assistant District Officer of Jelebu. In 1957, Tunku joined the Royal Customs and Excise Department (Customs) as a Superintendent. Tunku was with the Customs for 23 years and rose to the position of Director. In 1980 he retired from the Customs and joined Island and Peninsular Department Berhad as a General Manager where he remained until 1984. He also sits on the boards of Tamadam Bonded Warehouse Berhad, UCP Resources Berhad and Maxis Communications Berhad, all of which are listed on the Kuala Lumpur Stock Exchange, and several private limited companies.

YM Tunku does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with PWE and has no convictions for any offences within the last ten years.

Profile of the Board of Directors

Mr Nicholas John Lough @ Sharif Lough Abdullah

Mr Nicholas John Lough @ Sharif Lough Abdullah, a British, aged 50. He was appointed to the Board of PWE on 9 December 1994 as an Independent Non-Executive Director. He is also a member of the Audit Committee. In 1969, he was admitted as a member of the National Association of Goldsmith London and has been a member of the Gemology Association, Great Britain since 1970. In 1985, Mr Sharif Lough joined the Melewar Group as the Group Executive Director and held the position for a period of 8 years. Thereafter he formed Baiduri Mewah Sdn Bhd and Mediconsult Group of Companies focusing in property development and healthcare industry. He is the Executive Director of both companies. Mr Sharif Lough also holds other directorships in several private limited companies.

Mr Sharif Lough does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with PWE and has no convictions for any offences within the last ten years.

Mr Sunny Khoo

Mr Sunny Khoo, a Malaysian, aged 42. He was appointed to the Board of PWE on 29 March 1995 as a Non-Executive Director. He is also a member of the Audit Committee. Mr Khoo is a member of Malaysian Association of Certified Public Accountants. For the period from 1981 to 1986, he was attached with Coopers & Lybrand as an Audit Trainee and did his articleship there. In 1987, he joined Ernst & Young as Audit Senior and subsequently resigned in 1990. Thereafter, he joined Arab Malaysian Corporation Berhad as the Group Accountant and held the position until 1992. He then joined Ekran Berhad on 16 November 1992 as Group Financial Controller. He also holds other directorships in several private limited companies.

Mr Sunny Khoo does not have any family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with PWE and has no convictions for any offences within the last ten years.

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of PWE Industries Berhad ("PWE") and the Group for the year ended 31 March 2002.

Financial Performance

For the financial year under review, the Group recorded a revenue of RM9.9 million from its timber activities and a pre-tax loss of RM0.5 million as compared to a pre-tax loss of RM11.3 million incurred during the previous financial year. The reduction in loss for the year was mainly attributable to lower provision made for doubtful debts and no provision was made for diminution in value of timber rights.

The Company recorded a loss before taxation of RM2.2 million as compared to a pre-tax loss of RM5.4 million incurred during the previous financial year. The loss for the current financial year was mainly attributable to professional fees incurred for the restructuring exercise.

Dividend

The Directors do not recommend any dividend to be declared for the year ended 31 March 2002.

Review of Operations

The market prices for timber remain poor and they are anticipated to decline further as demand for downstream timber products by developed countries is greatly affected by the current global economic downturn. The timber concession under the Timber Rights of the Group has been operating since 1989 and will expire in September 2008. The remaining logs to be felled are expected to be of less merchantable value and any adverse changes to timber prices would have a negative effect on the earnings of the Group. As such, the Company proposed to dispose of its timber rights vide a Deed of Sale signed in December 2001. With the proposed disposal of its core business of timber extraction and timber trading, the Board is currently looking at new business opportunities as its core business to revitalise the future of the Group.

Corporate Developments

(i) Proposed Disposal of Timber Rights

On 20 December 2001, the Company announced that it had entered into a Deed of Sale with Tirasen Sdn Bhd on 14 December 2001 to dispose of its sole Timber Rights contained in the timber licence T/340 for a purchase consideration of RM1.0 million ("Proposed Disposal of Timber Rights"). The Proposed Disposal of Timber Rights is conditional upon the approval of the shareholders of the Company.

(ii) Proposed Acquisition and Proposed Rights Issue

On 21 December 2001, the Company announced the following proposals:-

- (i) Proposed acquisition of 88,575,000 ordinary shares of RM1.00 each in Kosma Nusantara Berhad ("KNB") representing approximately 95.76% equity interest in KNB from Kosma Consolidated Berhad ("KCB") for a purchase consideration of RM86,181,081 to be satisfied by cash amounting to RM8,857,500, issuance of RM12,654,000 nominal value of 1% 5-year redeemable convertible unsecured loan stocks ("RCULS") and the balance of RM64,669,581 via the issuance of 56,234,418 new ordinary shares of RM1.00 each in PWE with warrants at an issue price of RM1.15 ("Proposed Acquisition"); and
- (ii) Proposed renounceable rights issue of 42,000,000 new ordinary shares of RM1.00 each together with 42,000,000 detachable warrants attached at an issue price of RM1.00 per share on the basis of one rights share with one warrant attached thereto for every one existing PWE share held ("Proposed Rights Issue").

Chairman's Statement

Upon completion of the Proposed Acquisition, PWE will hold more than 90% of the issued and paid-up share capital of KNB. Subject to the receipt of the approval from the Securities Commission ("SC") for an exemption under Practice Note 2.9.8 of the Malaysian Code on Take-Overs and Mergers, 1998 ("Code") exempting PWE from extending a mandatory take-over offer on the remaining shares in KNB not already owned by PWE under Part II of the Code, PWE will invoke Section 180 of the Companies Act, 1965 which will empower PWE to make a compulsory acquisition of the remaining KNB shares representing approximately 4.24% of the issued and paid-up share capital of KNB ("Proposed Compulsory Acquisition").

The purchase consideration and the mode of satisfaction for the Proposed Compulsory Acquisition will be based on the same terms as the Proposed Acquisition.

The Proposed Rights Issue will enable PWE to raise funds to satisfy part of the purchase consideration for the Proposed Acquisition and Proposed Compulsory Acquisition (collectively "Proposed Acquisition of KNB") as well as to retire some of the outstanding bank borrowings of KNB.

The Proposed Acquisition of KNB is subject, inter alia, to the approvals of the SC, the Foreign Investment Committee, the shareholders of PWE and the shareholders of KCB while the Proposed Rights Issue is subject to the approvals of the SC, the shareholders of PWE and the Kuala Lumpur Stock Exchange.

(iii) Practice Note No. 10/2001

Following the Proposed Disposal of Timber Rights, the turnover for the PWE Group will be less than 5% of the issued and paid-up capital of PWE and such circumstances caused the Company to be an affected listed issuer under paragraph 2.1 of Practice Note No. 10/2001 of the Listing Requirements of the Kuala Lumpur Stock Exchange ("PN10"). Being an affected listed issuer under PN10, the Company shall comply with the obligations under paragraph 6 of PN10. On 20 March 2002, the Company made the Initial Announcement under PN10 and the Requisite Announcement on all relevant proposals to regularise the level of operations of the Company and the Group will be made in due course.

Prospects

Upon completion of the Proposed Acquisition of KNB, PWE will become engaged in the palm oil business. The prospect of the palm oil industry has been viewed positively by the industry experts. The Proposed Acquisition of KNB will enable PWE to have a long-term income generating assets whereby KNB's plantations will provide cashflows and profits which will benefit PWE in the future.

Acknowledgements

Before I conclude, I wish to take this opportunity to thank my fellow members of the Board for their assistance and advice in managing the affairs of the Group. On behalf of the Board, I would like to express our appreciation to our business associates and shareholders for their services and support.

TAN SRI DATO' PADUKA (DR) TING PEK KHIING
Executive Chairman

16 August 2002

Report from the Audit Committee

Members

YM Tunku Dato' Seri Mahmud bin Tunku Besar Burhanuddin (Chairman) (Independent Non-Executive Director)

Nicholas John Lough @ Sharif Lough Abdullah (Independent Non-Executive Director)

Sunny Khoo (Non-Executive Director)

Terms of Reference

Composition

The Audit Committee shall consist of at least three (3) members to be appointed by the Board from amongst the Directors, comprising a majority of directors independent of management and executive functions.

At least one member of the Committee shall be a member of the Malaysian Institute of Accountants (MIA) or if he is not a member of MIA, he must have at least 3 years working experience, and either must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967 or a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967.

The Chairman of the Audit Committee shall be elected from the among the Committee Members who is not an executive director or an employee of the Company or any related company.

Meetings

The Committee shall meet as many times as the Committee deems necessary and in any case, it should not be less than three (3) times a year.

The quorum for meetings of the Audit Committee shall be two (2) members who are independent non-executive Directors.

The Company Secretary shall be the Secretary to the Audit Committee.

The Committee may require the members of management, the internal auditor and representatives of the external auditors to attend any of its meetings as it determines.

Authority

The Audit Committee was appointed under Chapter 15, Part C, paragraph 15.10 of the Kuala Lumpur Stock Exchange Revamped Listing Requirements. The Committee is given the authority to investigate any activity of the Company and its subsidiaries and all employees shall be directed to cooperate as requested by members of the Committee.

Duties and Responsibilities

The Audit Committee shall assist the Board of Directors in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Company and its subsidiaries and the sufficiency of auditing relating thereto.

The specific duties of the Audit Committee are as follows:-

- (i) To review the accounting policies adopted, any changes in accounting principles or practices and the level of prudence applied in areas requiring judgement.
- (ii) To review the external audit report on the financial statements.
- (iii) To review with the external auditors, the overall scope of the external audit and discuss the results of their examination and their evaluation of the internal control system.
- (iv) To review the scope and results of the internal audit procedures.

Report from the Audit Committee

- (v) To review the financial statements with management and the external auditors prior to them being approved by the full Board.
- (vi) To review interim financial information and press releases of financial content.
- (vii) To review any significant transactions which are not a normal part of the Company's business.
- (viii) To review any significant related party transactions that may arise within the Company or Group.
- (ix) To recommend to the Board of Directors the appointment or termination of the external auditors.
- (x) Such other responsibilities as may be agreed between the Audit Committee and the Board of Directors.

Attendance at Meetings

During the financial year ended 31 March 2002, the Audit Committee held a total of six (6) meetings with all the members of the Committee in attendance. The dates of the meetings held are as follows:-

25 May 2001
11 July 2001
27 July 2001
24 August 2001
21 November 2001
26 February 2002

Activities

The following activities were performed by the Audit Committee during the financial year ended 31 March 2002:-

- (i) Reviewed the Quarterly Results and Year End Financial Statements of the Company with the external auditors prior to the Board's approval of the accounts.
- (ii) Ensured compliance with approved accounting standards in the preparation of the financial statements.
- (iii) Ensured timely disclosure of the Quarterly Results and Year End Financial Statements of the Company to the Kuala Lumpur Stock Exchange ("KLSE").
- (iv) Ensured that the transactions entered into by the Company and the Group are in compliance with requirements of the KLSE, Securities Commission and other regulatory bodies.

Internal Audit

The Company has yet to set up an Internal Audit Division as it is in the transition stage of the corporate exercise as detailed in the Chairman's Statement.

Statement on Corporate Governance

The Board of Directors is accountable to the Company's shareholders for good corporate governance. The Board is aware of the principles and best practices as set out in the Malaysian Code on Corporate Governance and have taken steps to progressively implement them to promote good corporate governance within the Group.

The Board

Composition and Balance

The Board presently has four (4) members comprising an Executive Director, three (3) Non-Executive Directors, two (2) of whom are Independent. A brief description of each director is presented in the Profile of Directors. Collectively, the Directors bring a balance of skills and experience appropriate to the business. The Executive Chairman, with the support of other members of the Board, has primary responsibilities for managing the Group's day to day operations. The Board also delegates certain of its responsibilities to the Audit Committee with clearly defined terms of reference.

Supply of Information and Board Meetings

In order to discharge their duties, the Directors are provided with the agenda and a full set of Board papers prior to each Board Meeting and are free to seek any further information they consider necessary.

During the financial year ended 31 March 2002, five (5) Board of Directors' Meetings were held and details of the Directors' attendance are disclosed in page 3 herein.

All Directors have access to the advice of the Company Secretary and independent advisers where necessary.

Appointments to the Board and Re-election

The appointment of any additional Director is made as and when it is deemed necessary by the existing Board with due consideration given to the mix of expertise and experience required for a balanced and effective Board. The Board itself functions as the Nominating Committee.

In accordance with Article 91 of the Articles of Association of the Company, at least one third of the Directors shall retire by rotation at each Annual General Meeting and are eligible to offer themselves for re-election at the Annual General Meeting. Directors who are appointed by the Board to fill a casual vacancy are subject to election by shareholders at the next Annual General Meeting following their appointment. All directors shall also retire from office once at least in each three years.

Director's Training

All current directors have attended the Mandatory Accreditation Program organised by the Research Institute of Investment Analysis Malaysia as required by the Kuala Lumpur Stock Exchange ("KLSE") Listing Requirements.

Statement on Corporate Governance

Directors' Remuneration

For the year under review, the aggregate of remuneration of Directors proposed/paid is as follows:-

	Directors' Fees (RM)	Allowance (RM)
Executive Director	—	—
Non-Executive Directors	39,000	5,100
Total	39,000	5,100

The number of Directors whose total remuneration during the year fall within the following band is as follows:-

	No. of Directors
Non-Executive Directors:	
Below RM50,000	4

Communication with Shareholders and Investors

The Company recognises the importance of keeping shareholders and investors informed of all major developments affecting the Company. The Company's annual reports contain comprehensive information pertaining to the Group, while various disclosures on quarterly and annual results provide the shareholders and investors with financial information.

The principal forum for dialogue with shareholders is the Annual General Meeting, during which the shareholders are given the opportunity to participate and pose questions to the Board regarding operational and financial information. Members of the Board and the external auditors are available to respond to shareholders' queries during the Annual General Meeting.

Accountability and Audit

Financial Reporting

In preparing the annual financial statements and quarterly announcements to shareholders, the Directors are responsible in ensuring that the financial statements are prepared in accordance with the provisions of the Companies Act, 1965 and applicable accounting standards to give a true and fair view of the state of affairs of the Group. Before releasing to the KLSE, the financial results were reviewed by the Audit Committee and approved by the Board of Directors.

Internal Control

The Statement on Internal Control for the Group is set up in page 14 herein.

Relationship with Auditors

The Company has established transparent and appropriate relationships with the Company's auditors through the Audit Committee. The external auditors, Arthur Andersen & Co has continued to report to the members of the Company their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. From time to time, the auditors highlight to the Audit Committee and the Board of Directors on matters that require the Board's attention.

Statement on Internal Control

Responsibility

The Board has the overall responsibility for the Group's system of internal control and for reviewing its effectiveness whilst the role of management is to implement the Board's policies on risk and control.

The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives.

In pursuing these objectives, internal controls can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Management Framework

With the cessation of the Group's core business in November 2001, the Board determined that it would defer the establishment of an organizational structure for risk management until such time as the Group had a new core business.

In the interim period, the Board extended the responsibilities of the Audit Committee to include the following scope of work, on its behalf:

- Ensuring adequate internal controls were in place;
- Undertaking the process of identifying, evaluating, monitoring and managing risk; and
- Overseeing the process of ceasing the core business and the care and custody of the Group's remaining assets after cessation.

The Audit Committee is currently responsible for the internal audit function which involves reviewing the internal controls in respect of the care and custody of the Group's remaining assets after cessation of core business to ensure continuous improvement of controls and procedures.

In undertaking the above, the Audit Committee relies on the services of various professional firms to provide information, valuations (where required), audit services and legal services to assist in the determination of recommendations (where appropriate) to the Board.

Upon the Group embarking on a new core business, the Board will establish the requisite risk management structure to identify, evaluate, monitor and manage the risks of the new core business reporting to the Audit Committee.

Additional Disclosures

Non-audit Fees

The non-audit fees paid to external auditors for the financial year ended 31 March 2002 are disclosed in Note 13 of the financial statements.

Directors' Responsibilities Statement

In preparing the annual financial statements of the Company and its group ("the Group") for the financial year ended 31 March 2002, the Board of Directors is collectively responsible in ensuring that the annual financial statements are drawn up in accordance with the requirements of the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The Board is satisfied that the financial reporting of the Group presents a true and fair view of the current position and prospects of the Group.

Financial Statements

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Directors' Report

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are described in Note 4 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Net loss for the year	741,819	2,320,586

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing-off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would require any amount to be written off as bad debts or render the amount provided for as doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the income statements and balance sheets were made out, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

Directors' Report

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group or the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group or the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group or the Company, which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

The significant events are as disclosed in Note 18 to the financial statements.

DIRECTORS

The directors who served since the date of the last report are:

Tan Sri Dato' Paduka (Dr) Ting Pek Khiing

Sunny Khoo

YM Tunku Dato' Seri Mahmud bin Tunku Besar Burhanuddin

Nicholas John Lough @ Sharif Lough Abdullah

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party with the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments or fees received or due and receivable by the directors as shown in Notes 13 and 14 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' Report

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM1 Each		
	At 1 April 2001	Bought	Sold
The Company:			
Tan Sri Dato' Paduka (Dr) Ting Pek Khiing	23,637,465	—	—

At
31 March
2002

Tan Sri Dato' Paduka (Dr) Ting Pek Khiing, by virtue of his interest in shares of the Company, is also deemed interested in the shares in all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

AUDITORS

Arthur Andersen & Co retire and do not seek re-appointment. A nomination has been received from a shareholder for the appointment of Ernst & Young in place of the retiring auditors.

Signed on behalf of the Board
in accordance with a resolution
of the directors

TAN SRI DATO' PADUKA (DR) TING PEK KHIING

SUNNY KHOO

Kuala Lumpur
29 July 2002

Statement by Directors

We, TAN SRI DATO' PADUKA (DR) TING PEK KHIING and SUNNY KHOO, being two of the directors of PWE INDUSTRIES BERHAD, do hereby state that, in the opinion of the directors, the financial statements set out on pages 23 to 41 give a true and fair view of the state of affairs of the Group and the Company as at 31 March 2002 and of their results and their cash flows for the year then ended and have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

Signed on behalf of the Board
in accordance with a resolution
of the directors

TAN SRI DATO' PADUKA (DR) TING PEK KHIING

SUNNY KHOO

Kuala Lumpur
29 July 2002

Statutory Declaration

I, TAN SRI DATO' PADUKA (DR) TING PEK KHIING, the director primarily responsible for the financial management of PWE INDUSTRIES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 23 to 41 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)	
abovenamed TAN SRI DATO' PADUKA)	
(DR) TING PEK KHIING at Kuala Lumpur)	TAN SRI DATO' PADUKA (DR) TING PEK KHIING
in Wilayah Persekutuan on 29 July 2002)	

Before me:

M.S. NATHAN
No. W 317
Commissioner for Oaths

Auditors' Report

To the Shareholders of
PWE INDUSTRIES BERHAD

We have audited the financial statements set out on pages 23 to 41. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia and give a true and fair view of:
 - (i) the state of affairs of the Group and the Company as at 31 March 2002 and of their results and their cash flows for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

ARTHUR ANDERSEN & CO.
No. AF 0103
Chartered Accountants

29 July 2002

ABRAHAM VERGHESE A/L T.V. ABRAHAM
No. 1664/10/02(J)
Partner of the Firm

Consolidated Balance Sheet 31 March 2002

	Note	2002 RM	2001 RM
NON-CURRENT ASSETS			
Property, plant and equipment	3	36,907	45,671
Timber rights	5	–	1,000,000
Reserve on consolidation	6	–	(1,753,416)
		<u>36,907</u>	<u>(707,745)</u>
CURRENT ASSETS			
Trade receivables	7	2,551,478	2,558,443
Other receivables	8	8,287,915	8,498,208
Cash and bank balances		87,045	168,107
		<u>10,926,438</u>	<u>11,224,758</u>
CURRENT LIABILITIES			
Trade payables		148,416	169,534
Other payables	9	1,722,031	179,068
Taxation		437,007	770,701
		<u>2,307,454</u>	<u>1,119,303</u>
NET CURRENT ASSETS			
		<u>8,618,984</u>	<u>10,105,455</u>
		<u>8,655,891</u>	<u>9,397,710</u>
FINANCED BY:			
Share capital	10	42,000,000	42,000,000
Accumulated losses		(33,344,109)	(32,602,290)
Shareholders' equity		<u>8,655,891</u>	<u>9,397,710</u>

The accompanying notes are an integral part of this balance sheet.

Consolidated Income Statement for the year ended 31 March 2002

	Note	2002 RM	2001 RM
Revenue	11	9,857,436	14,338,492
Other operating income	12	1,868,299	764,898
Timber extraction costs		(6,871,914)	(9,980,030)
Staff costs		(184,000)	(220,800)
Depreciation		(8,764)	(8,764)
Other operating expenses	13	(5,372,268)	(3,080,350)
Exceptional items	15	–	(13,417,297)
Loss from operations		(711,211)	(11,603,851)
Finance income		251,292	268,861
Loss before taxation		(459,919)	(11,334,990)
Taxation	16	(281,900)	(72,000)
Net loss for the year		(741,819)	(11,406,990)
Loss per share (sen)	17	(1.8)	(27.2)

The accompanying notes are an integral part of this statement.

Consolidated Statement of Changes in Equity for the year ended 31 March 2002

	Share capital RM	Accumulated losses RM	Total RM
At 1 April 2000	42,000,000	(21,195,300)	20,804,700
Net loss for the year	–	(11,406,990)	(11,406,990)
At 31 March 2001	42,000,000	(32,602,290)	9,397,710
At 1 April 2001	42,000,000	(32,602,290)	9,397,710
Net loss for the year	–	(741,819)	(741,819)
At 31 March 2002	42,000,000	(33,344,109)	8,655,891

The accompanying notes are an integral part of this statement.

Consolidated Cash Flow Statement for the year ended 31 March 2002

	2002 RM	2001 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(459,919)	(11,334,990)
Adjustment for:		
Amortisation of reserve on consolidation	(1,753,416)	(314,045)
Amortisation of timber rights	88,889	619,412
Depreciation	8,764	8,764
Gain on disposal of timber rights	(88,889)	–
Interest income	(251,292)	(268,861)
Preliminary and pre-operating expenses written off	–	25,260
Provision for diminution in value of timber rights	–	3,645,588
Provision for doubtful debts	1,903,911	9,807,858
Provision for doubtful debts written back	–	(211,604)
Operating (loss)/profit before working capital changes	(551,952)	1,977,382
Increase in receivables	(435,361)	(9,549,010)
Increase/(decrease) in payables	1,521,845	(798,971)
Decrease in amount due to a director	–	(358,584)
Cash generated from/(used in) operations	534,532	(8,729,183)
Taxes paid	(615,594)	(562,858)
Net cash used in operating activities	(81,062)	(9,292,041)
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	–	12,213
Preliminary and pre-operating expenses	–	(4,040)
Net cash generated from investing activities	–	8,173
NET DECREASE IN CASH AND CASH EQUIVALENTS	(81,062)	(9,283,868)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	168,107	9,451,975
CASH AND CASH EQUIVALENTS AT END OF YEAR	87,045	168,107
Cash and cash equivalents comprise:		
Cash and bank balances	87,045	168,107

The accompanying notes are an integral part of this statement.

Balance Sheet 31 March 2002

	Note	2002 RM	2001 RM
NON-CURRENT ASSETS			
Subsidiaries	4	2	10
Timber rights	5	–	1,000,000
		<u>2</u>	<u>1,000,010</u>
CURRENT ASSETS			
Other receivables	8	7,879,483	7,573,826
Cash and bank balances		49,881	125,271
		<u>7,929,364</u>	<u>7,699,097</u>
CURRENT LIABILITIES			
Other payables	9	1,662,197	105,330
Taxation		108,007	114,029
		<u>1,770,204</u>	<u>219,359</u>
NET CURRENT ASSETS			
		<u>6,159,160</u>	<u>7,479,738</u>
		<u>6,159,162</u>	<u>8,479,748</u>
FINANCED BY:			
Share capital	10	42,000,000	42,000,000
Accumulated losses		(35,840,838)	(33,520,252)
Shareholders' equity		<u>6,159,162</u>	<u>8,479,748</u>

The accompanying notes are an integral part of this balance sheet.

Income Statement for the year ended 31 March 2002

	Note	2002 RM	2001 RM
Other operating income	12	88,889	—
Staff costs		(36,800)	(36,800)
Other operating expenses	13	(2,557,967)	(2,019,957)
Exceptional items	15	—	(3,645,588)
Loss from operations		(2,505,878)	(5,702,345)
Finance income		251,292	268,861
Loss before taxation		(2,254,586)	(5,433,484)
Taxation	16	(66,000)	(72,000)
Net loss for the year		<u>(2,320,586)</u>	<u>(5,505,484)</u>

The accompanying notes are an integral part of this statement.

Statement of Changes in Equity for the year ended 31 March 2002

	Share capital RM	Accumulated losses RM	Total RM
At 1 April 2000	42,000,000	(28,014,768)	13,985,232
Net loss for the year	—	(5,505,484)	(5,505,484)
At 31 March 2001	42,000,000	(33,520,252)	8,479,748
At 1 April 2001	42,000,000	(33,520,252)	8,479,748
Net loss for the year	—	(2,320,586)	(2,320,586)
At 31 March 2002	42,000,000	(35,840,838)	6,159,162

The accompanying notes are an integral part of this statement.

Cash Flow Statement for the year ended 31 March 2002

	2002 RM	2001 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(2,254,586)	(5,433,484)
Adjustments for:		
Amortisation of timber rights	88,889	619,412
Interest income	(251,292)	(268,861)
Provision for diminution in value of timber rights	–	3,645,588
Provision for doubtful debts	214,823	658,540
Investment in subsidiaries written off	8	–
Gain on disposal of timber rights	(88,889)	–
Operating loss before working capital changes	(2,291,047)	(778,805)
Decrease/(increase) in receivables	730,812	(6,959,851)
Increase/(decrease) in payables	1,556,867	(1,107,783)
Decrease in amount due to a director	–	(358,584)
Cash used in operations	(3,368)	(9,205,023)
Taxes paid	(72,022)	(34,075)
Net cash used in operating activities	(75,390)	(9,239,098)
CASH FLOW FROM INVESTING ACTIVITY		
Interest received	–	12,213
Net cash generated from investing activity	–	12,213
NET DECREASE IN CASH AND CASH EQUIVALENTS	(75,390)	(9,226,885)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	125,271	9,352,156
CASH AND CASH EQUIVALENTS AT END OF YEAR	49,881	125,271
Cash and cash equivalents comprise:		
Cash and bank balances	49,881	125,271

The accompanying notes are an integral part of this statement.

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are described in Note 4. There have been no significant changes in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Second Board of the Kuala Lumpur Stock Exchange. The principal place of business of the Company is located at Level 16, Wisma Ting Pek Khiing, No. 1, Jalan Padungan, 93100 Kuching, Sarawak.

The Group and the Company did not have any employees as at the end of the current and previous financial year. The accounting, secretarial and administrative functions of the Group and the Company were carried out by certain employees seconded from Ekran Berhad, a company in which a director of the Company, Tan Sri Dato' Paduka (Dr) Ting Pek Khiing, has interest.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

(b) Basis of Consolidation

Consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits therefrom. Companies acquired or disposed are included in the consolidated financial statements from the date of acquisition or to the date of disposal. Subsidiaries are consolidated using the acquisition method of accounting.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The difference between the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve arising on consolidation and is amortised or credited to income statement over 10 years. Goodwill on consolidation is reviewed at each balance sheet date and will be written down for impairment where it is considered necessary.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

(c) Revenue Recognition

Revenue represents the invoiced sales of timber recognised net of discounts when transfer of risks and rewards has been completed.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation of property, plant and equipment is provided on a straight line basis calculated to write off the cost of each asset to its residual value over the estimated useful life at the following annual rate:

Office equipment and furniture 10% – 33%

The carrying values of property, plant and equipment are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(e) Timber Rights

Timber rights are stated at cost less provision for diminution in value and are amortised annually using the following basis:

- equally over the remaining period of the rights expiring on 29 September 2008; or
- percentage of the volume of timber extracted compared to the total estimated volume of timber available for extraction over the period of the rights, whichever is higher.

The total estimated volume of timber available for extraction are determined based on the quota as set by the Forestry Department of Sarawak. During the financial year, the timber rights were disposed of as disclosed in Note 18.

(f) Deferred Taxation

Deferred taxation is provided under the liability method for all material timing differences except where there is reasonable evidence that these timing differences will not reverse.

(g) Investments

Investments in subsidiaries are stated at cost less provision for any permanent diminution in value. Such provision is made when there is a decline other than temporary in the value of investments and is recognised as an expense in the period in which the decline occurred. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Trade and Other Receivables

Trade and other receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on review of all outstanding amounts as at the balance sheet date.

(i) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks and deposits at call, net of outstanding bank overdrafts.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Office equipment and furniture RM
Cost	
At 1 April 2001/31 March 2002	117,841
Accumulated Depreciation	
At 1 April 2001	72,170
Charge for the year	8,764
At 31 March 2002	80,934
Net Book Value	
At 31 March 2002	36,907
At 31 March 2001	45,671
Depreciation charge for 2001	8,764

Notes to the Financial Statements 31 March 2002

4. SUBSIDIARIES

	Company	
	2002 RM	2001 RM
Unquoted shares, at cost	9,000,010	9,000,010
Provision for diminution in value	(9,000,000)	(9,000,000)
Amount written off	(8)	–
	<u>2</u>	<u>10</u>

Details of the subsidiaries are as follows:

Name of Companies	Country of Incorporation	Effective Interests %		Principal Activities
		2002	2001	
Sastep Sendirian Berhad	Malaysia	100	100	Timber extraction and timber trading
PWE Logging Sdn. Bhd.	Malaysia	100	100	Dormant
PWE O & M (Bakun) Sdn. Bhd.	Malaysia	100	100	Dormant
Sastep Logistics Sdn. Bhd.	Malaysia	100	100	Dormant
PWE Information Networks Sdn. Bhd.	Malaysia	100	100	Dormant
PWE Management Sdn. Bhd.	Malaysia	100	100	Dormant

PWE O & M (Bakun) Sdn. Bhd., Sastep Logistics Sdn. Bhd., PWE Information Networks Sdn. Bhd. and PWE Management Sdn. Bhd., all of which are dormant companies, are in the process of being voluntarily wound up pursuant to Section 308 of the Companies Act, 1965. As such, the financial statements of these companies were not consolidated in the consolidated financial statements of the Group.

5. TIMBER RIGHTS

	Group and Company	
	2002 RM	2001 RM
Timber rights, at cost	26,125,000	26,125,000
Less: Provision for diminution in value	(16,145,588)	(16,145,588)
	<u>9,979,412</u>	<u>9,979,412</u>
Less: Accumulated amortisation	(9,068,301)	(8,979,412)
	<u>911,111</u>	<u>1,000,000</u>
Less: Disposal (Note 18)	911,111	–
	<u>–</u>	<u>1,000,000</u>

6. RESERVE ON CONSOLIDATION

	Group	
	2002 RM	2001 RM
Reserve	3,140,448	3,140,448
Write off and accumulated amortisation	(3,140,448)	(1,387,032)
	–	1,753,416

The reserve arising on consolidation in relation to the acquisition of a subsidiary with timber operations has been fully written off/amortised as the timber rights and its related operations have been sold as disclosed in Note 18.

7. TRADE RECEIVABLES

	Group	
	2002 RM	2001 RM
Trade receivables	14,355,494	12,458,548
Less: Provision for doubtful debts	(11,804,016)	(9,900,105)
	2,551,478	2,558,443

Included in trade receivables are amounts due from Equatorial Timber Marketing Sdn. Bhd., Ekran Timber and Sawmill Sdn. Bhd., Ekran Logging Sdn. Bhd., Ekran Project Management Sdn. Bhd., Ekran Plantation Sdn. Bhd. and Sarawak Pulp Industry Sdn. Bhd., companies in which a director of the Company, Tan Sri Dato' Paduka (Dr) Ting Pek Khiing, has substantial financial interests of RM14,171,857 (2001: RM12,310,996) in respect of which provision for doubtful debts amounting to RM1,903,911 (2001: RM9,771,709) has been made during the year.

8. OTHER RECEIVABLES

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Due from subsidiaries	–	–	1,417,660	1,128,902
Director related companies				
– Ekran Berhad	7,283,111	7,180,186	6,298,057	7,180,186
– Others	36,149	1,292,117	36,149	36,149
Other receivables	1,004,804	62,054	1,000,980	1,144
	8,324,064	8,534,357	8,752,846	8,346,381
Provision for doubtful debts	(36,149)	(36,149)	(873,363)	(772,555)
	8,287,915	8,498,208	7,879,483	7,573,826

Notes to the Financial Statements 31 March 2002

8. OTHER RECEIVABLES (Cont'd)

Director related companies refer to companies in which a director, Tan Sri Dato' Paduka (Dr) Ting Pek Khiing, has substantial financial interests. In the previous financial year, an advance of RM7.43 million was given to Ekran Berhad. The advance was reduced to RM6.30 million (2001: RM7.18 million) as at year end via the contra of certain expenses and cash repayment of RM883,005 by Ekran Berhad. The directors are of the opinion that even though the advance given to Ekran Berhad contravenes Section 133A of the Companies Act, 1965, under the circumstances, the advance was necessary to address the short term needs of Ekran Berhad. Steps have been taken to ensure that the Company will not suffer any loss as a result of this advance and interest is charged to Ekran Berhad at market rate. The advance is to be repaid by 30 September 2002 by Ekran Berhad as indicated in its Letter of Undertaking dated 22 January 2002 to the Company.

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

9. OTHER PAYABLES

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Due to companies in which certain directors have substantial financial interests	10,332	11,156	—	—
Other payables	90,949	101,912	41,447	39,330
Accruals	1,620,750	66,000	1,620,750	66,000
	1,722,031	179,068	1,662,197	105,330

The amounts due to Gemila Sdn Bhd and Bakun Resorts Sdn Bhd, companies in which a director, Tan Sri Dato' Paduka (Dr) Ting Pek Khiing, has substantial financial interests, are unsecured, interest free and have no fixed terms of repayment.

10. SHARE CAPITAL

	Number of ordinary shares of RM1 each		Amount	
	2002	2001	2002 RM	2001 RM
Authorised:				
At 1 April/31 March	500,000,000	500,000,000	500,000,000	500,000,000
Issued and fully paid:				
At 1 April/31 March	42,000,000	42,000,000	42,000,000	42,000,000

11. REVENUE

Revenue of the Group represents the invoiced sales of timber net of discounts.

Notes to the Financial Statements 31 March 2002

12. OTHER OPERATING INCOME

Included in other operating income are:

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Gain on disposal of timber rights	88,889	–	88,889	–
Provision for doubtful debts written back	–	211,604	–	–
Write off/amortisation of reserve on consolidation	1,753,416	314,045	–	–

13. OTHER OPERATING EXPENSES

Included in other operating expenses are:

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Amortisation of timber rights	88,889	619,412	88,889	619,412
Rental of premises	60,000	69,000	12,000	12,000
Directors' fees	39,000	48,000	39,000	48,000
Auditors' remuneration				
– current year	24,500	24,500	18,000	18,000
– other services	302,500	–	300,000	–
Preliminary and pre-operating expenses written off	–	25,260	–	–
Provision for doubtful debts				
– Trade receivables	1,903,911	–	–	36,149
– Other receivables	–	36,149	214,823	622,391
Expenses of liquidated subsidiaries undertaken by the Company	26,668	–	26,668	–
Investment in subsidiaries written off	–	–	8	–
Professional fees for restructuring exercise	1,895,445	–	1,895,445	–

14. DIRECTORS' REMUNERATION

	Group and Company	
	2002	2001
	RM	RM
Directors of the Company		
Non-Executive:		
Fees	39,000	48,000

Notes to the Financial Statements 31 March 2002

14. DIRECTORS' REMUNERATION (Cont'd)

The number of directors of the Company whose total remuneration during the year fall within the following band is as follows:

	Number of Directors	
	2002 RM	2001 RM
Non-Executive directors:		
Below RM50,000	4	5

15. EXCEPTIONAL ITEMS

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Provision for diminution in value of timber rights	–	3,645,588	–	3,645,588
Provision for doubtful debts				
– Trade receivables	–	9,771,709	–	–
	–	13,417,297	–	3,645,588

16. TAXATION

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Current year's provision	395,000	72,000	66,000	72,000
Overprovision in prior years	(113,100)	–	–	–
	281,900	72,000	66,000	72,000

Taxation for the year for the Company is in respect of interest income receivable.

As at 31 March 2002, the Company has tax exempt profits available for distribution of approximately RM8,626,000 (2001: RM8,626,000), subject to agreement with the Inland Revenue Board.

The taxation of the Group relates to companies with profits as losses of other subsidiaries cannot be set off against profits made by other companies in the Group as no group relief is available.

17. LOSS PER SHARE

Basic loss per share of the Group is calculated by dividing the net loss of RM741,819 (2001: RM11,406,990) by the weighted average number of ordinary shares in issue during the financial year of 42,000,000 (2001: 42,000,000).

18. SIGNIFICANT EVENTS

On 20 December 2001, the Company announced that it entered into a Deed of Sale with Tirasen Sdn. Bhd. for the disposal of timber rights for a consideration of RM1,000,000.

The timber rights represent the only business in the PWE Group. Following the disposal, the turnover of the PWE Group will be less than 5% of the issued and paid-up share capital of the Company. Such circumstances caused the Company to be an affected listed issuer.

On 21 December 2001, the Company announced the proposed acquisition of 95.76% equity interest in Kosma Nusantara Berhad ("KNB") from Kosma Consolidated Berhad ("KCB") for a purchase consideration of RM86,181,081 ("Proposed Acquisition of KNB Shares") to be satisfied in the following manner:

- (a) RM8,857,500 in cash;
- (b) RM12,654,000 by the issuance of RM12,654,000 nominal value of 1% 5-year redeemable convertible unsecured loan stocks in the Company; and
- (c) RM64,669,581 by the issuance of 56,234,418 new ordinary shares of RM1.00 each in the Company with 56,234,418 warrants at an issue price of RM1.15 per share

as one of the steps to regularise the level of operations of the Group.

The Proposed Acquisition of KNB Shares is subject to, inter-alia, the approvals of the Securities Commission, Foreign Investment Committee, the Company's shareholders and KCB's shareholders. As at the date of this report, the management are still finalising the above proposals to be submitted to the relevant authorities.

19. CONTINGENT LIABILITY – unsecured

	Group and Company	
	2002	2001
	RM	RM
Corporate guarantee provided for bank facilities granted to a subsidiary	3,184,016	4,745,000

The bank facilities granted to the subsidiary were for the purchase of heavy machinery in the financial year ended 31 March 2000. These heavy machinery have been sold to an external party but the lenders did not discharge the Company from the Corporate Guarantee. During the year, the Company has received a Letter of Indemnity from the buyer to indemnify the Company from all losses and liabilities that may crystallise in the event that the buyer defaults on the hire purchase facilities.

20. CONTINGENT ASSET

	Group	
	2002	2001
	RM	RM
Shortfall in profit guarantee receivable from the vendor of timber rights	6,978,359	6,978,359

The contingent asset is in respect of the shortfall in profit guarantee for the financial year ended 31 March 1999. The shortfall is receivable from Equatorial Timber Marketing Sdn. Bhd., the vendor of the timber rights, a company in which a director, Tan Sri Dato' Paduka (Dr) Ting Pek Khiing, has substantial financial interests. The management has agreed with the vendor that the shortfall would be settled within 18 months from 29 August 2001 and interest will be charged on the outstanding amount until full settlement at 6% per annum.

21. SIGNIFICANT RELATED PARTY TRANSACTIONS

During the financial year, the following transactions were entered into with companies in which a director, Tan Sri Dato' Paduka (Dr) Ting Pek Khiing, has substantial financial interests:

	Group	
	2002	2001
	RM	RM
Equatorial Timber Marketing Sdn. Bhd.		
Sale of timber	9,857,436	14,338,492
Logging management fee paid	1,016,600	1,484,100
Timber extraction costs	6,871,914	11,464,130
Ekran Berhad		
Advance	—	7,430,186
Staff costs for seconded employees	184,000	184,000
Expenses paid on behalf	416	273,543
Rental of premises	60,000	60,000
Printing and stationery charges	6,000	6,000

Other significant arrangement with a related party

The Company entered into a management contract arrangement with Equatorial Timber Marketing Sdn. Bhd. ("ETM") on 18 November 1999, to appoint the latter as its timber operator for a duration of 5 years (with effect from 1 April 1999) to manage, deal with and enforce the rights and powers of the Company arising from the Forest Timber License. Conditions underlying this agreement includes, inter alia, the following:

- Management fee payable under the contract is fixed for the duration of 5 years for every cubic metre of timber sold.
- Automatic extension of the appointment of ETM as its agent every 5 years, provided new terms and conditions are mutually agreed by ETM and the Company.

The management contract has been terminated on 30 November 2001 upon the disposal of the timber rights as disclosed in Note 18.

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established under terms that are not materially different from that obtainable in transactions with unrelated parties.

22. SEGMENTAL INFORMATION

Analysis by Activity:

	Revenue RM	Loss before taxation RM	Total assets employed RM
2002			
Timber extraction and timber trading	9,857,436	(198,515)	5,386,883
Investment holding	–	(2,254,586)	7,929,366
	9,857,436	(2,453,101)	13,316,249
Consolidation adjustments	–	1,993,182	(2,352,904)
	9,857,436	(459,919)	10,963,345
2001			
Timber extraction and timber trading	14,338,492	(10,458,270)	2,079,509
Investment holding	–	(1,787,896)	12,344,695
Others	–	(25,260)	7,688
	14,338,492	(12,271,426)	14,431,892
Consolidation adjustments	–	936,436	(2,161,463)
	14,338,492	(11,334,990)	12,270,429

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

List of Properties

Location	Tenure	Year Lease Expiring	Land Area	Existing Use	Net Book Value as at 31.3.2002 (RM)
NIL					

Analysis of Shareholders as at 29 July 2002

Authorised Capital : RM500,000,000
 Issued and Paid-up Capital : RM42,000,000
 Class of Shares : Ordinary Shares of RM1.00 each
 Voting Rights : One vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Holdings	No. of Holders	Total Holdings	% of Issued Capital
Less than 1,000	13	3,826	0.01
1,000 to 10,000	3,623	8,207,694	19.54
10,001 to 100,000	175	4,853,962	11.56
100,001 to less than 5% of issued shares	17	7,036,118	16.75
5% and above of issued shares	5	21,898,400	52.14
Total	3,833	42,000,000	100.00

THIRTY LARGEST SHAREHOLDERS

Name	No. of Shares	% of Issued Capital
1. Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd (Pledged securities account for Ting Pek Khiing)	6,500,000	15.48
2. CIMB Nominees (Tempatan) Sdn Bhd (Pledged securities account for Tan Sri Dato' Paduka (Dr) Ting Pek Khiing)	4,000,000	9.52
3. AllianceGroup Nominees (Tempatan) Sdn Bhd (Alliance Merchant Nominees (Tempatan) Sdn Bhd for Ting Pek Khiing)	2,800,000	6.67
4. HDM Nominees (Tempatan) Sdn Bhd (Pledged securities account for CYK-COM Corporation Sdn Bhd (MEMOS))	1,958,000	4.66
5. CIMB Nominees (Tempatan) Sdn Bhd (Pledged securities account for Tan Sri Dato' Paduka (Dr) Ting Pek Khiing)	1,680,000	4.00
6. Lembaga Tabung Haji	1,452,800	3.46
7. Southern Nominees (Tempatan) Sdn Bhd (Pledged securities account for Tan Sri Datuk Ting Pek Khiing)	1,407,728	3.35
8. AllianceGroup Nominees (Tempatan) Sdn Bhd (Pledged securities account for Ting Pek Khiing)	1,303,000	3.10
9. HSBC Nominees (Tempatan) Sdn Bhd (Pledged securities account for Tan Sri Datuk Paduka Ting Pek Khiing)	1,000,000	2.38
10. Lembaga Tabung Haji	950,000	2.26
11. AllianceGroup Nominees (Tempatan) Sdn Bhd (AFB Nominees (Tempatan) Sdn Bhd for Ting Pek Khiing)	760,000	1.81
12. PM Nominees (Tempatan) Sdn Bhd (Pledged securities account for Chai Chon Mui)	521,000	1.24
13. Mayban Securities Nominees (Tempatan) Sdn Bhd (Aspek Elit Sdn Bhd)	475,000	1.13
14. PAB Nominee (Tempatan) Sdn Bhd (Pledged securities account for Ting Pek Khiing)	300,000	0.71
15. Southern Nominees (Tempatan) Sdn Bhd (Pledged securities account for Tan Sri Datuk Ting Pek Khiing)	300,000	0.71

Analysis of Shareholders as at 29 July 2002

THIRTY LARGEST SHAREHOLDERS (Cont'd)

Name	No. of Shares	% of Issued Capital
16. JB Nominees (Tempatan) Sdn Bhd (Multi-Purpose Credit Sdn Bhd for Ting Pek Khiing)	295,000	0.70
17. A.A. Assets Nominees (Tempatan) Sdn Bhd (Pledged securities account for Aspek Elit Sdn Bhd)	271,000	0.65
18. Teng Long Cheong @ Paul Tang	144,000	0.34
19. Ng Kong Wan	130,000	0.31
20. Low Ah Kou	129,000	0.31
21. Yew Kok Soo	122,000	0.29
22. HDM Nominees (Tempatan) Sdn Bhd (Pledged securities account for Ling Li Wen (MEMOS))	109,000	0.26
23. Woo Mei Har	104,000	0.25
24. Bong Hon Voo	100,000	0.24
25. CIMB Nominees (Tempatan) Sdn Bhd (Pledged securities account for Tan Sri Dato' Paduka (Dr) Ting Pek Khiing)	100,000	0.24
26. Kenanga Nominees (Tempatan) Sdn Bhd (Pledged securities account for Tiang Ming Sing)	100,000	0.24
27. Tan Haw Wah	100,000	0.24
28. Wong Hua Ung	100,000	0.24
29. CIMB Securities Sdn Bhd (IDA for MA)	90,000	0.21
30. Yong Chee Boh	90,000	0.21
Total	27,391,528	65.21

SUBSTANTIAL SHAREHOLDERS

(as defined under Section 69D of the Companies Act, 1965)

Name	Direct		Indirect	
	No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital
Tan Sri Dato' Paduka (Dr) Ting Pek Khiing	23,637,465	56.28	—	—
Lembaga Tabung Haji	2,482,800	5.91	—	—

DIRECTORS' INTEREST

Name	Direct		Indirect	
	No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital
Tan Sri Dato' Paduka (Dr) Ting Pek Khiing	23,637,465	56.28	—	—
Mr Nicholas John Lough @ Sharif Lough Abdullah	—	—	—	—
YM Tunku Dato' Seri Mahmud bin Tunku Besar Burhanuddin	—	—	—	—
Mr Sunny Khoo	—	—	—	—



Form of Proxy

I/We _____

of _____

being a member/members of PWE INDUSTRIES BERHAD hereby appoint _____

of _____

or failing him/her _____

of _____

or failing him/her, the Chairman of the Meeting as my/our proxy to vote and act for me/us on my/our behalf at the 28th Annual General Meeting of the Company to be held at Ballroom I, Santubong Kuching Resort, Jalan Santubong, 93748 Kuching, Sarawak on Tuesday, 24 September 2002 at 11.30 a.m. and at any adjournment thereof.

My/Our Proxy is to vote as indicated below:-

Resolution		For	Against
No. 1	To receive and adopt the Reports and Financial Statements.		
No. 2	To re-elect Mr Nicholas John Lough @ Sharif Lough Abdullah as Director.		
No. 3	To re-appoint YM Tunku Dato' Seri Mahmud bin Tunku Besar Burhanuddin as Director.		
No. 4	To approve the payment of Directors' fees.		
No. 5	To appoint Messrs Ernst & Young as Auditors of the Company.		
No. 6	To authorise Directors to allot and issue shares.		

(Please indicate with an "X" in the spaces provided how you wish your votes to be cast. If you do not do so, the Proxy will vote or abstain from voting at his discretion.)

No. of Shares Held	
--------------------	--

Dated this _____ day of _____ 2002.

Signature

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints two or more proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
3. The Form of Proxy, in the case of an individual shall be signed by the appointer or his attorney, and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. The Form of Proxy must be deposited with the Company's Share Registrars, Metra Management Sdn Bhd, 37th Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than 48 hours before the time for holding the Meeting or any adjournment thereof.
5. Any alteration in this form must be initialled.

FOLD HERE

STAMP

Metra Management Sdn Bhd
37th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur

FOLD HERE