

PWE INDUSTRIES BERHAD
(18904-M)

NOTES TO THE UNAUDITED RESULTS FOR THE 2nd QUARTER ENDED 30 SEPTEMBER 2009

NOTES :

1. Accounting Policies

The Interim financial report of the Group was prepared in line with MASB 26, Interim Financial Reporting and Listing Requirements of Bursa Malaysia.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the year ended 31 March 2009.

2. Audit Qualification

The audit report in respect of the annual financial statement for the year ended 31 March 2009 was not qualified.

3. Explanatory comment about the seasonality or cyclicity of operations

The business of the Group are not subject to seasonal or cyclical fluctuations.

4. Exceptional Items

There was no exceptional items in the quarterly financial statement under review.

5. Accounting Estimates

There were no changes in estimates of amounts reported in prior interim periods of the current financial period or in prior financial years that have a material effect in the current interim period.

6. Issuance or Repayment of Debt and Equity Securities

There were no issuances and repayment of debt securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares for the period ended 30 September 2009.

7. Dividend Paid

No dividends were paid during the quarter.

8. Segmental Reporting

The information for each of the Group's industry segments is as follows:

	<u>Turnover</u>		<u>Loss before tax</u>		<u>Total Assets Employed</u>	
	<u>3 months ended</u>	<u>6 months ended</u>	<u>3 months ended</u>	<u>6 months ended</u>	<u>3 months ended</u>	<u>12 months ended</u>
	<u>30.09.09</u>	<u>30.09.09</u>	<u>30.09.09</u>	<u>30.09.09</u>	<u>30.09.09</u>	<u>31.03.09</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
Timber extraction and trading	-	-	(2,073)	(2,123)	3,426,449	3,428,649
Investment holding	-	-	(58,478)	(67,833)	6,109,116	6,191,941
	-	-	(60,551)	(69,956)	9,535,565	9,620,590
Group's share of associated Companies results	-	-	-	-	-	-
	-	-	(60,551)	(69,956)	9,535,565	9,620,590
Exceptional items	-	-	-	-	-	-
	-	-	(60,551)	(69,956)	9,535,565	9,620,590

9. Valuation of Property, Plant and Equipment

The valuation of Office Equipment and furniture have been brought forward, without amendment from the previous annual report.

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10. Subsequent Material Events

The subsequent event pertaining to the Proposed Acquisition of Pansar Company Sdn Bhd and Pansar Engineering Services Sdn Bhd is detailed under note 22.

11. Changes in the Composition of the Group

There was no changes in the composition of the Group during the current quarter ended 30 September 2009.

12. Contingent Asset

	<u>Group</u>	
	<u>30.09.09</u>	<u>31.03.09</u>
	RM	RM
<u>Contingent Asset</u>		
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 proposed settlement of the shortfall in the profit guarantee are disclosed in Note 22.

13. Commitments

There were no commitments in respect of the Group since the last annual balance sheet date to the date of this report.

14. Significant Related Party Transactions

There were no significant related party transactions during the current quarter under review.

15. Review of Performance of the Company and its Principal subsidiaries

For the three (3) months period ended 30 September 2009 under review, the pre-tax loss of RM60,551 was mainly due to administration expenses.

16. Comment on financial results (current quarter compared with the preceding quarter)

The Group recorded a pre-tax loss of RM60,551 for the 2nd quarter this year compared to a pre-tax loss of RM9,405 for the preceding 1st quarter this year due to the administration expenses incurred.

17. Prospects for the current financial year

We do not foresee any operations for the Group for the next quarter pending the finalisation of the corporate exercise.

18. Variance of Actual Profit from Forecast Profit

Not applicable.

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19. **Taxation**

	<u>Current Quarter 30.09.09</u>	<u>Cumulative Quarter 31.09.09</u>
	RM	RM
• Current taxation	-	-
• Deferred taxation	-	-
• Share of tax in associated companies	-	-
• Under provision of prior years	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

20. **Profit on sale of Investments and / or Properties**

There were no profits on sale of unquoted investments and/or properties during the current financial period ended 30 September 2009.

21. **Quoted Securities**

There was no purchase or disposal of quoted securities during the current financial period ended 30 September 2009.

22. **Status of Corporate Proposals**

Bursa Malaysia Securities Berhad ("Bursa Securities") has, on 14 February 2008, decided to impose suspension on the trading of the Company's securities pursuant to paragraphs 8.16 and 16.02 of the Bursa Securities' Listing Requirements ("LR"). The trading in the securities of the Company will be suspended with effect from 9.00 am, Friday, 22 February 2008 until further notice.

Bursa Securities has also decided to commence de-listing procedures against PWE in the event : -

- (i) The Company fails to submit a new regularisation plans to the Securities Commission ("SC") and other relevant authorities ("the Approving Authorities") for approval within 3 months from the date hereof ie. by 13 May 2008;
- (ii) The Company fails to obtain the approval from any of the Approving Authorities necessary for the implementation of its new regularisation plans and does not appeal to the Approving Authorities within the timeframe (or extended timeframe, as the case may be) prescribed to lodge an appeal;
- (iii) The Company does not succeed in its appeal against the decision of the Approving Authorities; or
- (iv) The Company fails to implement its new regularisation plans within the timeframe or extended timeframes stipulated by the Approving Authorities.

Upon a appeal for the deferment of the suspension of PWE's securities made by PWE on 19 February 2008 to Bursa Securities, Bursa Securities had on the even date informed PWE that the suspension in the trading of the securities of PWE with effect from 9.00a.m., Friday, 22 February 2008 imposed pursuant to paragraph 8.16 of the LR shall be deferred pending decision of the appeal.

Bursa Securities had on 3 March 2008, rejected the Company's appeal to defer the imposition of suspension on the trading of PWE's securities to 30 April 2008. Bursa Securities had also informed that the trading in the securities of the Company will be suspended pursuant to paragraph 8.16 and 16.02 of the Listing Requirement with effect from 9.00 a.m., Tuesday, 11 March 2008 until further notice.

In the same letter, Bursa Securities mentioned that they shall also commence de-listing procedures against PWE upon occurrence of the events as earlier announced on 14 February 2008.

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On 12 May 2008, as part of the Company's Proposed Capital Restructuring Scheme to regularize its financial conditions, the Company entered into a conditional sale and purchase agreement with Pan Sarawak Holdings Sdn Bhd to acquire the entire issued and paid-up capital of Pansar Company Sdn Bhd and Pansar Engineering Services Sdn Bhd ("CSPA"). The terms and condition of the Proposed Capital Restructuring Scheme are contained in the announcement made by PWE to Bursa Securities on the same date.

After due consideration of all facts and circumstances of the matter, Bursa Securities had decided to grant the Company an extension of time as requested i.e. until 11 July 2008 to submit its regularisation plans to the Approving Authorities for approval. Details of the extension of time are contained in the Listing Circular announced on 1 July 2008.

The Board of Directors of PWE and Pan Sarawak Holdings Sdn Bhd had on 9 July 2008 entered into a First Supplementary Deed to, amongst others, extend the duration of the CSPA from six (6) months to twelve (12) months from the date of the CSPA.

On 11 July 2008, on behalf of the Board of Directors of PWE, AmInvestment Bank Berhad (a member of the AmInvestment Bank Group) had submitted the applications pertaining to the Proposed Restructuring Scheme to the Approving Authorities.

The SC had vide its letter dated 25 July 2008 informed PWE that the SC will only consider the Proposed GO Waiver upon fulfillment of the following requirements under Practice Note 2.9.1 of the Malaysian Code on Take-Overs and Mergers 1998:-

- (a) Approval from the independent holders of voting shares of PWE, on a poll in a general meeting in which the interested parties are to abstain from voting. The results of the poll has to be confirmed by an independent auditor;
- (b) Provision is made for the shareholders of PWE for competent independent advice regarding the Proposed GO Waiver. The appointment of the independent adviser and the independent adviser's circular to the shareholders are to be first approved and consented by the SC; and
- (c) PHSB and the persons acting in concert are to submit declarations (to be furnished after the general meeting) addressed to the SC, attesting that they have not purchased any shares in PWE subsequent to the discussion in relation to the proposals (the date of the discussion is to be stated in the declarations) and until the granting of the Proposed GO Waiver by the SC (if so decided).

Securities Commission ("SC"), pursuant to the CMSA and the Foreign Investment Committee's ("FIC") Guidelines on the Acquisition Of interests, Mergers And Take-Overs By Local And Foreign Interests, has vide its letter dated 10 November 2008 approved the Proposed Restructuring Scheme, subject to the fulfillment of the following conditions:-

- (i) AmInvestment Bank Berhad / PWE to disclose, in the circular to shareholders, the following:
 - (a) A discussion on the basis in arriving at the purchase consideration for PCSB and PESSB; and
 - (b) The list of items classified as "other income" in the financial statements of PCSB and PESSB;
- (ii) The restructuring scheme must be inter-conditional upon the proposed settlement of the amount owing by Ekran Berhad and proposed settlement of the profit guarantee shortfall by Equatorial Timber Marketing Sdn Bhd ("Proposed Settlements");
- (iii) PWE to revise the Proposed Settlements proposals to ensure that the minority shareholders will benefit directly from it. The revised proposed settlement must be submitted to the SC for approval;
- (iv) The Proposed Settlements must be effected before the Proposed Acquisitions can implemented;
- (v) Further equity condition may be imposed after reviewing PWE's equity structure 3 years from the date of the implementation of the proposed restructuring scheme, in which, the adviser/PWE is required to submit the effective equity structure of PWE 3 years after the date of completion of the proposal, together with the latest audited financial accounts of PWE; and
- (vi) AmInvestment Bank Berhad / PWE must inform the SC upon completion of the proposals.

On 23 December 2008, to fulfil the conditions of approvals mentioned above, the Company submitted an application to the SC for a proposed special dividend of RM3,764,986 to the shareholders of PWE other than Tan Sri Dato' Paduka (Dr) Ting Pek Khiing and persons connected to Tan Sri Dato' Paduka (Dr) Ting Pek Khiing ("**Other Shareholders**"). On 16 March 2009, the Company announced that the SC has not approved the said proposed special dividend.

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On 30 March 2009, the Company announced the following revisions to the Proposed Restructuring Scheme:-

- (a) proposed revision to the terms of the acquisitions of PCSB and PESSB whereby the entire purchase consideration of RM119 million will be wholly settled via issuance of 238 million new ordinary shares of RM0.50 each in PWE;
- (b) the Proposed Settlements;
- (c) proposed increase in the quantum of the special dividend to the Other Shareholders to RM4.9 million; and
- (d) arising from the revisions, the quantum of the offer for sale will be increased to 37,000,000 shares in order to regularise the public shareholding spread of PWE .

Save for the above, the other terms of the Proposed Restructuring Scheme remain status quo.

On 22 May 2009, the Company announced that the SC had vide its letter dated 20 May 2009 approved the above revisions.

On 22 June 2009, in accordance with Malaysian Code on Take-Overs and Mergers 1998, the Board of Directors of PWE (“Board”) announced that the Board has appointed OSK Investment Bank Berhad (“OSK”) as the independent adviser to advise the non-interested shareholders of PWE in relation to the Proposed GO Waiver. The appointment of OSK was approved by SC vide its letter dated 2 July 2009 (received on 6 July 2009) as announced on 6 July 2009.

On 7 October 2009, on behalf of the Board, AmInvestment Bank Berhad informed that the SC had vide its letter dated 1 October 2009 (which was received on 6 October 2009) informed that the bumiputera equity condition imposed by the SC via its letter dated 10 November 2008, is no longer applicable.

On 24 November 2009, PWE and PHSB had entered into a Second Supplementary Deed, which are supplemental to the CSPA, to effect, amongst others, the following:

- (i) the Proposed Settlements;
- (ii) the Proposed Revised Distribution;
- (iii) the Proposed Revised Acquisitions;
- (iv) The inter-conditionality of the proposals whereby the Proposed Revised Acquisitions are conditional upon the Proposed Settlements and the Proposed Revised Distribution; and
- (v) extend the duration of the CSPA for another twelve (12) months from the date of the Second Supplementary Deed.

Save for the above, the other salient terms of the CSPA remained unchanged.

Further details on the Second Supplementary Deed are set out in the Company’s announcement dated 24 November 2009.

The Proposed Restructuring Scheme is now subject to the following:

- (a) the shareholders of PWE at a general meeting to be convened;
- (b) Bursa Securities for the listing of and quotation for the new shares in PWE to be issued pursuant to the Proposed Restructuring Scheme; and
- (c) confirmation of the High Court for the Proposed Capital Reduction.

23. Group Borrowings and Debt Securities.

There were no group borrowings and debt securities as at 30 September 2009.

24. Off Balance Sheet Financial Instruments

There were no off balance sheet financial instruments at the date of this report.

25. Material Litigation

There were no material litigation pending at the date of this report.

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26. **Dividend**

The Directors do not propose the payment of any interim dividend for the 2nd quarter ended 30 September 2009.

27. **Earnings Per Share**

Basic earnings per share is calculated by dividing the net loss attributable to the shareholders of RM69,956 by the weighted average number of ordinary shares in issue as at 30 September 2009 of 42,000,000 shares.

Weighted average number of ordinary shares	<u>RM'000</u>
Issued ordinary shares at beginning of period	42,000
Effect of shares issued during the quarter	-
Weighted average number of ordinary shares	<u><u>42,000</u></u>