

# FCW Holdings Berhad

(3116-K)

Annual Report

2002



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# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Forty Seventh Annual General Meeting of the shareholders of the Company will be held at Dewan Berjaya, Bukit Kiara Equestrian and Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur, Malaysia on Tuesday, 17 December 2002 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following ordinary resolutions:-

## Agenda

1. To receive and adopt the Directors' Report and the Audited Accounts of the Group and the Company for the year ended 30 June 2002 together with the Auditors' Report thereon. **Ordinary Resolution 1**
2. To approve the payment of Directors' fees in respect of the year ended 30 June 2002. **Ordinary Resolution 2**
- 3(i). To re-elect the following Directors retiring in accordance with Article 83 of the Company's Articles of Association:
  - (a) Tan Sri Dato' Tan Hua Choon **Ordinary Resolution 3(a)**
  - (b) Mr Thor Poh Seng **Ordinary Resolution 3(b)**
- (ii). To re-elect the following Directors retiring in accordance with Article 90 of the Company's Articles of Association:
  - (c) Dato' Ismail Bin Hamzah **Ordinary Resolution 3(c)**
  - (d) Mr Lee Yu-Jin **Ordinary Resolution 3(d)**
4. To re-appoint Auditors and to authorise the Directors to fix their remuneration.  
 Notice of Nomination pursuant to Section 172(1) of the Companies Act, 1965, a copy of which is annexed hereto and marked "Annexure A", has been received by the Company for the nomination of Messrs Ernst & Young, who have given their consent to act, for appointment as Auditors and for the proposal of the following Ordinary Resolution:-  
 "THAT Messrs Ernst & Young (Firm No. AF0039) be and are hereby appointed Auditors of the Company in place of the retiring Auditors, Messrs Arthur Andersen & Co, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors". **Ordinary Resolution 4**
5. To transact any other ordinary business of the Company for which due notice has been given.

By Order of the Board

**Jenny Wong Chew Boey**

**Tan Shien Yin**

Secretaries

Kuala Lumpur

25 November 2002

## Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (but not more than two) to attend and vote instead of him. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Where a member appoints two (2) proxies to attend the same meeting, the member shall specify the proportion of his shareholding to be represented by each proxy, failing which the appointment(s) shall be invalid.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
3. The Proxy Form shall be deposited with the Company's Share Registrars, Messrs Panama Resources Sdn Bhd, 23, Jalan Sri Hartamas 7, Sri Hartamas, 50480 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Contents of the statement accompanying Notice of the Forty Seventh Annual General Meeting of **FCW Holdings Berhad**

## ◆ The names of individuals who are standing for re-election:-

- (a) Tan Sri Dato' Tan Hua Choon
- (b) Mr Thor Poh Seng
- (c) Dato' Ismail Bin Hamzah
- (d) Mr Lee Yu-Jin

## ◆ Forty Seventh Annual General Meeting of FCW Holdings Berhad:-

### Venue, Date and Time

Dewan Berjaya, Bukit Kiara Equestrian and Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur, Malaysia on Tuesday, 17 December 2002 at 11.00 a.m.

## Annexure A

25 November 2002

The Board of Directors  
FCW Holdings Berhad  
No. 8, 3rd Floor,  
Jalan Segambut,  
51200 Kuala Lumpur

Dear Sirs

**RE: PROPOSAL TO CHANGE AUDITORS**

Pursuant to Section 172(1) of the Companies Act, 1965, I, being a shareholder of the Company, hereby give notice of my intention to nominate Messrs Ernst & Young (Firm No. AF0039) for appointment as auditors of the Company and to propose the following as an ordinary resolution to be tabled at the forthcoming Annual General Meeting of the Company:

"THAT Messrs Ernst & Young (Firm No. AF0039) be and are hereby appointed Auditors of the Company in place of the retiring Auditors, Messrs Arthur Andersen & Co, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors".

Yours faithfully

**Chew Boon Seng**

## Corporate Information

**Board of Directors** Tan Sri Dato' Tan Hua Choon – Chairman, Non-Independent Non-Executive Director

- ♦ Dato' Ismail Bin Hamzah – Independent Non-Executive Director, appointed on 1 January 2002
- ♦ Mr Ong Bing Yap – Executive Director ♦ Mr Thor Poh Seng – Non-Independent Non-Executive Director
- ♦ Ms Lim Lai Sam – Non-Independent Non-Executive Director ♦ Mr Lee Yu-Jin – Independent Non-Executive Director, appointed on 1 January 2002

**Audit Committee** Dato' Ismail Bin Hamzah – Chairman ♦ Mr Thor Poh Seng ♦ Mr Lee Yu-Jin – MIA

**Nomination Committee** Tan Sri Dato' Tan Hua Choon ♦ Dato' Ismail Bin Hamzah ♦ Mr Lee Yu-Jin

**Remuneration Committee** Tan Sri Dato' Tan Hua Choon ♦ Mr Thor Poh Seng

**Senior Independent Non-Executive Director** Dato' Ismail Bin Hamzah ♦ Fax: (03) 4043 6750

**Place of Incorporation** Malaysia

**Company Secretaries** Ms Jenny Wong Chew Boey ♦ Ms Tan Shien Yin

**Registered Office** No. 8, 3rd Floor, Jalan Segambut, 51200 Kuala Lumpur.

- ♦ Tel: (03) 4043 9266 ♦ Fax: (03) 4043 6750

**Principal Bankers** Aseambankers Malaysia Berhad ♦ Hong Leong Bank Berhad ♦ HSBC Bank Malaysia Berhad

- ♦ Malayan Banking Berhad ♦ OCBC Bank (Malaysia) Berhad ♦ Perwira Affin Merchant Bank Berhad
- ♦ RHB Bank Berhad

**Registrars** Panama Resources Sdn Bhd

23, Jalan Sri Hartamas 7, Sri Hartamas, 50480 Kuala Lumpur.

- ♦ Tel: (03) 6201 1120 ♦ Fax: (03) 6201 3121

**Auditors** Messrs Arthur Andersen & Co Chartered Accountants

Level 23A, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur.

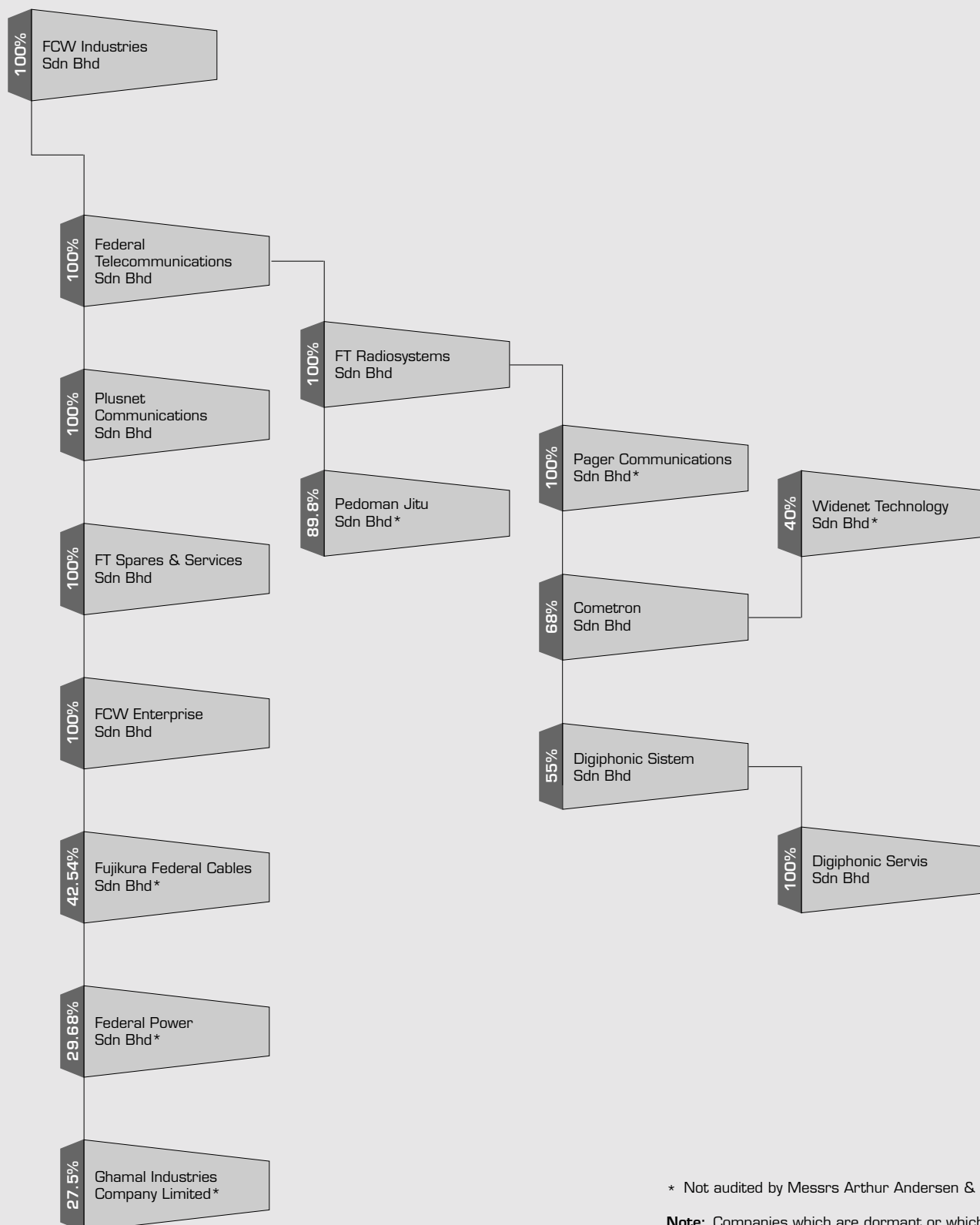
- ♦ Tel : (03) 2087 7000 ♦ Fax : (03) 2095 9076

**Stock Exchange Listing** The Kuala Lumpur Stock Exchange Main Board

## Corporate Structure



FCW Holdings Berhad



\* Not audited by Messrs Arthur Andersen &amp; Co

**Note:** Companies which are dormant or which have ceased operations are excluded.

## Directors' Profile

### **YBhg Tan Sri Dato' Tan Hua Choon**

*Aged 61, Malaysian, Chairman, Non-Independent Non-Executive Director*

Tan Sri Dato' Tan was appointed as Director and Chairman of the Company on 26 January 1999 and 16 February 2000 respectively. On 21 February 2002, he was appointed to the Nomination Committee and Remuneration Committee of the Company. Tan Sri Dato' Tan is self-made businessman with vast experiences in various fields and industries. He has been involved in a wide range of businesses over the past 38 years, which include manufacturing, marketing, banking, shipping, property development and trading. He has also built-up investments in numerous public listed companies. He is currently the Chairman of Malaysia Aica Berhad, Keladi Maju Berhad, PDZ Holdings Bhd, Jasa Kita Berhad, GPA Holdings Berhad and Marco Holdings Berhad (formerly known as Khong Guan Holdings Malaysia Berhad).

### **Ong Bing Yap**

*Aged 52, Malaysian, Executive Director*

Mr Ong was appointed to the Board of the Company on 1 November 1999 and had served as a member of the Audit Committee from May 2000 to January 2002. He holds a Diploma in Education from the Technical Teachers Training College. Besides having a few years of experience in teaching, Mr Ong has accumulated many years' of experience in the industrial engineering industry since joining the Jasa Kita Group of Companies in 1978. He is also a Director of Jasa Kita Berhad and several private companies.

### **Thor Poh Seng**

*Aged 42, Malaysian, Non-Independent Non-Executive Director*

Mr Thor was appointed to the Board of the Company on 26 January 1999 and had relinquished his position as the Chairman of the Audit Committee on 1 January 2002 but remained as a member of the Audit Committee. He was also appointed to the Remuneration Committee with effect from 21 February 2002. Mr Thor holds a Bachelor of Engineering Degree from Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia) and a Master's Degree in Business Management from the Asian Institute of Management, Philippines. An ex-merchant banker from Commerce International Merchant Bankers Berhad ("CIMB"), he has extensive experience in corporate finance and corporate planning. Prior to joining CIMB, he has held senior positions in operations and finance. He is also Director of Malaysia Aica Berhad, Keladi Maju Berhad, PDZ Holdings Bhd, Jasa Kita Berhad, GPA Holdings Berhad and Marco Holdings Berhad (formerly known as Khong Guan Holdings Malaysia Berhad).

**Lim Lai Sam***Aged 38, Malaysian, Non-Independent Non-Executive Director*

Ms Lim was appointed as Director of the Company on 26 January 1999 and had served as a member of the Audit Committee from January 2000 to January 2002. She is an Associate Member of the Institute of Chartered Secretaries and Administrators, U.K. She was appointed as Company Secretary of various public-listed companies and has further accumulated many years of experience in the corporate sector.

**YBhg Dato' Ismail Bin Hamzah***Aged 56, Malaysian, Independent Non-Executive Director*

Dato' Ismail joined the Board on 1 January 2002 as an Independent Non-Executive Director. He was appointed as Chairman of the Audit Committee on 1 January 2002. He is also a member of the Board's Nomination Committee. Dato' Ismail graduated from the University of Malaya in 1970 with a Bachelor of Economics (Hons) in Analytical Economics. He held many key positions in governmental agencies whereby he has over 30 years experience in various aspects from economics to finance. He also serves on the board of Grand United Holdings Berhad, PDZ Holdings Bhd and several private companies.

**Lee Yu-Jin***Aged 35, Malaysian, Independent Non-Executive Director*

Mr Lee was appointed as Director of the Company on 1 January 2002. He is also a member of the Board's Nomination Committee. He graduated from University of Manchester, U.K. with a Bachelor of Arts (Honours) in Economics and is also a Member of the Institute of Chartered Accountants in England and Wales and the Malaysian Institute of Accountants. Prior to joining FCW, he has held senior positions in finance, accounting and banking. He is also a Director of Malaysia Aica Bhd and several private companies.

**Additional Information on Members of the Board**

- ◆ YBhg Tan Sri Dato' Tan Hua Choon is the spouse of Puan Sri Datin Poo Choo @ Ong Poo Choi and father of Mr Tan Han Chuan who are major shareholders of the Company.  
Save and except for the above, there is no other family relationship among the Board members and the major shareholders of the Company.
- ◆ As at to-date, there has not been any occurrence of conflict of interest between any Member of the Board and the Company.
- ◆ None of the Board Members have been convicted of any offence within the past 10 years, other than traffic offences, if any.
- ◆ The attendance of the Directors at Board Meetings of the Company held during the financial year is set out in page 10 of the Annual Report.



On behalf of the Board of Directors of the FCW Holdings Berhad Group, I am pleased to present to you the Annual Report and the Audited Financial Statements of the Company and the Group for the financial year ended 30 June 2002.

### **New Appointments to the Board of Directors**

I would like to welcome on board our two new independent directors, YBhg Dato' Ismail Bin Hamzah and Mr Lee Yu-Jin, who were both appointed in January 2002. With the wealth of experience they bring to the Group, we look forward to both individuals' positive contributions in the years to come.

### **Financial Review**

For the year under review, the Group achieved a turnover of RM18.338 million, representing a decline of RM36.668 million or 66.7% compared to the turnover of RM55.006 million in the preceding year. The significant decline in turnover was due to the cessation of the cellular phone distribution business, which was no longer viable.

# c h a i r m a n ' s

Pre-tax loss increased to RM86.529 million from RM23.928 million in the previous financial year. The losses were mainly attributable to the write-off of goodwill amounting to RM65.952 million and an increase in the share of losses of the cable associates amounting to RM15.157 million.

### **Review of Performance**

During the financial year under review, the Group continued to reassess its business units and carried out further rationalization of non-performing business units. Greater emphasis was placed on improving operational efficiency and cost control. Through these efforts and tighter financial management, the Group has emerged leaner to remain competitive.

In keeping pace with subscriber growth and increased competition, the various telecommunication companies (telcos) in the country continue to place emphasis on network upgrade to improve capacity and coverage. New value-added features continue to be introduced in tandem with the introduction of new technologies as these telcos gear up towards the rollout of newer generation systems that are becoming available. In tune with the above and the Group's strong background and sound track record in the

fulfillment of telecommunications related turnkey projects, the Group had refocused its efforts into this area since the cessation of its cellular phone distribution business. During the year under review, the Group had been involved in the bid for the supply of the Code Division Multiple Access Fixed Wireless Terminals to a major telco in the country and expect this effort to bear fruition and contribute positively to the Group's earnings in the coming years.

### **Prospects**

The continued expansionary budget announced by the Malaysian Government for 2003 provides the necessary impetus for a sustainable economic recovery. With improved domestic economic conditions as well as prime pumping efforts instituted by the Government, the cable associates are expected to receive more orders. In this regard, the contribution from the associated companies are expected to improve gradually in the coming years.

# s t a t e m e n t

However, with the current state of the US economy and the tense geopolitical situation in the Middle East, the Board of Directors is cautious on the prospects of the Group. Nevertheless, the Group will continue to seek domestic opportunities, which can contribute positively towards the Group's future earnings.

### **Dividends**

The Board is not recommending any dividend payment for the financial year ended 30 June 2002.

### **Appreciation**

The Board would like to record its sincere thanks and appreciation to the management and staff of the Group for their continued dedication and commitment. To our shareholders and bankers, we thank you for your understanding and patience in us.

**Tan Sri Dato' Tan Hua Choon**

Chairman

# Corporate Governance Report

The Malaysian Code on Corporate Governance ("the Code"), which was introduced to the country in March 2000, sets out basic principles and best practices on structures and processes which public listed companies ("PLC") may adopt as a guide in their operations towards achieving the optimal governance framework.

The Board supports the objective of the Code and acknowledges its role in ensuring good corporate governance practices are observed and practised throughout the Group. Following some measures taken by the Board to establish appropriate corporate governance practices within the Group in the month of January 2002, the Board is pleased to report that the Group has basically complied with the principles and best practices set out in the Code. Nonetheless, the Board will continue to address the corporate governance needs of the Group from time to time.

Presented below is a description of how the Group has applied the Principles and complied with the Best Practices provision of the Code which are relevant to the Group's business and culture:-

## A. The Board

The FCW Group is led and managed by an effective and experienced Board comprising members with vast experience in areas of management, marketing, trading, administration, finance and accounting. Together, the Directors are able to bring an independent judgment to bear on the issues of strategy, performance, resources and standards of conduct.

During the financial year ended 30 June 2002, three (3) Board Meetings were held and a majority of the Directors attended all the meetings during the period. The record of attendance for each Director is set out below:-

Name of Directors	24 August 2001	21 February 2002	13 May 2002
Tan Sri Dato' Tan Hua Choon	√	√	√
Dato' Ismail Bin Hamzah*	*	√	√
Mr Ong Bing Yap	√	√	√
Mr Thor Poh Seng	√	√	√
Ms Lim Lai Sam	√	√	√
Mr Lee Yu-Jin*	*	√	√

\* Dato' Ismail Bin Hamzah and Mr Lee Yu-Jin were appointed on 1 January 2002.

Dato' Ismail Bin Hamzah and Mr Lee Yu-Jin, both Independent Non-Executive Directors, joined the Board on 1 January 2002. Particulars of the directors are given earlier under the "Directors' Profile" herein.

The Board has also put in place several committees namely Audit, Nomination and Remuneration Committees, all of which have terms of reference to govern their respective scope and responsibilities. Each of the Committee, which reports to the Board, has the authority to examine particular issues and make relevant recommendation or proposals to the Board whenever necessary.

### a) Board Balance

As at January 2002, the Company has fully complied with the Kuala Lumpur Stock Exchange Listing Requirements ("KLSE LR") with regard to the constitution of the Board of Directors and the required ratio of independent directors, as well as the requirement for a director who is a member of the Malaysian Institute of Accountants to sit on the Audit Committee. The profile of the members of the Board are set out in Pages 6 to 7 of the Annual Report.

There is good balance in the Board with the presence of Independent Non-Executive Directors who have the necessary skills and experience to participate in the Board's decision and deliberations. The Executive Director has the primary responsibility of communicating matters to the Board and to ensure major proposals by the management are thoroughly deliberated and examined to take into account the overall interest of the shareholders, customers, employees and the communities in which the Group conducts its business.

**b) Supply of Information**

The Directors have access to all information pertaining to the Group as well as to the advice and services of the Company Secretaries and independent professional advisers whenever appropriate at the Company's expense.

Prior to the date of each Board Meeting, all the Directors were provided with the agenda for the meeting and the relevant Board Papers to enable them have sufficient time to peruse the papers and if necessary, obtain further information or clarification from the Management. During the Board meetings, the Board considered, among others things, major operational and management matters which included business strategies, operational policies and controls, investment policies, acquisitions and disposals of material assets, financial statements and policies as well as some human resource issues.

**c) Appointments to the Board**

As recommended by the Code, a Nomination Committee was established on 21 February 2002 comprising exclusively of Non-Executive Directors, with the responsibility of proposing new nominees for the Board and assessing Directors on an ongoing basis. The appointment of new Directors is the responsibility of the full Board after considering the recommendations of the Nomination Committee. The current members of the Nomination Committee are:-

- 1) Tan Sri Dato' Tan Hua Choon
- 2) Dato' Ismail Bin Hamzah
- 3) Mr Lee Yu-Jin

The Board will via the Nomination Committee review annually its required mix of skills and experience and other qualities, including core competencies of the Non-Executive Directors.

**d) Directors' Training**

In compliance with the KLSE LR, all existing members have completed the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysts Malaysia, an affiliate company of KLSE.

**e) Re-election of Directors**

In accordance with the Company's Memorandum and Articles of Association, one third of the Board members (including the Managing Director) are required to retire at every Annual General Meeting and be subjected to re-election by shareholders. Newly appointed directors shall hold office until the next Annual General Meeting and shall then be eligible for re-election by shareholders. All directors shall retire from office at least once in three (3) years but shall be eligible for re-election.

**f) Directors' Remuneration**

The Board ensures that the levels of remuneration for directors are sufficient to attract and retain Directors needed to run the Group successfully. In the case of Executive Director, the component parts of remuneration are structured to link rewards to operational and individual performance. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the particular director concerned.

## Corporate Governance Report

The details of Directors' Remuneration payable to all the Directors of the Company during the financial year ended 30 June 2002 are as follows:-

i) Aggregate remuneration of Directors categorized into the following components:-

Type of Remuneration *	Executive Director (RM)	Non-Executive Directors (RM)	Total (RM)
(a) Fees	–	48,000	48,000
(b) Salaries	186,000	–	186,000
(c) Bonuses	–	–	–
(d) E.P.F.	22,320	–	22,320
(e) Estimated value of benefits-in-kind	3,600	–	3,600
<b>Total</b>	<b>211,920</b>	<b>48,000</b>	<b>259,920</b>

\* The details of the remuneration of each director are not disclosed as they are deemed private and confidential.

ii) The Directors' whose remuneration fall within the following bands:

Band of Remuneration (RM)	No. of Executive Director	No. of Non-Executive Directors	Total
1 - 50,000	–	5	5
50,001 - 100,000	–	–	–
100,001 - 150,000	–	–	–
150,001 - 200,000	–	–	–
200,001 - 250,000	1	–	1
<b>Total</b>	<b>1</b>	<b>5</b>	<b>6</b>

The Remuneration Committee was established on 21 February 2002 and comprise wholly of Non-Executive Directors. Its main responsibility is to recommend to the Board the remuneration of the executive directors in all its forms, drawing from outside advice if necessary. The members of the Remuneration Committee are:-

- 1) Tan Sri Dato' Tan Hua Choon
- 2) Mr Thor Poh Seng

The determination of remuneration packages of Non-Executive Directors is by the Board as a whole. Individually, Directors do not participate in deliberation and voting on decisions relating to his/her own remuneration package.

## B. Relationship with Shareholders and Investors

In line with the Best Practices outlined in the Code on investor relations and shareholders communication, shareholders and investors are kept informed of all major development and performance of the Group through announcements via the KLSE LINK, the press (where appropriate), Company's Annual Reports and other circulars to shareholders.

The Annual General Meeting and Extraordinary General Meetings of the Company are useful forum for the Directors to meet individual shareholders, to encourage shareholders to participate through questions on the performance of the Group and to update the shareholders on the latest development of the Group's business. Notices of each meeting are issued in a timely manner to all shareholders whose names appear on the Company's Register of Depositors supplied by the Malaysian Central Depository.

Shareholders and the investing public can also convey their concerns and queries to Dato' Ismail Bin Hamzah, the Senior Independent Non-Executive Director of the Company, via fax no. 03-4043 6750 or by mail to the registered office of the Company.

**C. Accountability and Audit****Relationship with the Auditors**

The Company has established a transparent and professional relationship with the Company's internal and external auditors through the Audit Committee. Key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee Report.

**Internal Control**

The Board acknowledges the importance of maintaining a sound system of internal controls to safeguard the Group's assets and consequently the shareholders' investment in the Company.

The Group has outsourced its internal audit function since May 2002 to a company specialising in audit consultancy services, whose duties are to conduct regular internal audits, identify risk areas and propose control measures, and to review the Group's financial, operational policies and procedures.

The consultants report directly to the Audit Committee, which will review and approve the internal audit plans, review findings and recommendations submitted by the consultants. The scope of the audits covers all units and operations of the Group. The Board retains the overall responsibility for monitoring and reviewing the adequacy and integrity of its system of internal controls.

The Group's system of internal controls are designed to manage rather than eliminate the risk of failure to achieve corporate objectives, and by its nature can only provide reasonable, and not absolute, assurance against misstatement or loss.

**Financial Reporting**

The Audit Committee reviews the Group's quarterly results and annual financial statements to ensure correctness and adequacy. Thereafter, the said results and financial statements are presented to the Board, who is responsible for ensuring that the quarterly results and financial statements of the Group present a balanced and fair assessment of the Group's position and prospects. The results are released by the Secretaries via KLSE LINK after the Board adopts them. The Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 is set out on Page 23 of this Annual Report.

**D. Other Information****Material Contracts**

There were no material contracts entered into by the Company and its subsidiaries which involved Directors' and major shareholders' interests since the previous financial year ended 30 June 2001.

**Revaluation Policy**

The Company does not have any revaluation policy on landed properties.

**E. Directors' Responsibilities Statement**

The Directors are required by law to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 30 June 2002, the Group has used the appropriate accounting policies and applied them consistently and prudently. The Directors also noted that all relevant accounting standards have been followed in the preparation of these financial statements.

The Directors have a fiduciary responsibility in taking reasonable steps to safeguard the assets of the Company to prevent and detect fraud and other irregularities.

# Audit Committee Report

The FCW Holdings Berhad ("FCW") Audit Committee was established by the Board of Directors on 17 February 1994.

## Composition of the Audit Committee

### Existing Members

Dato' Ismail Bin Hamzah (appointed as Chairman on 1 January 2002) Independent Non-Executive Director

Mr Lee Yu-Jin (appointed as member on 1 January 2002) Independent Non-Executive Director (MIA)

Mr Thor Poh Seng (resigned as Chairman on 1 January 2002, member since 24 January 2000) Non-Independent Non-Executive Director

### Past Members

Mr Ong Bing Yap (resigned on 1 January 2002) Executive Director

Ms Lim Lai Sam (resigned on 1 January 2002) Non-Independent Non-Executive Director

## Terms of Reference

The Board of Directors had on 21 February 2002 revised the terms of reference of the Audit Committee to incorporate the requirements of the Revamped Listing Requirements and the Code. The new terms of reference of the Committee are as follows:-

### Membership

The FCW Audit Committee shall be appointed by the Board from amongst their number and shall consist of not less than 3 members, a majority of whom shall be independent non-executive directors. An alternate director cannot be appointed as a member of the Committee. In the event of any vacancy in the Committee which results in non-compliance of paragraph 15.10(1) of the KLSE Listing Requirements, the vacancy shall be filled within 3 months.

At least one member of the Committee must be qualified under paragraph 15.10(1)(c) of the KLSE Listing Requirements.

The Chairman of the Committee shall be an independent non-executive director appointed by the Board.

### Frequency of Meetings

Meetings shall be held not less than four times a year. In addition, the Chairman of the Committee may call a meeting of the Committee upon the request of the external auditors, to consider any matter the external auditors believe should be brought to the attention of the Board and shareholders.

Majority members present in person who are independent non-executive directors shall be a quorum.

### Secretaries

The Company Secretaries shall be the secretaries of the Committee.

### Authority

The FCW Audit Committee shall, at the Company's expense, have the following authority and rights:-

1. full and unrestricted access to any information and documents from the external auditors and senior management of the Company and the Group which are relevant to the activities of the Company.
2. be provided with the necessary resources which are required to perform its duties.
3. investigate into any matter within its terms of reference and as such, have direct communication channel with the external auditors and persons carrying out the internal audit function of the Company.
4. the liberty to obtain independent professional advice and to secure the attendance of such external parties with relevant experience and expertise at its meeting if it considers this necessary.
5. convene meetings with the external auditors, excluding the attendance of its executive members and may extend invitation to other non-member directors and officers of the Company to attend a specific meeting, whenever deemed necessary.

**Duties**

The FCW Audit Committee shall report to the Board of Directors either formally in writing, or verbally, as it considers appropriate on the matters within its terms of reference.

The duties of the FCW Audit Committee shall be:-

1. To review the audit plan with the external auditors;
2. To review the audit report with the external auditors;
3. To review the assistance given by the Company's officers to the external auditors;
4. To review the quarterly results and year end financial statements of the Company and the Group, prior to the approval by the Board, focusing particularly on:
  - a. changes in or implementation of major accounting policies;
  - b. significant and unusual events; and
  - c. compliance with accounting standards, regulatory and other legal requirements;
5. To review any related party transaction and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
6. To review the adequacy of the scope, functions and resources of the internal audit functions and to ensure that it has the necessary authority to carry out its work;
7. To review any internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
8. To review any evaluation made on the systems of internal controls with the internal and external auditors;
9. To recommend to the Board of Directors the appointment of external auditors and the level of their fees;
10. To review the letter of resignation from the external auditors, if any;
11. To review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment; and
12. To undertake such other functions as may be agreed by the FCW Audit Committee and the Board.

**Performance Review**

The term of office and performance of the FCW Audit Committee and each of its members shall be reviewed by the Board of Directors of the Company at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with the Audit Committee's Terms of Reference.



## Audit Committee Report

### Meetings of the Audit Committee

The Audit Committee of FCW met 5 times during the financial year ended 30 June 2002 and the details of attendance of the Audit Committee members were as follows:-

Name of Members	24 August 2001	26 October 2001	21 November 2001	21 February 2002	13 May 2002
Dato' Ismail Bin Hamzah *	*	*	*	√	√
Mr Lee Yu-Jin *	*	*	*	√	√
Mr Thor Poh Seng	√	√	√	√	√
Mr Ong Bing Yap * *	√	absent	√	**	**
Ms Lim Lai Sam * *	√	√	√	**	**

\* Appointed with effect from 1 January 2002

\* \* Resigned with effect from 1 January 2002

The Group Financial Controller, the Group Finance Manager and other non-member Directors are invited to attend the meetings from time to time.

The minutes of each Audit Committee meeting were documented and distributed to all members of the Board.

### Summary of Activities of the Committee

The activities of the FCW Audit Committee during the financial year ended 30 June 2002, which are not exhaustive, included the following:

1. Reviewed the unaudited quarterly reports on the consolidated results of the Group for the financial quarters ended 30 June 2001, 30 September 2001, 31 December 2001 and 31 March 2002 prior to their adoption by the Board.
2. Reviewed the accounting issues arising from the updates of new developments on accounting standards issued by the Malaysian Accounting Standards Board.
3. Reviewed the audited financial statements of the Group for the financial year ended 30 June 2001 prior to the Board's adoption for release to the KLSE.
4. Reviewed the budget of the Group for the financial year ending 30 June 2002.
5. Reviewed the policy on doubtful debts provision including the writing off of bad debts and obsolete stocks of the Company and the Group and making suitable recommendation to the Board for approval.
6. Assessed the extent of the Group's compliance with the principles of Corporate Governance set out under the Code and recommended appropriate proposals for the Board's implementation to ensure the Best Practices in the Code, where applicable, are observed and practised throughout the Group.
7. Studied the terms of reference for Audit Committee as set out in the KLSE Listing Requirements and those recommended by the Code and where appropriate, proposed to the Board to adopt new terms of reference for the Committee.

### Internal Audit Function

The Group has outsourced its internal audit function since May 2002 to a company specialising in audit consultancy services. The consultants report directly to the Audit Committee, which approves the internal audit plan submitted. The scope of the internal audit function covers the audits of all units and operations of the Group.

The Group has adopted a risk-based approach to the implementation and monitoring of controls, and the consultants have undertaken an exercise to identify and evaluate the risks associated with the Group. The risk profile will be continually updated in line with the changes in the business environment and the internal audit plan is designed to continually improve the risk management process.

# Internal Control Statement

## Introduction

The Malaysian Code of Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. The Kuala Lumpur Stock Exchange's ("KLSE") Revamped Listing Requirements require directors of listed companies to include a statement of the state of their internal controls in the annual reports. The KLSE's Statement on Internal Control: Guidance for Directors of Public Listed Companies provides guidance for compliance with these requirements.

## Responsibility

The Board of Directors affirms its overall responsibility for the Group's systems of internal controls, and for reviewing the adequacy and integrity of those systems. Whilst these systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, any system can only provide reasonable, and not absolute, assurance against material misstatement or loss.

## Risk Management Framework and Key Elements of Internal Control

To meet its responsibilities in relation to internal control, the Board has, since May 2002, engaged the services of internal audit consultants on a retainer basis to assist the Board of Directors in identifying and evaluating significant risks affecting the Group's businesses and to obtain sufficient assurance of regular reviews and appraisals of the effectiveness of the systems of internal controls within the Group. Dormant subsidiaries are excluded from such regular reviews including that of associate companies as the Group does not have management control over these associates.

The audit consultants are independent of the activities they audit and they have direct reporting responsibility to the Audit Committee. The Committee will regularly review the adequacy and integrity of the Group's internal control systems after due and careful consideration of the information and reports provided to it by the management and the internal audit consultants. The Board, on the advice of the Audit Committee, determines the remit of the internal audit function.

The Group, with the assistance of the internal audit consultants, has completed an assessment of the "group risk profile" which covers all major risks and controls associated with its businesses. This group risk profile will be subjected to regular reviews in line with changes in its business environment, strategies and activities.

Other key elements of internal control are as follows:-

- ♦ The Board has established an organization structure with clearly defined lines of accountability and delegated authority limits covering significant aspects of the operations.
- ♦ Operational management has clear responsibility for identifying and evaluating the risks facing their businesses, and for implementing procedures to mitigate and monitor such risks. Monthly reviews are carried out by the management team and issues are discussed and resolved at management meetings within the Group.
- ♦ The Group has also established internal policies and procedures covering key areas of operations such as sales, purchases, inventory and finance.
- ♦ The Audit Committee regularly reviews with management on a quarterly basis on the action taken on any internal control issues.
- ♦ There is a detailed budgeting process established which requires business units to prepare budgets annually. Key variances from budget are reported monthly and followed up by management. Comprehensive information is provided to management for monitoring performance against these budgets, covering key financial and performance indicators on a monthly basis.
- ♦ The Group has adequately qualified and experienced financial management personnel responsible for the operation and monitoring of the effectiveness of internal controls. Management accounts and reports are prepared monthly for effective monitoring and decision-making.

Statement is made in accordance with the resolution of the Board of Directors dated 24 October 2002.

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## Directors' Report

The directors hereby submit their report together with the audited financial statements of the Group and the Company for the financial year ended 30 June, 2002.

### Principal Activities

The principal activities of the Company are investment holding, providing management services and trading of telecommunications equipment.

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'000	Company RM'000
Loss from ordinary operations	85,723	127,184
Minority interests	(236)	–
Net loss for the year	85,487	127,184

### Dividend

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividend in respect of the current financial year.

### Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statement of changes in equity.

### 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 all known bad debts had been written off 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 render the amounts written off as bad debts or 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.

**Contingent and Other Liabilities**

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

- (a) any charge on the assets of the Group and 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 and 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 and the Company to meet their obligations as and 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 and 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 and the Company for the financial year in which this report is made.

**Directors**

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

Tan Sri Dato' Tan Hua Choon

Thor Poh Seng

Lim Lai Sam

Ong Bing Yap

Dato' Ismail bin Hamzah (appointed on 1 January, 2002)

Lee Yu-Jin (appointed on 1 January, 2002)

**Directors' Benefits**

During and at the end of the financial year, no arrangement 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 benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Notes 23 and 24 to the financial statements or the fixed salary of a full time employee of the Company) 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' shareholding, the interests of directors in office at the end of the financial year in shares in the Company or its related corporations during the financial year were as follows:

		Number of Ordinary Shares of RM0.50 Each			
		1 July, 2001	Bought	Sold	30 June, 2002
<b>The Company</b>					
Tan Sri Dato' Tan Hua Choon	– Direct	15,605,000	–	–	15,605,000
	– Indirect	33,269,000	–	–	33,269,000

Tan Sri Dato' Tan Hua Choon by virtue of his interests in the shares of the Company is also deemed interested in the shares of 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 resolution to appoint Ernst & Young will be proposed at the forthcoming Annual General Meeting.

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

**TAN SRI DATO' TAN HUA CHOON**

**ONG BING YAP**

Petaling Jaya  
24th October 2002

## Statement by Directors

We, TAN SRI DATO' TAN HUA CHOON and ONG BING YAP, being two of the directors of FCW HOLDINGS BERHAD, do hereby state that, in the opinion of the directors, the financial statements set out on pages 25 to 47 give a true and fair view of the financial position of the Group and the Company as at 30 June, 2002 and of the results and the cash flows of the Group and of the Company 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' TAN HUA CHOON**

**ONG BING YAP**

Petaling Jaya  
24th October 2002

## Statutory Declaration

I, VOON SIEW MOON, the officer primarily responsible for the financial management of FCW HOLDINGS BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 25 to 47 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 VOON SIEW MOON	)	
at Petaling Jaya in Selangor Darul Ehsan	)	<b>VOON SIEW MOON</b>
on 24th October 2002	)	

Before me:

**E. RADAKRISHNAN** (No. B. 008)  
Commissioner for Oaths  
Petaling Jaya



# Auditors' Report

To the Shareholders of  
FCW HOLDINGS BERHAD

We have audited the financial statements set out on pages 25 to 47. 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 applicable 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 presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and the Company as at 30 June, 2002 and of the results and the cash flows of the Group and the Company 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 by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports thereon of all the subsidiaries of which we have not acted as auditors, as indicated in Note 4 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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 these 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

**Abraham Verghese a/I T.V. Abraham**  
No. 1664/10/O4(J)  
Partner of the Firm

24th October 2002

## Balance Sheets

30 June, 2002

		Group		Company	
	Note	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	3	10,840	11,677	7	9
Subsidiaries	4	–	–	75,027	201,447
Associated companies	5	67,796	87,073	–	–
Other investments	6	5	5	–	–
Goodwill on consolidation	7	–	65,427	–	–
Deferred expenditure	8	105	163	–	–
		78,746	164,345	75,034	201,456
<b>CURRENT ASSETS</b>					
Inventories and contracts					
work-in-progress	9	3,452	3,620	–	–
Trade receivables	10	5,670	33,771	–	–
Other receivables	11	1,967	3,748	741	737
Due from associated companies		116	336	–	–
Due from subsidiaries		–	–	548	8,049
Cash and bank balances	12	1,134	10,356	50	4,144
		12,339	51,831	1,339	12,930
<b>CURRENT LIABILITIES</b>					
Short term borrowings	13	15,806	23,270	1,400	9,528
Trade payables	14	3,165	32,754	–	–
Other payables	15	3,349	5,320	202	303
Due to associated companies	16	156	–	–	–
Due to subsidiaries	17	–	–	6,590	9,190
Taxation		258	809	258	258
		22,734	62,153	8,450	19,279
<b>NET CURRENT LIABILITIES</b>					
		(10,395)	(10,322)	(7,111)	(6,349)
		68,351	154,023	67,923	195,107
<b>FINANCED BY:</b>					
Share capital	18	92,886	92,886	92,886	92,886
Reserves		(24,846)	60,590	(24,963)	102,221
Shareholders' equity		68,040	153,476	67,923	195,107
Minority interest		311	547	–	–
		68,351	154,023	67,923	195,107

The accompanying notes are an integral part of these balance sheets.

# Income Statements

for the year ended 30 June, 2002

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Revenue	20	<b>18,338</b>	55,006	-	-
Other operating income	21	<b>2,085</b>	5,039	<b>28</b>	940
Changes in trading inventories	22	<b>180</b>	(11,236)	-	-
Purchases and other trading expenses		<b>(14,436)</b>	(40,290)	-	-
Staff costs	23	<b>(3,526)</b>	(5,168)	<b>(311)</b>	(391)
Depreciation		<b>(575)</b>	(1,376)	<b>(3)</b>	(6)
Impairment loss on freehold land		-	(1,288)	-	-
Other operating expenses	24	<b>(71,625)</b>	(12,937)	<b>(126,568)</b>	(1,248)
Loss from operations		<b>(69,559)</b>	(12,250)	<b>(126,854)</b>	(705)
Finance costs, interest expense		<b>(1,813)</b>	(2,294)	<b>(330)</b>	(1,147)
Share of losses of associated companies		<b>(15,157)</b>	(9,384)	-	-
Loss before taxation		<b>(86,529)</b>	(23,928)	<b>(127,184)</b>	(1,852)
Taxation	25	<b>806</b>	719	-	-
Loss from ordinary activities		<b>(85,723)</b>	(23,209)	<b>(127,184)</b>	(1,852)
Minority interests		<b>236</b>	160	-	-
Net loss for the year		<b>(85,487)</b>	(23,049)	<b>(127,184)</b>	(1,852)
Basic loss per share	26	<b>(46.0) sen</b>	(12.4) sen		

The accompanying notes are an integral part of these statements.

# Consolidated Statement of Changes in Equity

for the year ended 30 June, 2002

	<—Non-distributable —>		Distributable		
	Share capital	Share premium	Capital reserve	Retained profits/ (Accumulated losses)	Total
	RM'000	RM'000	RM'000 (Note 19)	RM'000	RM'000
At 1 July, 2000	92,886	28,720	14,552	40,367	176,525
Net loss for the year	—	—	—	(23,049)	(23,049)
At 30 June, 2001	92,886	28,720	14,552	17,318	153,476
At 1 July, 2001	92,886	28,720	14,552	17,318	153,476
Net loss for the year	—	—	—	(85,487)	(85,487)
Share of deferred tax on revaluation surplus of an associated company	—	—	(204)	—	(204)
Effect on dilution of shareholding in an associated company	—	—	255	—	255
At 30 June, 2002	92,886	28,720	14,603	(68,169)	68,040

The accompanying notes are an integral part of these statements.

# Statement of Changes in Equity

for the year ended 30 June, 2002

	Share capital RM'000	Non-distributable Share premium RM'000	Distributable Retained profits/ (Accumulated losses) RM'000	Total RM'000
At 1 July, 2000	92,886	28,720	75,353	196,959
Net loss for the year	–	–	(1,852)	(1,852)
At 30 June, 2001	92,886	28,720	73,501	195,107
At 1 July, 2001	92,886	28,720	73,501	195,107
Net loss for the year	–	–	(127,184)	(127,184)
At 30 June, 2002	<b>92,886</b>	<b>28,720</b>	<b>(53,683)</b>	<b>67,923</b>

The accompanying notes are an integral part of these statements.

# Consolidated Cash Flow Statement

for the year ended 30 June, 2002

	2002 RM'000	2001 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(86,529)	(23,928)
Adjustment for:		
Impairment loss on freehold land	-	1,288
Depreciation	575	1,376
Inventories written down	935	-
Inventories written off	19	-
Inventories written back	-	(4,725)
Property, plant and equipment written off	21	357
Amortisation of goodwill	3,615	3,615
Goodwill written off	65,952	-
Amortisation of deferred expenditure	57	56
Preliminary and pre-operating expenses written off	-	9
(Write back)/provision for doubtful debts	(1,314)	4,057
Bad debts written off	-	18
Share of associated company loss	15,157	9,384
Interest expense	1,813	2,294
Gain on disposal of property, plant and equipment	(94)	(63)
Loss on disposal of an associated company	-	15
Interest income	(106)	(119)
Operating profit/(loss) before working capital changes	101	(6,366)
Decrease/(increase) in receivables	31,939	(639)
(Increase)/decrease in inventories	(857)	21,520
Decrease in payables	(32,270)	(10,553)
Net changes in due from associated companies	376	813
Cash (used in)/generated from operations	(711)	4,775
Interest received	106	119
Interest paid	(1,104)	(2,294)
Tax paid	(206)	(128)
Net cash (used in)/generated from operating activities	(1,915)	2,472
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(62)	(901)
Proceeds from disposal of property, plant and equipment	219	333
Proceed from disposal of an associated company	-	50
Net cash generated from/(used in) investing activities	157	(518)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of short term borrowings	(8,728)	-
Dividends paid	(1)	-
Drawdown of short term borrowings	1,243	4,691
Net cash (used in)/generated from financing activities	(7,486)	4,691
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(9,244)</b>	<b>6,645</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>9,905</b>	<b>3,260</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>661</b>	<b>9,905</b>
Cash and cash equivalents comprise:		
Cash and bank balances	804	3,656
Deposits with licensed banks	330	6,700
Bank overdrafts (Note 13)	(473)	(451)
	661	9,905

The accompanying notes are an integral part of this statement.

# Cash Flow Statement

for the year ended 30 June, 2002

	2002 RM'000	2001 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(127,184)	(1,852)
Adjustment for:		
Depreciation	3	6
Provision for diminution in value of investment	126,420	-
Interest expense	330	1,147
Interest income	(28)	(411)
Operating loss before working capital changes	(459)	(1,110)
Increase in receivables	(4)	(7)
(Decrease)/increase in payables	(101)	86
Increase in related companies balances	4,901	5,872
Cash generated from operations	4,337	4,841
Interest received	28	411
Interest paid	(330)	(1,131)
Net cash generated from operating activities	4,035	4,121
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Purchase of property, plant and equipment, representing net cash used in investing activity	(1)	(12)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Repayment of short term borrowings, representing net cash used in financing activity	(8,128)	-
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(4,094)</b>	<b>4,109</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>4,144</b>	<b>35</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>50</b>	<b>4,144</b>
Cash and cash equivalents comprise:		
Cash and bank balances	50	144
Fixed deposits with a licensed bank	-	4,000
	50	4,144

The accompanying notes are an integral part of this statement.

# Notes to the Financial Statements

30 June, 2002

## 1. Principal Activities and General Information

The principal activities of the Company are investment holding, providing management services and trading of telecommunications equipment. The principal activities of the subsidiaries are described in Note 4. There were 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 Main Board of the Kuala Lumpur Stock Exchange. The principal place of business of the Company is located at Lot 2, Jalan 222, Section 51A, 46100 Petaling Jaya, Selangor Darul Ehsan.

The number of employees in the Group and in the Company at the end of the financial year were 75 (2001 : 96) and 3 (2001 : 30) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 October, 2002.

## 2. Significant Accounting Policies

### (a) Basis of Accounting

The financial statements of the Group and the Company 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) Revenue Recognition

#### (i) Sale of Goods

Revenue relating to sale of goods is recognised net of sales taxes and discounts when transfer of risks and rewards have been completed.

#### (ii) Contracts Revenue

Income and costs on contracts work-in-progress are recognised on the percentage of completion method determined on the proportion of progress billings to date against total contract value where the outcome of the projects can be reliably estimated. All anticipated losses on contracts are fully provided for.

#### (iii) Revenue from Services

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

### (c) 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 cost cannot be recovered.



## Notes to the Financial Statements

30 June, 2002

### 2. Significant Accounting Policies (Cont'd.)

#### (c) Basis of Consolidation (Cont'd.)

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 25 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 company 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.

#### (d) Associated Companies

The Group treats as associated companies those companies in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associated companies.

The Group's share of post-acquisition profits less losses of associated companies is included in the consolidated income statement and the Group's interest in associated companies is stated at cost plus the Group's share of post-acquisition retained profits or accumulated losses and reserves.

Unrealised gains on transactions between the Group and the associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are eliminated unless cost cannot be recovered.

The difference between the purchase consideration and the fair value of net assets acquired is reflected as goodwill or reserve on acquisition and are amortised or credited to income statement over 25 years. Goodwill on acquisition is reviewed at each balance sheet date and will be written down for impairment when it is considered necessary.

#### (e) Property, Plant and Equipment and Depreciation

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

Freehold land is not depreciated. Leasehold land is depreciated over the lease period of 68 years. Depreciation of other property, plant and equipment is provided on a straight line basis to write off the cost of each asset to their residual value over the estimated useful life at the following annual rates:

Long term leasehold land and buildings	1.47%
Plant and machinery	10% – 33 <sup>1</sup> / <sub>3</sub> %
Motor vehicles	20%
Office equipment	10% – 33 <sup>1</sup> / <sub>3</sub> %
Furniture and fittings	7 <sup>1</sup> / <sub>2</sub> % – 33 <sup>1</sup> / <sub>3</sub> %

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

30 June, 2002

**2. Significant Accounting Policies (Cont'd.)****(e) Property, Plant and Equipment and Depreciation (Cont'd.)**

An impairment loss is charged to the income statement immediately. Subsequent increase in the recoverable amount of an asset is treated as a 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.

**(f) Inventories and Contract Work-in-Progress**

- (i) Inventories comprise purchased accessories, telecommunications equipment and related spares. Inventories are stated at the lower of cost and net realisable value, determined on a weighted average basis.
- (ii) Contracts work-in-progress represents unbilled costs as at financial year end. Cost comprises material, subcontract works and attributable overheads. Contracts work-in-progress is stated at cost plus attributable profit less progress billing.

**(g) 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.

**(h) Deferred Expenditure**

In the prior year the preliminary and pre-operating expenses were charged to the income statement as and when incurred pursuant to the requirement of Malaysian Accounting Standards Board Standard 1.

Other deferred expenditure represent rental of trunk radio system used in a project secured in prior year and will be amortised over 5 years. Deferred expenditure is reviewed at each balance sheet date and will be written down for impairment where it is considered necessary.

**(i) Investments**

Investments in subsidiaries, associated companies and other investments 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.

**(j) Currency Conversion and Translation**

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated into Ringgit Malaysia at rates of exchange ruling at that date. All exchange differences are taken to the income statement.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used are as follows:

	2002	2001
Singapore Dollar	2.13	2.11
United States Dollar	3.80	3.80
Euro	3.39	–
Great Britain Pound	5.80	5.40

## Notes to the Financial Statements

30 June, 2002

**2. Significant Accounting Policies (Cont'd.)****(k) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and at bank and deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

**(l) 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.

**(m) Borrowings**

Borrowings are reported at their face values. Interest accrued on borrowings is charged to the income statement as expense as and when incurred.

**(n) Minority Interest**

Minority interests are shown in the consolidated financial statements at the minorities' share of fair values of the identifiable assets and liabilities of the respective subsidiaries.

**3. Property, Plant and Equipment**

	* Land and buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Office equipment RM'000	Total RM'000
<b>Group</b>						
<b>Cost</b>						
At 1 July, 2001	11,816	1,683	851	1,239	1,972	17,561
Additions	–	72**	–	–	62	134
Disposals	(270)	(37)	(152)	(2)	(11)	(472)
Written off	–	(363)	–	(11)	(357)	(731)
At 30 June, 2002	<b>11,546</b>	<b>1,355</b>	<b>699</b>	<b>1,226</b>	<b>1,666</b>	<b>16,492</b>
<b>Accumulated Depreciation and Impairment Loss</b>						
At 1 July, 2001	1,819	1,477	375	637	1,576	5,884
Charge for the year	71	109	104	110	181	575
Disposals	(25)	(37)	(28)	(1)	(6)	(97)
Written off	–	(361)	–	(11)	(338)	(710)
At 30 June, 2002	<b>1,865</b>	<b>1,188</b>	<b>451</b>	<b>735</b>	<b>1,413</b>	<b>5,652</b>
<b>Net Book Value</b>						
At 30 June, 2002	<b>9,681</b>	<b>167</b>	<b>248</b>	<b>491</b>	<b>253</b>	<b>10,840</b>
At 30 June, 2001	9,997	206	476	602	396	11,677
<b>Depreciation charge for 2001</b>	72	733	154	142	275	1,376

## Notes to the Financial Statements

30 June, 2002

**3. Property, Plant and Equipment (Cont'd.)****\* Land and buildings**

	Freehold land RM'000	Leasehold land and buildings RM'000	Total RM'000
<b>Group</b>			
<b>Cost</b>			
At 1 July, 2001	6,888	4,928	11,816
Additions	–	–	–
Disposals	(100)	(170)	(270)
Written off	–	–	–
At 30 June, 2002	<b>6,788</b>	<b>4,758</b>	<b>11,546</b>
<b>Accumulated Depreciation and Impairment Loss</b>			
At 1 July, 2001	1,288	531	1,819
Charge for the year	–	71	71
Disposals	–	(25)	(25)
Written off	–	–	–
At 30 June, 2002	<b>1,288</b>	<b>577</b>	<b>1,865</b>
<b>Net Book Value</b>			
At 30 June, 2002	<b>5,500</b>	<b>4,181</b>	<b>9,681</b>
At 30 June, 2001	5,600	4,397	9,997
Depreciation charge for 2001	–	72	72

\*\* During the year, inventories amounting to RM72,000 was capitalised as property, plant and equipment.

**Office equipment**  
**RM'000**

<b>Company</b>	
<b>Cost</b>	
At 1 July, 2001	16
Additions	1
At 30 June, 2002	<b>17</b>
<b>Accumulated Depreciation</b>	
At 1 July, 2001	7
Charge for the year	3
At 30 June, 2002	<b>10</b>
<b>Net Book Value</b>	
At 30 June, 2002	<b>7</b>
At 30 June, 2001	9
Depreciation charge for 2001	6

## Notes to the Financial Statements

30 June, 2002

**3. Property, Plant and Equipment (Cont'd.)**

Included in the property, plant and equipment of the group are the following costs of fully depreciated assets which are still in use:

	Group	
	2002 RM'000	2001 RM'000
Plant and machinery	803	1,070
Motor vehicles	250	182
Furniture and fittings	252	240
Office equipment	1,015	1,087
<hr/>		
	Company	
	2002 RM'000	2001 RM'000
Office equipment and computers	4	–

**4. Subsidiaries**

	Company	
	2002 RM'000	2001 RM'000
Unquoted shares, at cost	201,447	201,447
Less : Provision for diminution in value	(126,420)	–
	75,027	201,447

The subsidiaries, all of which are incorporated in Malaysia, are:

Name of Companies	Paid-up Capital RM	Effective Interests		Principal Activities
		2002 %	2001 %	
FCW Industries Sdn. Bhd.	68,198,400	100	100	Investment holding, provision of management services and trading in telecommunications equipment
<b>Subsidiaries of FCW Industries Sdn. Bhd.:</b>				
FCW Enterprise Sdn. Bhd.	8,000,000	100	100	Property investment
FCW Housing and Realty Development Sdn. Bhd.	5,000,000	100	100	Property development – dormant
Federal Telecommunications Sdn. Bhd.	5,000,000	100	100	Distribution of telecommunications equipment and turnkey contracting

## Notes to the Financial Statements

30 June, 2002

**4. Subsidiaries (Cont'd.)**

Name of Companies	Paid-up Capital RM	Effective Interests		Principal Activities
		2002	2001	
		%	%	
Subsidiaries of FCW Industries Sdn. Bhd.: (Cont'd.)				
Indah Nominees Sdn. Bhd.	2	100	100	Investment holding – dormant
Malco Metal Sdn. Berhad	2	100	100	Trading of metal and alloyed metal products – ceased operations
Teco Electrical Motor Machinery Mfg. Sdn. Berhad	2	100	100	Providing management services – dormant
United Malaysian Steel Mills Berhad	3,000,000	77	77	Manufacture and trading of steel products – ceased operations
Pioneer Multimedia Sdn. Bhd.	2	100	100	Trading of telecommunications equipment
FT Spares & Services Sdn. Bhd.	100,000	100	100	Services of telecommunications equipment
Plusnet Communications Sdn. Bhd.	200,000	100	100	Retailing of telecommunications products
Subsidiaries of Federal Telecommunications Sdn. Bhd.:				
FT Radiosystems Sdn. Bhd.	1,000,000	100	100	Distribution and servicing of telecommunications equipment
Sun Moon Star (M) Sdn. Bhd.	2	100	100	Supply of telecommunications products – dormant
FT Cellular Systems Sdn. Bhd.	2	100	100	Provision of marketing and related services
Pedoman Jitu Sdn. Bhd. *	451,550	89.8	89.8	Trading of telecommunications equipment

## Notes to the Financial Statements

30 June, 2002

**4. Subsidiaries (Cont'd.)**

Name of Companies	Paid-up Capital RM	Effective Interests		Principal Activities
		2002 %	2001 %	
Subsidiaries of FT Radiosystems Sdn. Bhd.:				
Pager Communications Sdn. Bhd. *	150,000	100	100	Renting of communication access
Ultra Matrix Sdn. Bhd.	80,000	100	100	Investment holding
Cometron Sdn. Bhd.	120,004	68	68	Sale and hire of telecommunications equipment and electronic goods and the provision of paging services
Digiphonic Sistem Sdn. Bhd.	1,000,000	55	55	Trading of electronic telecommunications equipment
Subsidiary of Digiphonic Sistem Sdn. Bhd.				
Digiphonic Servis Sdn. Bhd.	50,000	55	55	Servicing of electronic telecommunications equipment

On 17 September, 2001, Federal Telecommunications Sdn. Bhd. disposed its entire shareholdings in FT Spares & Services Sdn. Bhd. to FCW Industries Sdn. Bhd. for a total cash consideration of RM100,000.

\* Audited by firms of chartered accountants other than Arthur Andersen & Co.

**5. Associated Companies**

	Group	
	2002 RM'000	2001 RM'000
Unquoted shares, at cost	38,003	38,003
Group's share of post-acquisition profits and reserves	33,932	49,070
Goodwill written off	(4,139)	-
	67,796	87,073
Represented by:		
Share of net tangible assets	69,361	84,499
Goodwill on acquisition	-	4,139
Premium on acquisition	(1,565)	(1,565)
	67,796	87,073

The associated companies, all of which are incorporated in Malaysia and held by the Company through its subsidiary, FCW Industries Sdn. Bhd. except as indicated, are:

## Notes to the Financial Statements

30 June, 2002

**5. Associated Companies (Cont'd.)**

Name of Companies	Effective Interests		Financial Year End	Principal Activities
	2002 %	2001 %		
Federal Power Sdn. Bhd.	<b>29.68</b>	30.00	31 December	Manufacture and sale of power cables and electrical conductors
Fujikura Federal Cables Sdn. Bhd.	<b>42.54</b>	42.54	31 December	Manufacture and marketing of power, telecommunications cables and wires
Widenet Technology Sdn. Bhd.*	<b>27.20</b>	27.20	30 June	Trunk radio system operator
Ghamal Industries Company Limited**	<b>27.50</b>	27.50	31 December	Design, supply, installation, resting and commissioning of copper subscribers Access Network in Ghana

\* Held by Cometron Sdn. Bhd.

\*\* Incorporated in Ghana

The dilution of interest in Federal Power Sdn. Bhd. during the year arose as Federal Power Sdn. Bhd. issued ordinary shares to Fujikura Limited, Japan as the purchase consideration for the acquisition of the remaining 30% shareholding in its subsidiary, FP Technology Sdn. Bhd.

**6. Other Investments**

	Group	
	2002 RM'000	2001 RM'000
Quoted investments in Malaysia, at cost	<b>10</b>	10
Less : Provision for diminution in value of quoted investments	<b>(5)</b>	(5)
	<b>5</b>	5
Market value of quoted investments in Malaysia	<b>11</b>	8

**7. Goodwill on Consolidation**

	Group	
	2002 RM'000	2001 RM'000
Goodwill arising on consolidation	<b>93,026</b>	93,026
Reserve arising on consolidation	<b>(2,672)</b>	(2,672)
Less : Amortisation	<b>(28,542)</b>	(24,927)
Less : Goodwill written off	<b>(61,812)</b>	-
	<b>-</b>	65,427



## Notes to the Financial Statements

30 June, 2002

**8. Deferred Expenditure**

	Group	
	2002 RM'000	2001 RM'000
Preliminary expenses	-	1
Pre-operating expenses	-	8
Other deferred expenditure	286	286
	286	295
Less : Accumulated amortisation of deferred expenditure	(181)	(123)
Amount written off	-	(9)
	105	163

**9. Inventories and Contracts Work-in-Progress**

	Group	
	2002 RM'000	2001 RM'000
At cost:		
Trading inventories	1,837	2,752
Contracts work-in-progress	1,410	38
At net realisable value:		
Trading inventories	205	830
	3,452	3,620

During the financial year inventories costing RM72,000 was capitalised as property, plant and equipment.

Details of the contracts work-in-progress are as follows:

	Group	
	2002 RM'000	2001 RM'000
Aggregate costs incurred to date	8,662	6,051
Add : Attributable profits	1,578	1,976
	10,240	8,027
Less : Progress billings	(8,830)	(7,989)
	1,410	38

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM14,256,000 (2001 : RM51,526,000). In the previous year, the Group reversed RM4,725,000, being part of inventories written down that was subsequently not required.

## Notes to the Financial Statements

30 June, 2002

**10. Trade Receivables**

	Group	
	2002 RM'000	2001 RM'000
Trade receivables	11,450	42,098
Less : Provision for doubtful debts	(5,780)	(8,327)
	5,670	33,771

Trade receivables of the Group have decreased significantly in comparison to the prior year, due to the netting off of a trade receivable balance and trade payable balance relating to the same entity. This was not performed in the prior year as a written agreement was only obtained in the current year from the entity to set off the balances concerned.

**11. Other Receivables**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Sundry receivables	3,559	5,544	10	8
Prepayments	33	82	6	4
Deposits	55	274	-	-
Tax recoverable	1,496	1,115	725	725
	5,143	7,015	741	737
Less : Provision for doubtful debts	(3,176)	(3,267)	-	-
	1,967	3,748	741	737

**12. Cash and Bank Balances**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Cash on hand and at bank	804	3,656	50	144
Deposits with licensed bank	330	6,700	-	4,000
	1,134	10,356	50	4,144

Deposit of RM130,000 (2001 : RM130,000) was pledged with a licensed bank for trade facility extended to a subsidiary.

## Notes to the Financial Statements

30 June, 2002

**13. Short Term Borrowings**

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Secured:				
Bankers' acceptance	963	-	-	-
Bank overdraft	473	451	-	-
Revolving credit	14,370	16,291	1,400	3,000
Term loan	-	6,528	-	6,528
	15,806	23,270	1,400	9,528

The short term borrowings of the subsidiaries are secured by corporate guarantee from the holding company. The short term borrowings of the Group bear interest of between 4.10% to 8.1% (2001 : 4.45% to 7.8%) per annum.

**14. Trade Payables**

Trade payables of the Group have decreased significantly in comparison to the prior year, due to the netting off of a trade payable balance and trade receivable balance relating to the same entity. This was not performed in the prior year as a written agreement was only obtained in the current year from the entity to set off the balances concerned.

**15. Other Payables**

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Advances received	61	55	-	-
Dividend payable	-	1	-	-
Sundry payables	233	822	3	32
Accruals	3,055	4,442	199	271
	3,349	5,320	202	303

**16. Due to Associated Companies**

The amounts due to associated companies are unsecured, interest free and have no fixed terms of repayment.

**17. Due to Subsidiaries**

The amounts due to subsidiaries are unsecured and have no fixed terms of repayment. The amount due to certain subsidiaries bear interest ranging between 3.7% to 4% (2001 : 3.9%) per annum.

## Notes to the Financial Statements

30 June, 2002

**18. Share Capital**

	Number of Ordinary Shares of RM0.50 Each		Amount	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Authorised:				
At 1 July/30 June	600,000	600,000	300,000	300,000
Issued and fully paid:				
At 1 July/30 June	185,772	185,772	92,886	92,886

**19. Capital Reserves**

The capital reserves of the Group consist of the following:

	2002 RM'000	2001 RM'000
Capitalisation of earnings for bonus issues by subsidiaries	2,900	2,900
Share of surplus arising from revaluation of freehold land, long term leasehold land and buildings in an associated company of a subsidiary	11,448	11,652
Effect on dilution of shareholding in an associated company	255	-
	14,603	14,552

**20. Revenue**

Revenue of the Group consist of the following:

	2002 RM'000	2001 RM'000
Sales, hire and servicing of telecommunications equipment and electronic goods	17,594	54,994
Service fee income from provision of paging services	744	12
	18,338	55,006

## Notes to the Financial Statements

30 June, 2002

**21. Other Operating Income**

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Management charges receivable from a subsidiary	-	-	-	144
Rental and service income	78	340	-	-
Rental of equipment	35	-	-	-
Gain on disposal of property, plant and equipment	94	63	-	-
Realised gain on foreign exchange	12	106	-	-
Interest income	106	119	28	411
Provision for doubtful debts written back	1,314	-	-	-
Bad debts recovered	-	4,177	-	-

**22. Changes in Inventories of Trading Inventories**

Included in changes of inventories of trading inventories and contract work-in-progress of the Group are costs of inventories written down amounting to RM935,000 (2001 : RMNil).

Included in changes of inventories of trading inventories and contracts work-in-progress of the Group are cost of inventories written off amounting to RM19,000 (2001 : RMNil).

**23. Staff Costs**

Included in staff costs are:

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration *	379	362	256	238

\* The estimated monetary value of benefit not included in the above received by director of the Company and by directors of subsidiaries were RM3,600 (2001 : RM3,600) and RM11,100 (2001 : RM13,200) respectively.

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Directors of the Company				
Executive:				
Salaries and other emoluments	208	202	208	202
Benefits-in-kind	4	4	4	4
	212	206	212	206
Non-Executive:				
Fees	48	36	48	36

## Notes to the Financial Statements

30 June, 2002

**23. Staff Costs (Cont'd.)**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>Other Directors</b>				
Executive:				
Salaries and other emoluments	108	109	-	-
Benefits-in-kind	2	2	-	-
Fees	5	5	-	-
	115	116	-	-
Non-Executive:				
Benefits-in-kind	9	9	-	-
Fees	10	10	-	-
	19	19	-	-
<b>Total excluding benefits-in-kind</b>	<b>379</b>	<b>362</b>	<b>256</b>	<b>238</b>

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

	Number of Directors	
	2002	2001
Executive directors:		
RM200,000 - RM250,000	1	1

**24. Other Operating Expenses**

Included in other operating expenses are:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Auditors' remuneration:				
- statutory audits	67	103	10	12
Fees payable to:				
- directors of the Company	48	36	48	36
- directors of the subsidiaries	15	15	-	-
Impairment loss on freehold land	-	1,288	-	-
Rental of office premises	40	392	-	60
Property, plant and equipment written off	21	357	-	-
Amortisation of goodwill	3,615	3,615	-	-
Amortisation of deferred expenditure	57	56	-	-
Provision for doubtful debts	-	4,057	-	-
Intangible assets written off	-	9	-	-
Bad debts written off	-	18	-	-
Loss on disposal of an associated company	-	15	-	-
Goodwill written off	65,952	-	-	-
Provision for diminution in value of investment	-	-	126,420	-

## Notes to the Financial Statements

30 June, 2002

**25. Taxation**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Current year's provision	13	68	-	-
Taxation overprovided in prior years	(850)	(124)	-	-
Share of taxation of associated companies	31	(663)	-	-
	(806)	(719)	-	-

The current year tax charge of the Group is in respect of interest income earned by subsidiaries.

As at 30 June, 2002, the Company has unabsorbed tax losses and unutilised capital allowances of approximately RM7,781,000 (2001 : RM7,229,000) and RM19,000 (2001 : RM14,000) respectively which can be used to offset future taxable profits subject to agreement with Inland Revenue Board.

As at 30 June, 2002, the Company has a potential deferred tax benefit of approximately RM2,185,000 (2001 : RM2,095,000), arising from tax losses carried forward, the effects of which are not included in the financial statements as there is no assurance beyond any reasonable doubt that future taxable income will be sufficient to allow the benefit to be realised.

**26. Basic Loss Per Share**

The basic loss per share is calculated based on the Group's loss after minority interest of RM85,487,000 (2001 : RM23,049,000) and the number of ordinary shares in issue during the year of 185,772,800 (2001 : 185,772,800).

**27. Contingent Liabilities**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Unsecured:				
Corporate guarantee for credit facilities to subsidiaries	-	-	58,742	58,742
Bank guarantee for performance guarantee and utilities	1,935	1,856	-	-

## Notes to the Financial Statements

30 June, 2002

**28. Significant Related Party Transactions**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>Associated Companies</b>				
Sales to Widenet Technology Sdn. Bhd.	-	90	-	-
Licensing income received from Widenet Technology Sdn. Bhd.	-	363	-	-
Rental and service charges received from Fujikura Federal Cables Sdn. Bhd.	78	73	-	-
<b>Subsidiaries</b>				
Interest income	-	-	2	385
Interest expense	-	-	3	220
Management fees	-	-	-	144
Rental expense	-	-	-	117

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 on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

**29. Subsequent Event**

The company on 16 October 2002 made an announcement in relation to the proposal to undertake a renounceable two-call rights issue of 92,886,400 new ordinary shares of RM0.50 ("Rights Share") at an indicative issue price of RM0.50 per Rights Share with 92,886,400 new detachable warrants for free, on the basis of one Rights Share with one warrant for every two existing ordinary share of RM0.50 each in the company.

**30. Segmental Reporting**

No segmental reporting has been prepared as the Group's activities are predominantly in the telecommunications industry in Malaysia.



## List of Properties

as at 30 June, 2002

Location	Description	Existing Use	Tenure/ Approximate Age of Building	Net Book Value as at 30 June 2002 (RM)	Date of Last Revaluation (R)/ Date of Acquisition (A)
PT 2A, Jalan 227 Section 20A Bandar Petaling Jaya Daerah Kuala Lumpur (Lot 2, Jalan 222 Section 51A 46100 Petaling Jaya Selangor Darul Ehsan)	Land with office building (Area: 28,314 sq. ft.)	Office	Leasehold 60 years (1963 - 2062)	4,180,742.62	11 March 1994 (A)
Lot No. PT 23533 HS (D) 252/94 Mukim Sungai Petani District of Kuala Muda Kedah Darul Aman	Land approved for Commercial Development (Area: 153,555 sq. ft.)	Vacant	Freehold	5,500,000.00	August 2001 (R)

## Analysis of Shareholdings

as at 28 October, 2002

### A. Share Capital

Authorised Share Capital	–	RM300,000,000 (600,000,000 ordinary shares of RM0.50 each)
Issued & Paid-up Share Capital	–	RM92,886,400 (185,772,800 ordinary shares of RM0.50 each)
Voting Rights	–	One vote for each ordinary share held

### B. Distribution of Shareholdings

Size of Holdings	No. of Holders	No. of Shares	%
Less than 1,000	425	111,773	0.06
1,000 - 10,000	12,328	36,407,887	19.60
10,001 - 100,000	1,139	28,648,767	15.42
100,001 to less than 5% of issued shares	56	63,264,373	34.06
5% and above of issued shares	4	57,340,000	30.86
	<b>13,952</b>	<b>185,772,800</b>	<b>100.00</b>

### C. Thirty Largest Shareholders as at 28 October, 2002

No.	Name of Shareholders	No. of Shares	%
1.	Employees Provident Fund Board	15,727,000	8.47
2.	Tan Sri Dato' Tan Hua Choon	15,605,000	8.40
3.	Puan Sri Datin Poo Choo @ Ong Poo Choi	15,605,000	8.40
4.	Tan Han Chuan	10,403,000	5.60
5.	Kuala Lumpur City Nominees (Tempatan) Sdn Bhd <i>Alpha Grace Sdn Bhd (D12)</i>	7,602,967	4.09
6.	Tan Ching Ching	7,261,000	3.90
7.	Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Skim Amanah Saham Bumiputera</i>	6,423,816	3.46
8.	Ong Huey Peng	6,020,000	3.24
9.	Lembaga Tabung Haji	5,011,339	2.70
10.	Cheong Siew Yoong	2,470,000	1.32
11.	Lim Siew Sooi	2,049,000	1.10
12.	Chew Boon Seng	2,022,000	1.09
13.	Malaysia Nominees (Tempatan) Sendirian Berhad <i>Pledged Sec. Acc. for Dato' Lim Suh Hua @ Lim Yak Hua</i>	2,000,000	1.08
14.	Wong Chee Choon	1,793,000	0.97
15.	Wong Chee Choon	1,718,000	0.92
16.	Ong Har Hong	1,697,000	0.91
17.	Lim Suh Hua @ Lim Yak Hua	1,341,000	0.72
18.	Lim Eng Huat	1,189,000	0.64
19.	Universiti Malaya	1,056,000	0.57
20.	Low Cheng Peng	1,036,000	0.56

## Analysis of Shareholdings

as at 28 October, 2002

**C. Thirty Largest Shareholders as at 28 October, 2002 (Cont'd)**

No.	Name of Shareholders	No. of Shares	%
21.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak</i>	1,000,000	0.54
22.	Ong Huey Peng	1,000,000	0.54
23.	Malaysia Nominees (Tempatan) Sendirian Berhad <i>Pledged Securities Account for Ho Mok Heng (01-001)</i>	800,000	0.43
24.	Mayfair Finance Corp	800,000	0.43
25.	Ong Har Hong	707,000	0.38
26.	Menteri Kewangan Malaysia <i>Section 29 (SICDA)</i>	589,038	0.32
27.	Sin Len Moi	573,000	0.31
28.	Lembaga Tabung Haji	500,000	0.27
29.	Tong Kim Fatt @ Allen Tong	481,200	0.26
30.	Permodalan Nasional Berhad	480,254	0.26
<b>Total</b>		<b>114,960,614</b>	<b>61.88</b>

**D. Substantial Shareholders as at 28 October, 2002** (Pursuant to Section 69E of the Companies Act, 1965)

Name of Shareholders	No. of Shares	% of Shareholdings
Employees Provident Fund Board	15,727,000	8.47
Tan Sri Dato' Tan Hua Choon	15,605,000*	8.40
Puan Sri Datin Poo Choo @ Ong Poo Choi	15,605,000*	8.40
Tan Han Chuan	10,403,000*	5.60

\* YBhg Tan Sri Dato' Tan Hua Choon is the spouse of Puan Sri Datin Poo Choo @ Ong Poo Choi and the father of Mr Tan Han Chuan and is thus deemed to be interested in the shareholdings of Puan Sri Datin Poo Choo @ Ong Poo Choi and Mr Tan Han Chuan and vice versa.

**E. Directors' Shareholdings**

Name of Director	No. of Shares	% of Shareholdings
Tan Sri Dato' Tan Hua Choon	15,605,000	8.40

# Proxy Form



**FCW Holdings Berhad**  
(3116-K) (Incorporated in Malaysia)

I/We \_\_\_\_\_ NRIC No./Co. No.: \_\_\_\_\_  
*(full name in capital)*

of \_\_\_\_\_  
*(full address)*

being a Member of the abovenamed Company, hereby appoint \_\_\_\_\_  
*(full name in capital)*

\_\_\_\_\_ NRIC No./Co. No.: \_\_\_\_\_

of \_\_\_\_\_  
*(full address)*

or failing him, \_\_\_\_\_ NRIC No./Co. No.: \_\_\_\_\_

of \_\_\_\_\_  
*(full address)*

or failing him/her, the **Chairman of the Meeting**, as my/our proxy for me/us on my/our behalf, at the Forty Seventh Annual General Meeting of the shareholders of the Company to be held at Dewan Berjaya, Bukit Kiara Equestrian and Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur, Malaysia on Tuesday, 17 December 2002 at 11.00 a.m. or any adjournment thereof.

The proxy is to vote on the Resolutions set out in the Notice of the Meeting as indicated with an 'X' in the appropriate spaces. If no voting instructions are given, the proxy may vote or abstain from voting at his/her discretion.

Resolution	For	Against
Ordinary Resolution No. 1		
Ordinary Resolution No. 2		
Ordinary Resolution No. 3(a)		
Ordinary Resolution No. 3(b)		
Ordinary Resolution No. 3(c)		
Ordinary Resolution No. 3(d)		
Ordinary Resolution No. 4		

No. of Shares Held	
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Signed this \_\_\_\_\_ day of \_\_\_\_\_, 2002

\_\_\_\_\_  
Signature/Seal

## Notes:

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (but not more than two) to attend and vote instead of him. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Where a member appoints two (2) proxies to attend the same meeting, the member shall specify the proportion of his shareholding to be represented by each proxy, failing which the appointment(s) shall be invalid.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
3. The Proxy Form shall be deposited with the Company's Share Registrars, Messrs Panama Resources Sdn Bhd, 23, Jalan Sri Hartamas 7, Sri Hartamas, 50480 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

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S T A M P

**FCW HOLDINGS BERHAD**

(3116-K)

c/o Messrs Panama Resources Sdn Bhd  
23, Jalan Sri Hartamas 7,  
Sri Hartamas,  
50480 Kuala Lumpur.

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