



**MWE HOLDINGS BERHAD**

5713-D



A N N U A L   R E P O R T   2 0 0 1

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The Power To See : Envision  
 The Power To Become : Enlightened  
 The Power To Succeed : Enriched



## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the Company will be held at the Company's Registered Office at 846, Jalan Raya, 14209 Sungei Bakap, Seberang Perai Selatan, Pulau Pinang on Monday, 24 June 2002 at 10.30 a.m. for the following purposes:-

### Agenda

1. To receive and consider the Audited Accounts for the year ended 31 December 2001 and the Reports of the Directors and Auditors thereon.

(RESOLUTION 1)

2. (i) To re-elect Mr Lawrence Lim Swee Lin, the Director retiring in accordance with the Company's Articles of Association and being eligible, offers himself for re-election.

(RESOLUTION 2)

- (ii) To re-elect Dato' Ahmad Hasmuni bin Hj. Hussein, the Director retiring in accordance with the Company's Articles of Association and being eligible, offers himself for re-election.

(RESOLUTION 3)

- (iii) To re-elect Mr Lim Kong Yow, the Director retiring in accordance with the Company's Articles of Association and being eligible, offers himself for re-election.

(RESOLUTION 4)

- (iv) To consider and if thought fit, to pass a resolution pursuant to Section 129(6) of the Companies Act, 1965, to re-appoint Tan Sri Datuk A. Samad bin Idris as Director of the Company to hold office until the conclusion of the next Annual General Meeting.

(RESOLUTION 5)

3. To approve the payment of Directors' fees for the year ended 31 December 2001.

(RESOLUTION 6)

4. To re-appoint Messrs Moores Rowland as the Company's Auditors and to authorise the Directors to fix their remuneration.

(RESOLUTION 7)

5. As Special Business:

To consider and, if thought fit, pass the following Ordinary Resolutions:

#### **(A) AUTHORITY TO GRANT OPTIONS AND TO ALLOT AND ISSUE SHARES PURSUANT TO THE EMPLOYEES' SHARE OPTION SCHEME**

"That pursuant to Section 132D of the Companies Act, 1965, approval be and is hereby given to the Directors to offer and grant options to eligible employees and eligible Directors of the Company and its subsidiary companies ("the Group") pursuant to the MWE Holdings Berhad Employees' Share Option Scheme ("ESOS") which was approved at the Extraordinary General Meeting of the Company held on 20 June 2001, and to allot and issue such new ordinary shares in the Company from time to time during the duration of the ESOS to the eligible employees and eligible Directors of the Group pursuant to their exercise of the options under the ESOS."

(RESOLUTION 8)



**(B) AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

“That pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue new ordinary shares in the Company, from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued and paid-up share capital of the Company for the time being and the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional new ordinary shares so issued on the Kuala Lumpur Stock Exchange AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.”

**(RESOLUTION 9)**

**(C) PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE AND PROPOSED FURTHER SHAREHOLDERS’ MANDATE IN RESPECT OF RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

“That the approval be and is hereby given to the Group to enter into the category of recurrent transactions of a revenue or trading nature with those Related Parties as stated in Section 2.2 of the Circular dated 31 May 2002 which are necessary for the Group’s day to day operations subject to the following:-

- i. the transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders; and
- ii. disclosure of the aggregate value of transactions conducted pursuant to the Shareholders’ Mandate during a financial year will be disclosed in the Annual Report for the said financial year AND THAT such approval shall continue to be in force until:
  - a. the conclusion of the next Annual General Meeting (“AGM”) of the Company following the forthcoming AGM at which time it will lapse, unless by a resolution passed at the meeting the authority is renewed; or
  - b. the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (“the Act”) (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
  - c. revoked or varied by resolution passed by the Shareholders in an AGM or an Extraordinary General Meeting;

whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.”

**(RESOLUTION 10)**

- 
6. To transact any other ordinary business of which due notice shall have been given.

By Order of the Board

**LIM KONG YOW**  
MIA 4979  
Company Secretary

31 May 2002  
Penang

**Notes:**

1. A member of the Company entitled to attend and vote at the Meeting, is entitled to appoint a proxy or two proxies to attend and vote instead of him. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy. A proxy need not be a member of the Company.
2. The form of proxy in the case of an individual shall be signed by the appointor or his attorney and in the case of a corporation, must be executed under seal or under the hand of an officer or attorney duly authorised.
3. The instrument appointing a proxy must be deposited at the Company's Registered Office at 846, Jalan Raya, 14209 Sungei Bakap, Seberang Perai Selatan, Pulau Pinang not less than 48 hours before the time appointed for holding the Meeting.

**EXPLANATORY NOTES ON SPECIAL BUSINESS**

4. The proposed Resolution 8, if passed, will empower the Directors to offer and grant options and issue shares in the Company pursuant to the ESOS which was approved at the Extraordinary General Meeting of the Company held on 20 June 2001.
5. The proposed Resolution 9, if passed, will renew the powers given to the Directors at the last Annual General Meeting authority to issue up to ten per centum (10%) of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.
6. The proposed Resolution 10, if passed, will eliminate the need to convene separate general meetings from time to time to seek shareholders' approval as and when potential recurrent transactions with a related party arise, thereby reducing substantially administrative time and expenses in convening such meetings without compromising the corporate objective and adversely affecting business opportunities available to the Group.



## Statement Accompanying Notice of Annual General Meeting

*(Pursuant to Paragraph 8.28(2) of the Listing Requirements of the Kuala Lumpur Stock Exchange)*

### 1. Directors who are standing for re-election at the forthcoming Annual General Meeting of the Company

Pursuant to Article 109 of the Company's Articles of Association

- i) Mr Lawrence Lim Swee Lin
- ii) Dato' Ahmad Hasmuni bin Hj. Hussein

Pursuant to Article 96 of the Company's Articles of Association

- i) Mr Lim Kong Yow

Pursuant to Section 129(6) of the Companies Act, 1965

- i) Tan Sri Datuk A. Samad bin Idris

### 2. Details of attendance of Directors at Board Meetings

There were three (3) Board meetings held during the financial year ended 31 December 2001. Details of attendance of the Directors are set out in the Particulars of Directors appearing on page 13 of the Annual Report.

### 3. Place, Date and Time of Board Meetings

All Board meetings during the financial year ended 31 December 2001 were held at Conference Room, 30.02, 30th Floor, Menara Multi-Purpose, Capital Square, No. 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur. The date and time of the Board meetings held were as follows:-

Date of Meetings	Time
29.05.2001	12.00 noon
29.08.2001	12.00 noon
27.11.2001	12.00 noon

### 4. Further details of Directors who are standing for re-election

Details of Directors who are standing for re-election are set out in the Directors' Profile appearing on pages 10 to 12 of the Annual Report.



## CORPORATE INFORMATION

### DIRECTORS

Tan Sri Datuk A. Samad bin Idris  
P.M.N., S.P.N.S., D.S.N.S., D.P.M.J.  
(Chairman)  
Dato' Surin Upatkoon  
D.S.P.N.  
Dato' Low Hock Peng  
D.S.P.N.  
Lawrence Lim Swee Lin  
Tang King Hua  
Lim Kong Yow  
Dato' Ahmad Hasmuni bin Hj. Hussein  
D.S.S.A.  
Dato' Shahbudin bin Imam Mohamad  
D.S.A.P., D.I.M.P., S.A.P., J.S.N., P.J.K.  
Tan Chor Teck

### SECRETARY

Lim Kong Yow  
MIA 4979

### REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

846, Jalan Raya, 14209 Sungei Bakap, Seberang Perai Selatan, Pulau Pinang  
Tel : 04-582 4811 Fax : 04-582 4707

### REGISTRARS

Metra Management Sdn Bhd (62169-A)  
30.02, 30th Floor, Menara Multi-Purpose, Capital Square  
No. 8 Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 03-2698 3232 Fax : 03-2698 0313

### AUDITORS

Moores Rowland (AF 0539)  
*Chartered Accountants*  
7th Floor, South Block, Wisma Selangor Dredging  
142-A, Jalan Ampang, 50450 Kuala Lumpur

### DOMICILE

Malaysia

### LEGAL FORM AND PLACE OF INCORPORATION

A public listed company incorporated in Malaysia under the Companies Act, 1965 and limited by shares

### PRINCIPAL BANKERS

Malayan Banking Berhad  
Southern Bank Berhad

### MERCHANT BANKERS

Aseambankers Malaysia Berhad  
Affin Merchant Bank Berhad  
Alliance Merchant Bank Berhad

### SOLICITORS

Ghazi & Lim  
C. T. Choo & Co.  
Adam Bachek & Associates

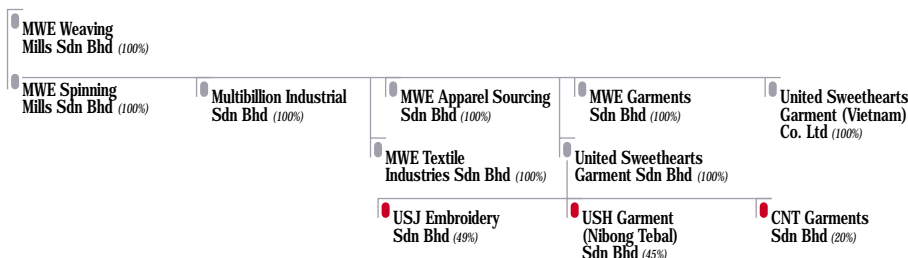
### LISTING

The Kuala Lumpur Stock Exchange  
Main Board

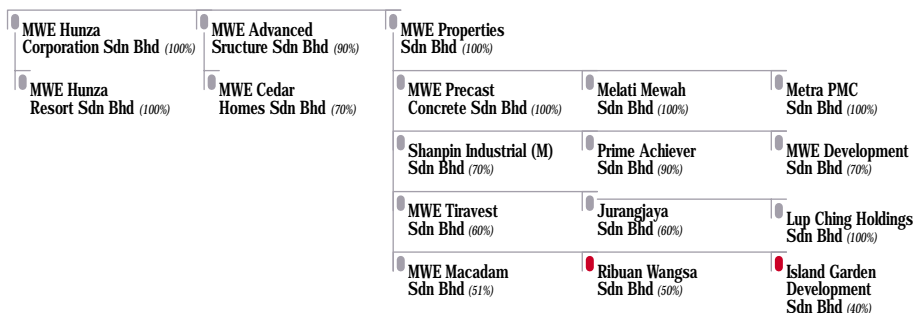
# CORPORATE STRUCTURE



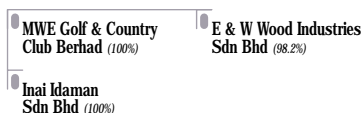
## TEXTILE DIVISION



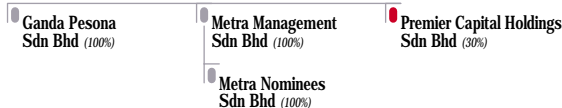
## PROPERTY DIVISION



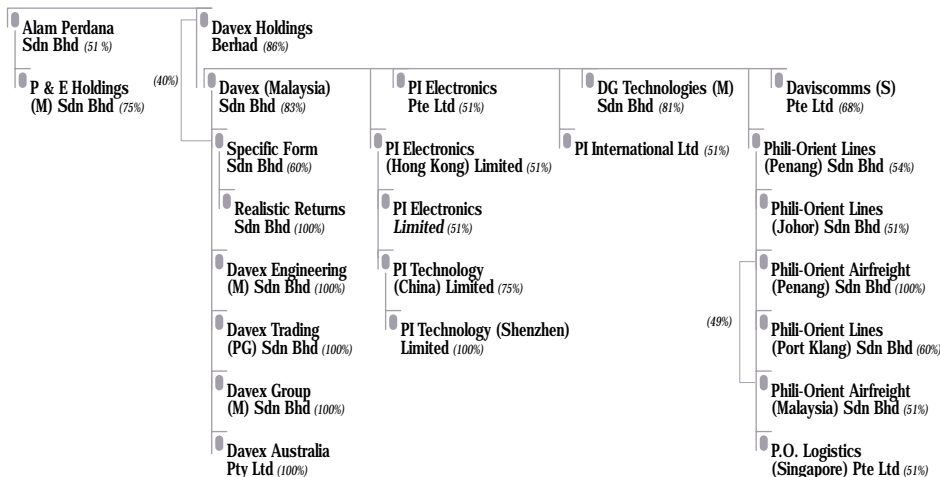
## RESOURCES & LEISURE DIVISION



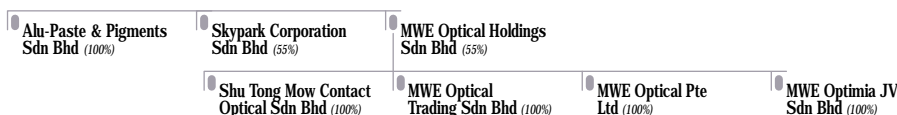
## CORPORATE/ SERVICES DIVISION



## ELECTRONICS DIVISION



## INDUSTRIAL DIVISION



## INTERNATIONAL DIVISION

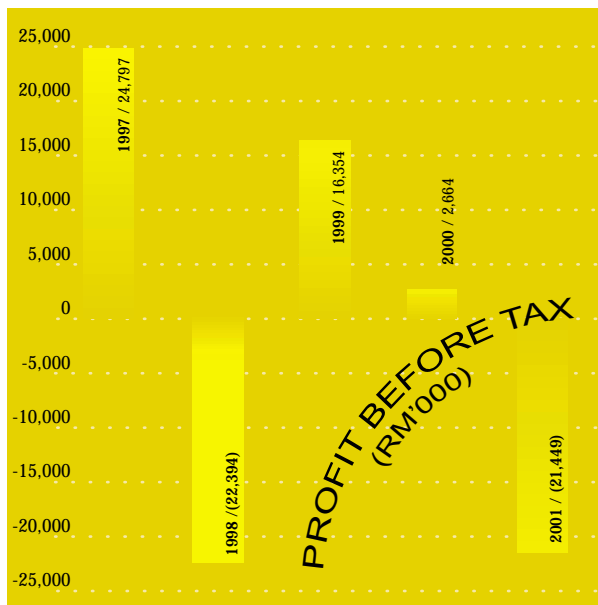
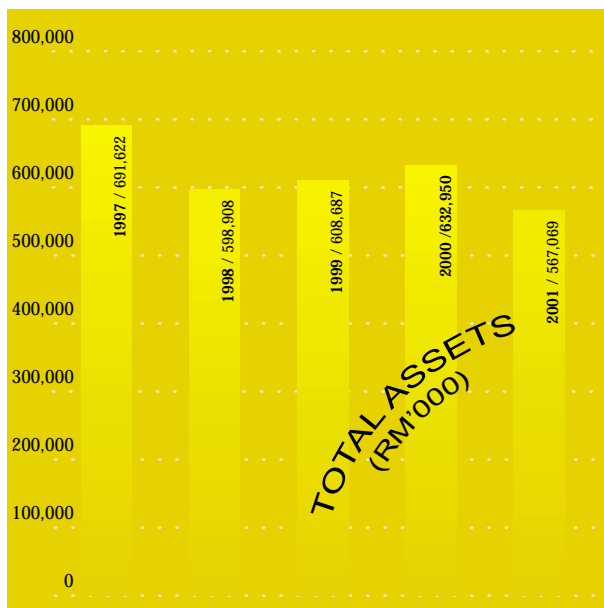
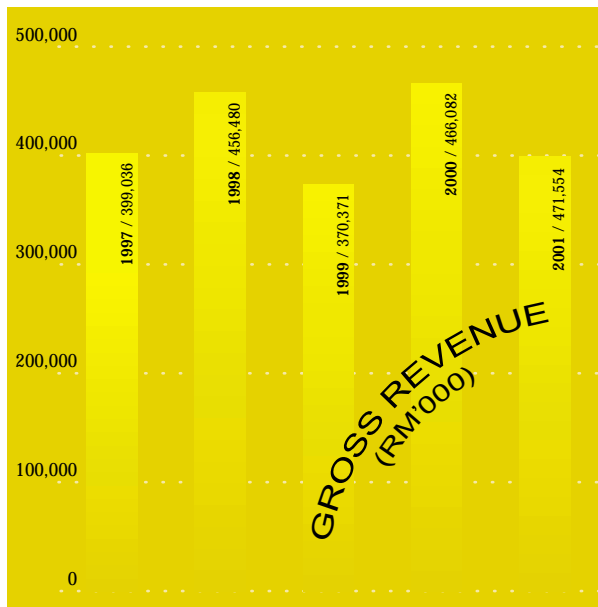
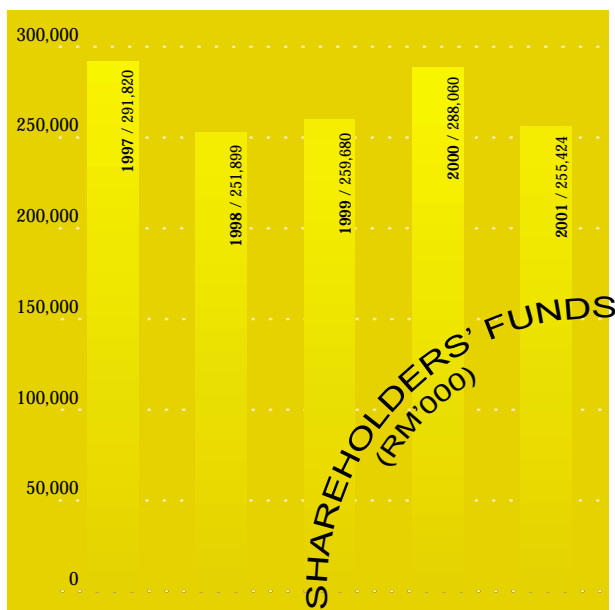


Associate Company





## FIVE YEARS GROUP FINANCIAL HIGHLIGHTS





	1997 RM ( 000)	1998 RM ( 000)	1999 RM ( 000)	2000 RM ( 000)	2001 RM ( 000)
Gross Revenue	399,036	456,480	370,371	466,082	471,554
Profit/(Loss) Before Tax	24,797	(22,394)	16,354	2,664	(21,449)
Paid-Up Capital	165,394	165,394	167,131	209,794	209,794
Shareholders Funds	291,820	251,899	259,680	288,060	255,424
Gross Earnings/(Loss) Per Share (Sen)	16	(14)	10	1	(10)
Net Tangible Assets Per Share (Sen)	161	137	142	126	111
Total Assets	691,622	598,908	608,687	632,950	567,069
Gross Dividend (%)	2	0.5	1	1	1



## DIRECTORS PROFILE

### TAN SRI DATUK A. SAMAD BIN IDRIS

(Chairman & Independent Non-Executive Director), Malaysian, aged 79, was appointed to the Board of MWE on 29 July 1981. Tan Sri Datuk A. Samad was the Chairman and Managing Director of Urusan Malay Transport, Kuala Pilah. He then embarked on a successful political career over a period of 25 years. He was the Exco Member holding the post of Deputy Chief Minister in Negeri Sembilan from 1964 till 1969. He was also the Assistant Minister of National and Rural Development (1969), Assistant Minister of Agriculture (1971), Assistant Minister of Labour and Energy (1973), Assistant Minister of Home Affairs (1974), Minister in the Prime Minister's Department (1976) and Minister of Youth, Culture & Sports (1.7.1976) prior to his retirement from politics in 1980.

Tan Sri Datuk A. Samad was appointed as the Chairman of Bank Pembangunan Malaysia Berhad and Ekovest Berhad from 1981 till 1994 and 1993 till 1995 respectively. He is currently the Chairman of FINAS, a semi-government body which helps to promote, nurture and facilitate the development of film industry of Malaysia to establish the National Film Development Corporation of Malaysia. He also sits on the Board of Utusan Melayu (M) Berhad, a public company listed on the Kuala Lumpur Stock Exchange.

### DATO SURIN UPATKOON

(Executive Director), Thai, aged 53, was appointed to the Board of MWE on 29 July 1976. Dato' Upatkoon started his career when he ventured into the textile manufacturing business and was subsequently appointed as the Managing Director of MWE Spinning Mills Sdn Bhd and MWE Weaving Mills Sdn Bhd respectively. He is primarily responsible for its day-to-day operations and penetration of any potential markets for the Textile Group of Companies.

Dato' Upatkoon has plays a key role in the management and operations of the MWE Group as well as in the expansion and development programmes. He continues to be actively involved in community services for the benefit of education and charity. He is a Director of Han Chiang College in Penang and Vice President of Penang Table Tennis Association.

Dato' Upatkoon currently also serves as an Executive Director on the Board of Multi-Purpose Holdings Berhad, a public company listed on the Kuala Lumpur Stock Exchange. He also sits on the Boards of several private limited companies.

### DATO LOW HOCK PENG

(Executive Director), Malaysian, aged 50, was appointed to the Board of MWE on 28 February 1985. Dato' Low holds a B.Sc. (Econ)(Hon) degree from The London School of Economics & Political Science, The University of London in 1974. He also holds a Master's degree in Business Administration (MBA) from the University of California, Los Angeles in 1975. Upon his return to Malaysia in 1976, Dato' Low commenced work in his family owned companies.



He is actively involved in the corporate matters of the MWE Group of Companies. He is also the Chairman (Non-Executive) of Electrotech Investments Ltd since 1995 - a Singapore company.

Currently, Dato' Low is the Executive Adviser of The Penang Chinese Chamber of Commerce and also the Adviser of the Han Chiang High School. He was the President of The Penang Chinese Chamber of Commerce from 1994 to 1997 and Vice President of The Associated Chinese Chamber of Commerce and Industry of Malaysia (ACCIM) from 1994 to 1997. He also sits on the Boards of several private limited companies in Malaysia and overseas.

### LAWRENCE LIM SWEE LIN

(Executive Director), Malaysian, aged 45, was appointed to the Board of MWE on 1 August 1989. Mr Lim holds a Bachelor of Arts degree in Economics (Honours) from the University of Sheffield and a Master's degree in Business Administration from University of Manchester, United Kingdom. In November 1983, he joined Aseambankers Malaysia Berhad where he was principally involved in syndication, debt securitisation and project financing.

Mr Lim left Aseambankers Malaysia Berhad in July 1989 and joined MWE Holdings Berhad as an Executive Director dealing with management and operations of the MWE Group of Companies. He is also the Executive Director of Leisure Management Berhad ("LMB") with overall responsibility for the LMB Group's business and management. He also sits on the Boards of several private limited companies.


### TANG KING HUA

(Executive Director), Malaysian, aged 44, was appointed to the Board of MWE on 2 February 2000. Mr Tang graduated with a Bachelor's degree in Industrial Engineering from Canada Technical University of Nova Scotia in 1982. He started his career in 1983 by working in a multi-national electronics company overseeing QC, production and engineering functions.

His vast experience in the field of electronics had enabled him to spearhead the pioneer team in setting-up a company called Eastrade Electronics (M) Sdn Bhd. Currently, Mr Tang is the Managing Director of Davex Group of Companies and he oversees the overall profitability and viability of the Group. He is responsible for the identification and penetration of any new and potential markets for the Group both locally and overseas.

### LIM KONG YOW

(Executive Director), Malaysian, aged 47, was appointed to the Board of MWE on 11 December 2001. Mr Lim obtained his professional qualifications from Chartered Institute of Management Accountants (United Kingdom) in 1982 and is a member of Malaysian Institute of Accountants. He has more than 20 years of working experience in the field of audit, accounting, management, tax and secretarial services.



Mr Lim started his career by working in Multi-Purpose Holdings Berhad attached to Internal Audit Department for 2 years before moving to Hong Leong Group of Companies. In December 1989, he joined MWE Group of Companies as a Group Chief Accountant and was later promoted to Group Financial Controller. He is principally involved in the accounting, administration, financial functions and management of the MWE Group. He sits on the Boards of several private limited companies.

#### **DATO AHMAD HASMUNI BIN HJ. HUSSEIN**

(Independent Non-Executive Director), Malaysian, aged 67, was appointed to the Board of MWE on 26 January 2000. Dato' Ahmad Hasmuni holds a Bachelor of Arts degree from University of Malaya (1965). He has served in the Ministry of Education since 1965 and later, became the Secretary to the Senate Parliament of Malaysia in 1970 prior to his retirement from the government service in 1986.

Dato' Ahmad Hasmuni has gained vast experiences in construction, property development and transportation and was appointed to the Boards of several private limited companies. Currently, he is also a Director of SJA Berhad, a public listed company on the Kuala Lumpur Stock Exchange.

#### **DATO SHAHBUDIN BIN IMAM MOHAMAD**

(Independent Non-Executive Director), Malaysian, aged 60, was appointed to the Board of MWE on 14 September 2000. Dato' Shahbudin graduated with a Bachelor of Arts degree from University of Malaya in 1966.

He spent over 31 years of his career with the Malaysian Government holding various positions such as Assistant Secretary of Malaysian Home & Foreign Service in the Ministry of Labour, Assistant Secretary of Establishment Division in the Public Service Department, Principal Assistant Secretary in the Ministry of Defence, Deputy Secretary-General in the Ministry of Energy, Telecom & Post, Deputy Director Budget in the Treasury, The Honourable State Secretary in Pahang and lastly as a Deputy Secretary General - Operation in the Ministry of Finance before he retired in 1997.

Dato' Shahbudin also sits on the Boards of two public listed companies, namely, Bonia Corporation Berhad and Amanah Capital Partners Berhad. He also sits on the Boards of several private limited companies.

#### **TAN CHOR TECK**

(Independent Non-Executive Director), Malaysian, aged 40, was appointed to the Board of MWE on 14 September 2000. Mr Tan graduated with a degree in Law & Arts from the Melbourne University in 1984. He started his career by working on various projects in Sydney before returning to Malaysia in 1996 where he had been involved in residential property development and management.

Currently, Mr Tan sits on the Boards of several private limited companies that are involved in property development and property management. He also runs a film production company that produced a major Malaysian film called "Spinning Gasing".

## PARTICULARS OF DIRECTORS



Name	Nationality	Details of membership in Board Committees	Family relationship with any director and/or major shareholder of MWE	Conflict of interest with MWE	Convictions for offences within the past 10 years other than traffic offences	Board of Directors' Meeting	
						Number of Board Meetings held during director's tenure in office	Number of Board Meetings attended by directors
Tan Sri Datuk A. Samad bin Idris (Appointed on 29 July 1981)	Malaysian/ Malay	AC	NIL	NIL	NIL	3	3
Dato' Surin Upatkoorn (Appointed on 29 July 1976)	Thai/ Chinese	-	NIL	NIL	NIL	3	3
Dato' Low Hock Peng (Appointed on 28 February 1985)	Malaysian/ Chinese	-	NIL	NIL	NIL	3	2
Lawrence Lim Swee Lin (Appointed on 1 August 1989)	Malaysian/ Chinese	ESOS	NIL	NIL	NIL	3	3
Tang King Hua (Appointed on 2 February 2000)	Malaysian/ Chinese	-	NIL	NIL	NIL	3	2
Lim Kong Yow (Appointed on 11 December 2001)	Malaysian/ Chinese	ESOS & AC	NIL	NIL	NIL	-	-
Dato' Ahmad Hasmuni bin Hj. Hussein (Appointed on 26 February 2000)	Malaysian/ Malay	AC	NIL	NIL	NIL	3	3
Dato' Shahbudin bin Imam Mohamad (Appointed on 14 September 2000)	Malaysian/ Malay	AC	NIL	NIL	NIL	3	2
Tan Chor Teck (Appointed on 14 September 2000)	Malaysian/ Chinese	-	NIL	NIL	NIL	3	3

AC - Audit Committee

ESOS - Employees' Share Option Scheme Committee

### CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of MWE Holdings Berhad, I am pleased to present the Annual Report and the Audited Accounts of the Company and the Group for the financial year ended 31 December 2001.

### REVIEW OF FINANCIAL RESULTS

For the year under review, the Group registered a loss before taxation of RM21.5 million as compared to profit before taxation of RM2.7 million for the previous year on a marginal increase of 1% in turnover to RM471.5 million. The loss before taxation for the year was primarily due to a decline in margins as a result of the weakening of both domestic and external demand for the Group's products and fierce competition. This was further exacerbated by an increase in provision for diminution in value of investments.

The Company, however, recorded a profit before taxation of RM2.6 million compared to RM9.8 million reported in the previous year. Turnover was lower by 44% to RM10.8 million as compared to RM15.6 million reported last year. The lower profit for the year was attributed mainly to lower dividend income.

### DIVIDEND

During the year under review, the Board proposed an interim dividend of 1% less 28% tax for the financial year ended 31 December 2001. The interim dividend was paid to shareholders on 31 January 2002.

In view of the losses sustained by the Group and the need to conserve cash resources, the Board has decided not to propose any final dividend (2000 - 1% less 28% tax) for the financial year ended 31 December 2001.

### REVIEW OF OPERATIONS

#### TEXTILE DIVISION

2001 was a difficult year for the Textile Division when both turnover and profit before taxation declined due to intense competitive in the industry and generally weak local and external demand in the aftermath of the September 11 2001 crisis in the United States. Consequently, the Textile Division's profit before taxation dropped by 27% to RM9.03 million while turnover declined by 4% to RM140.5 million as compared to RM145.84 million recorded in the previous year.

I have reported in the last annual report about the setting up of a garment factory in the Republic of Vietnam. I am pleased to now inform that our subsidiary, MWE Spinning Mills Sdn Bhd, has subscribed for USD1.2 million in legal capital in United Sweethearts Garment (Vietnam) Co. Ltd. to manufacture garments for exports. The production trial run commenced in February 2002 and commercial production is expected to start in the second quarter of 2002.





The setting up of this offshore plant will boost our production capacity by 40%. In addition, the lower labour costs in Vietnam will enhance further the Company's competitive edge in terms of attractive pricing to buyers. This is expected to translate into increased market share.

In the light of the weakening overseas demand for our products and an overhang in the supply situation, the Textile Division responded swiftly by broadening the range of new products, introduced more stringent production quality control, adopted cost-cutting measures and improved punctuality in delivery deadline so as to maintain its edge in an uncertain and unpredictable global market.

### PROPERTY DIVISION

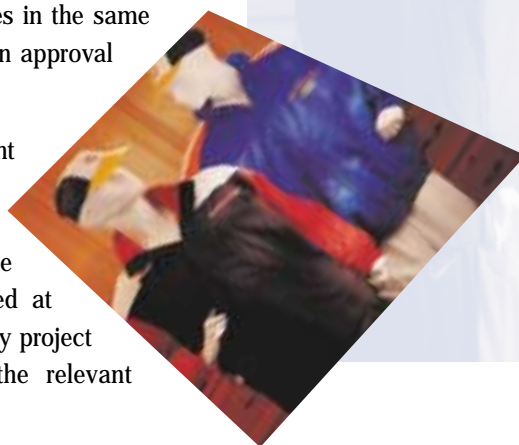
The global economic slowdown, precipitated by the U.S. economic downturn, led to a softening in local market conditions that had an adverse impact on the performance of the Group's Property Division. With fewer projects launched due to limited landbanks, soft rental markets and high finance costs, the Property Division reported loss before taxation of RM13.4 million as compared to RM1.4 million losses in the previous year.

The occupancy rate for Prime Plaza registered a further drop from 56% reported last year to 51% in 2001. The drop can be attributed to an oversupply of office space and weak property market overall. Meanwhile, MWE Plaza reported a 6% increase in occupancy rate to 90%, attracting a number of prominent companies such as American Express Travel, Multi-Purpose Insurans Bhd, Telekom Malaysia Bhd, CPA (Australia) as well as Malayan Banking Bhd which has taken up office space to set up their Northern Region Business Centre.


During the year under review, the Property Division handed over certificates of fitness to buyers of 26 units of semi-detached houses under Phase I of Monterez Golf Resort. The Division is set to launch a further 18 units of semi-detached houses in the same development with construction works scheduled to commence upon approval of the building plans by the third quarter of 2002.

In the construction sector, the construction of a 17-storey apartment at Greenlane Heights, Penang undertaken by our construction and project management arm, MWE Advanced Structure Sdn Bhd ("MWEAS"), is scheduled to commence by June 2002. The construction of a low and medium cost township project located at Simpang Ampat, Penang for which MWEAS is the appointed turnkey project manager has been further delayed pending approvals from the relevant authorities.

Another project to be undertaken by MWEAS is a residential project in Dengkil, Selangor Darul Ehsan where MWEAS is a joint-venture partner for the construction of 67 units of double-storey terrace houses with a development value of RM12 million. The construction works is targeted to commence by the fourth quarter of year 2002.







The year ahead is expected to be both a challenging and tough one for the Property Division. Nevertheless, the Division will continue to stay focused by concentrating on building affordable homes and embark on viable joint-venture developments. The Division also aims to reduce its finance and holding costs by disposing excess properties which are neither core nor strategic to the Group's requirements.

### ELECTRONICS AND LIGHTING DIVISIONS

During the year under review, the Group's Electronics and Lighting Divisions turned in profit before taxation of RM14.1 million as compared to RM12.9 million recorded in the previous year. Turnover, during the year increased by 9% to RM280.9 million from RM257.5 million as reported in the previous year. The increase in the profit and turnover of the Division can be largely attributed to our foreign subsidiary, PI Electronics (Hong Kong) Limited ("PIHK") and our new operating subsidiaries, DG Technologies (M) Sdn Bhd ("DG Tech") and Daviscomms (S) Pte Ltd ("Daviscomms"). Both DG Tech and Daviscomms have turned-around during the year with reported profit before taxation of RM354,000 and RM1.8 million (SGD898,000) as compared to the previous year's losses of RM2.33 million and RM23,000 (SGD10,500) respectively.

The performance by the Lighting Section for the year under review was encouraging with most of the sales secured in Singapore through projects. For 2002, the approach and focus will increasingly be changed from the traditional wholesale markets to tendering of more value added projects. The Section will also be targeting overseas markets such as Philippines and Vietnam in its market expansion programmes.

In the year ahead, we expect the Electronics Division's revenue to increase through a new arrangements with Motorola's distributor, namely VCP Inc., whereby DG Tech will, via Daviscomms, be engaged to manufacture their pagers under the brandnames of "Avont" and "Bravo".

Our new operating subsidiary, Phili-Orient Group is predominantly engaged in the sea and airfreight businesses with an established presence both locally as well as in Singapore and in Batam, Indonesia. In 2002, an aggressive expansion programmes will be put in place with the new focus geared towards total logistic solutions for customers in the whole of the Asia Pacific Region with special emphasis on China, India and Indonesia.

### LEISURE DIVISION

Monterez Golf & Country Club Bhd ("MGCC") has, in the year under review, been aggressively promoting the club with several "Value For Money" golf packages to attract new golfers to patronise the club. Such promotions have been successful in increasing the patronage of golfers at the club and help to mitigate the effect caused by slowdown of membership sales. MGCC

has also made some improvements to its golf course by extending the course yardage, creating new buggy tracks and improving the drainage system, thus making MGCC a friendly and yet challenging golf course in the Klang Valley.





## INTERNATIONAL AND INDUSTRIAL DIVISIONS

During the year, the International Division's level of activities continued to remain low in view of capital controls still being in effect in Malaysia. In the Industrial Division, the Optical Section faced intense competitive. With reduced sales margin, the Optical Section's performance remained depressed for most of the year.

## ASSOCIATED COMPANIES

During the 2001 financial year, associated companies in the Group registered higher loss before taxation of RM6.7 million compared to a loss before taxation of RM378,000 recorded in the previous year. The loss for the current year was mainly due to the provision for diminution in value of investments.

## CORPORATE DEVELOPMENT

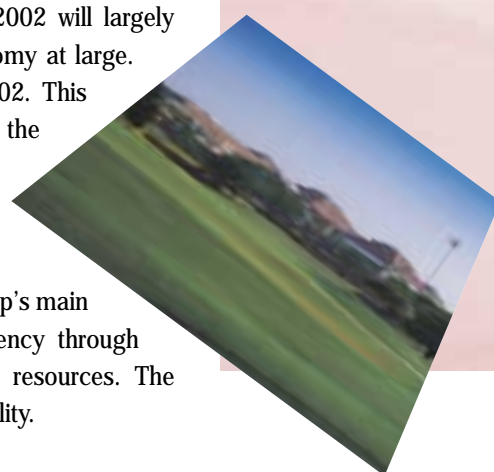
On 21 December 2001, the Company announced that it has aborted the Proposed Private Placement of up to 29,770,000 new ordinary shares of RM1.00 each. This was mainly due to poor market sentiments which has made the task of securing the appropriate placees to subscribe for the new ordinary shares to be issued pursuant to the Proposed Private Placement difficult.

During the year, the Company received approvals from the relevant authorities and shareholders for its Proposed Employees' Share Option Scheme ("ESOS") of not exceeding 10% of the issued and paid-up share capital of the Company. The Company has offered the ESOS to its eligible employees at an exercise price of RM1.00 per share. Letters of Offer were issued and subsequent to the year-end, a total of 19,460,000 options have been accepted.

## PROSPECTS

Being export oriented, the performance of the Group for the year 2002 will largely depend on the performance of the United States and the world economy at large. The U.S. economy is projected to recover in the second half of 2002. This augurs well for our Textile and Electronics Divisions. Also, with the domestic economy expected to grow by 3.5% for the year 2002 and the Government adopting an expansionary fiscal policy, the Property and Leisure Divisions are expected to perform better.

However, as the world economy has yet to recover completely, the Group's main focus remains committed to constantly improving production efficiency through stringent cost-cutting measures and redeployment of under-utilised resources. The Group will also be seeking viable opportunities to enhance its profitability.





## ACKNOWLEDGEMENT

I wish to welcome Mr Lim Kong Yow who was appointed to the Board on 11 December 2001 as an Executive Director and also a member of the Audit Committee. I look forward to working closely with him in the coming years.

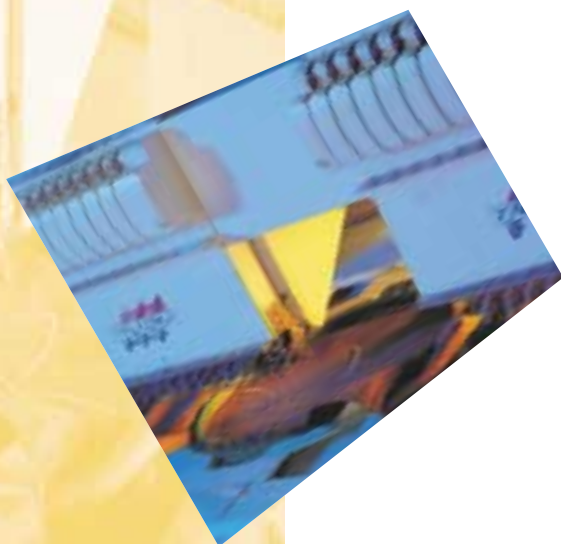
On behalf of the Board of Directors, I would like to take this opportunity to thank all relevant authorities for their assistance and support rendered during the year. Our gratitude goes to our customers, business associates, bankers and valued shareholders for their continued support and confidence in us. I also convey my sincere thanks to the management and staff of the Group and my fellow members of the Board for their invaluable contribution, commitment and unfailing support.

On behalf of the Board

TAN SRI DATUK A. SAMAD BIN IDRIS

Chairman

23 April 2002





The Malaysian Code on Corporate Governance ('the Code') was formalised in March 2000 and set out the principles and best practices which companies should adopt to raise standards of corporate governance. The Board of MWE Holdings Berhad recognises that good corporate governance is fundamental to the Board in discharging its fiduciary responsibilities and enhances high standards of business integrity, business prosperity and corporate accountability with the ultimate objective of realising shareholders' value.

Steps are currently being taken and continuously being re-assessed on its suitability in a changing environment, to prepare and inculcate the value of corporate governance in the Group. Over time, the values of corporate governance and best practices will be assimilated and internalised into the working culture of the Group, thus ensuring sustainability, meaningful and rewarding corporate governance.

## 1. DIRECTORS

### **Board of Directors**

The Board assumes responsibility for leading and controlling the Group towards realising long term shareholders' value.

### **Board Balance**

The Board currently has nine members, comprising four (4) Executive Directors and five (5) Independent Non-Executive Directors. The Company has complied with the Kuala Lumpur Stock Exchange requirement that at least one-third (1/3) of the Board of Directors are independent directors. There is also a clear division of responsibilities between the Chairman and the Executive Directors to ensure that there is a balance of power and authority. The Company is led by an experienced Board under the chairmanship of YB Tan Sri Datuk A. Samad bin Idris. The profiles of the members of the Board are set out on pages 10 to 12 of this Annual Report.

The Executive Directors have direct responsibilities for business operations whereas the Non-Executive Directors have a responsibility to bring independent and objective judgement on Board decisions. All Non-Executive Directors are independent of management and free from any relationship which could interfere with their independent judgement.

The Board is satisfied that the current Board composition fairly reflects the investment of minority shareholders.

The composition of the Board reflects the broad range of experience, skills and knowledge necessary for the effective stewardship of the Group.

The Board does not have a formal schedule of matters reserved to itself for decisions. However, it has been the practice of the Group to require Board decision on matters relating to the acquisition and disposal of major capital expenditure, investments in capital projects and corporate exercises.



### **Board Meetings**

The Board meets at least once every quarterly interval to approve the quarterly results, the annual financial statements and any other matters which require deliberations and ratifications of the Board. Additional meetings are held as and when required.

Directors' attendance at the Board meetings can be found in the Particulars of Directors on pages 13 of the Annual Report.

### **Supply of Information**

Directors have access to timely and accurate information whether as a full board or in their individual capacity, necessary in the furtherance of their duties. Besides direct access to management staff, external professional advisers are also made available to render their independent views and advice to the Board.

Prior to each Board meeting, all Directors are provided with board papers and appropriate supporting documentation including the agenda prior to each meeting to enable them to discuss and contribute effectively.

The board papers include periodic financial operations reports which focus on amongst other things, operational matters and the overall Group performance as compared to forecasts.

All Directors have access to the advice and services of the Company Secretary.

### **Appointments to the Board**

Presently, the issue of the appointment of a director shall be considered and deliberated by the full Board through a formal and transparent process.

### **Re-election of Directors**

In accordance with the Company's Articles of Association, one-third (1/3) or nearest to one-third (1/3) of the Directors for the time being shall retire from their office and be eligible for re-election provided always that all the Directors shall retire from their office once at least in each three (3) years but shall be eligible for re-election. Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next annual general meeting and shall then be eligible for re-election. The details of the retiring Directors are set out in the Statement Accompanying Notice of Annual General Meeting on page 5 of the Annual Report.

Directors over 70 years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

### Directors' Training

During the financial year, all the Directors had attended and successfully completed the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysts Malaysia as required by the Listing Requirements of the Kuala Lumpur Stock Exchange.

## 2. DIRECTORS REMUNERATION

The Board of Directors undertakes the process of determining the remuneration, fee and other remuneration packages payable to Executive and Non-Executive Directors on a competitive scale with other organisations within the same industry. Directors do not participate in decisions regarding their own remuneration packages.

Directors' fees are determined by the Board with the approval from shareholders at the Annual General Meeting.

The aggregate remuneration of Directors with categorisation into appropriate components are as follows:-

	COMPANY			GROUP			Total RM
	Salary/fees RM	Bonus RM	Meeting Allowances RM	Salary/fees RM	Bonus RM	Meeting Allowances RM	
Executive Directors	-	-	5,000	1,096,948	160,768	-	1,262,716
Non-Executive Directors	116,000	-	5,500	30,000	-	-	151,500
Total	116,000	-	10,500	1,126,948	160,768	-	1,414,216

The number of Directors whose total remuneration fall within the following bands:-

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
0 - 50,000	1	3
50,001 - 100,000	-	1
100,001 - 150,000	-	-
150,001 - 200,000	-	-
200,001 - 250,000	1	-
250,001 - 300,000	2	-
300,001 - 350,000	1	-



### 3. ACCOUNTABILITY AND AUDIT

#### **Financial Reporting**

In presenting the annual financial statements and quarterly announcements to shareholders, the Directors have a responsibility to present a fair assessment of the Group's position and prospects. In this regard, the Board ensures that the Company's financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 77 of this Annual Report.

#### **Audit Committee**

The Audit Committee plays an important role in ensuring that the information disclosed is accurate and adequate. The primary responsibilities of the Audit Committee are set out in the Audit Committee Report.

#### **Internal Controls**

The Directors acknowledge their responsibility for the Group's internal controls systems covering not only financial but also operational, risk management and compliance controls to safeguard the shareholders' investment and the Group's assets. These controls can only provide reasonable but not absolute assurance against material misstatement, loss or fraud.

The Group is in the process of reviewing the adequacy and integrity of the Group's system of internal controls with a view to enhance them to address the necessary risks and in compliance with the Kuala Lumpur Stock Exchange Listing Requirements.

#### **Relationship with the Auditors**

The Company has always established a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

### 4. SHAREHOLDERS

#### **Shareholders and Investor Relations**

The Annual General Meeting is the principal forum for dialogue with shareholders. The Annual Report and Notice of the Annual General Meeting ("AGM") are sent to all shareholders at least twenty-one (21) days before the date of the meeting.

At the AGM, the Board provides opportunities for shareholders to ask question and seek clarification on the business and performance of the Company and the Group.

### COMPLIANCE WITH BEST PRACTICES OF





## CORPORATE GOVERNANCE

The Group has, currently substantially complied with the Best Practices of Corporate Governance with the exception of the followings:-

- a) absence of a senior Independent Non-Executive Director where concern on the practices of good corporate governance can be conveyed. This is because of the fact that the Board's composition has a majority of non-executive directors and the Chairman maintains an active and objective dialogue with Board members and encourages full deliberation of all matters submitted to the Board and Board Committee Meetings.
- b) absence of Nomination and Remuneration Committees. At present, the Board is primarily responsible for making recommendations for any new appointments to the Board and assessment of Directors on an on-going basis. In addition, the Board as a whole recommends the Directors' fees to be approved at the AGM and determines the other emoluments of the Directors with the individual Director abstaining from decisions in respect of their individual remuneration.

## DIRECTORS RESPONSIBILITY STATEMENT FOR PREPARING THE AUDITED FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 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 then ended.

The Directors are satisfied that in preparing the financial statements of the Group and the Company for the year ended 31 December 2001, the Group and the Company have used and applied, on consistent basis, the appropriate accounting policies and practices under the applicable approved accounting standards in Malaysia.





## AUDIT COMMITTEE

Tan Sri Datuk A. Samad bin Idris  
Chairman – Independent Non-Executive Director

Dato' Ahmad Hasmuni bin Hj. Hussein  
Independent Non-Executive Director

Dato' Shahbudin bin Imam Mohamad  
Independent Non-Executive Director

Lim Kong Yow  
Executive Director

### TERMS OF REFERENCE

The terms of reference of the Audit Committee have been amended and revised in consistence with the current Listing Requirements of the Kuala Lumpur Stock Exchange.

#### OBJECTIVES :-

- i. assist in the fiduciary duties of the Board in matters pertaining to business ethics, policies, financial management, internal control, accounting policies and financial reporting of the Company and its subsidiaries.
- ii. maintain and enhance a line of communication and independence between the Group and the external auditors.
- iii. ensure a system of internal control which will mitigate the likelihood of fraud or error.

#### COMPOSITION OF AUDIT COMMITTEE

The members of the Audit Committee shall be appointed by the Board from amongst its members which shall fulfil the following requirements:-

- i. the Audit Committee must compose of no fewer than 3 members;
- ii. the majority of the Audit Committee must be independent directors;
- iii. at least one member of the Audit Committee:-
  - a) must be a member of the Malaysian Institute of Accountants; or
  - b) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-
    - must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
    - must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.

The Board must ensure that no alternate director is appointed as a member of the Audit Committee.

The members of the Audit Committee shall elect a Chairman from amongst their members who shall be an independent director.

In the event of any vacancy in the Audit Committee resulting in the non-compliance of the above requirements, the Board must fill the vacancy within 3 months.

#### AUTHORITY

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.



The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

The Audit Committee is authorised to convene meetings with the external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

## FUNCTIONS AND RESPONSIBILITIES

The functions and responsibilities of the Audit Committee shall include the following:-

- i. review the following and report the same to the Board of Directors of the Company:-
  - a) with the external auditors, the audit plan;
  - b) with the external auditors, his evaluation of the system of internal controls;
  - c) with the external auditors, his audit report;
  - d) the assistance given by the employees of the Company to the external auditors;
  - e) the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
    - changes in or implementation of major accounting policy changes;
    - significant and unusual events; and
    - compliance with accounting standards and other legal requirements;
  - f) the engagement of Internal Audit Services Provider;
  - g) any related party transactions and conflict of interest situations that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
  - h) any letter of resignation from the external auditors of the Company; and
  - i) whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment;
- ii. recommend the nomination of a person or persons as external auditors;
- iii. promptly report to the Kuala Lumpur Stock Exchange on a matter reported by it to the Board which has not been satisfactorily resolved resulting in a breach of the Listing Requirements of the Kuala Lumpur Stock Exchange;
- iv. perform any other function that may be agreed upon by the Committee and the Board.

## MEETINGS AND REPORTING PROCEDURES

Meeting shall be held at least four (4) times a year. The external auditors may request a meeting if they consider this necessary.

The quorum shall consist of a majority of Committee members who must be independent directors.

In the absence of the Chairman of the Committee, the members of the Committee present shall elect one of the independent directors to chair the meeting. A resolution put to vote shall be decided by a majority of votes of the members present, each member having one vote.

Other directors and employees may attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

The Secretary shall be responsible in conjunction with the Chairman, for drawing up the agenda and circulating it to the Committee members prior to each meeting. The Secretary will also be responsible for keeping the minutes of meetings for the Committee, and circulating them to the Committee members and to other members of the Board as the Committee deems necessary.

The Company Secretary will act as the Secretary of the Committee.

The Audit Committee met three (3) times during the financial year ended 31 December 2001 and the attendance record is as follows:-

	29/5/2001	29/8/2001	27/11/2001
Tan Sri Datuk A. Samad bin Idris	a	a	a
Dato' Ahmad Hasmuni bin Hj. Hussein	a	a	a
Dato' Shahbudin bin Imam Mohamad^	-	-	-
Dato' Surin Upatkoon*	a	a	a
Mr Lim Kong Yow#	-	-	-

<sup>^</sup> Appointed as member of Audit Committee on 27 November 2001

\* Resigned as member of Audit Committee on 26 February 2002

# Appointed as member of Audit Committee on 11 December 2001

## ACTIVITIES

During the year under review, the Audit Committee undertook the following activities:-

- Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval. The review and discussions were conducted with the Group Financial Controller of the Company.
- Reviewed the significant related party transactions entered into by the Group.
- Reviewed the Company's compliance with the Listing Requirements of the KLSE, MASB and other relevant legal and regulatory requirements.
- Reviewed the revised Audit Committee Charter in compliance with the Listing Requirements of the Kuala Lumpur Stock Exchange.
- Discussed the formation of the Internal Audit Department for maintaining a sound system of internal controls within the Group.
- Discussed the recruitment of an audit committee who would meet the required qualifications and/or experience spelt out in Paragraph 15.10 of the New Listing Requirements of the Kuala Lumpur Stock Exchange to further strengthen the activities of the Committee.

## INTERNAL AUDIT FUNCTION

The Company is currently in the process of setting up an Internal Audit function in the Group. In the absence of a formalised Internal Audit Department, the Company discharged its duty during the financial year through discussion with key management personnel and employees to obtain necessary information and reports.

### SHARE BUYBACKS

During the financial year, the Company did not enter into any share buyback transactions.

### UTILISATION OF PROCEEDS

The Company did not make any corporate proposal to raise proceeds during the financial year.

### OPTIONS OR WARRANTS

No options or warrants were exercised during the financial year.

### AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR") PROGRAMME

During the financial year, the Company did not sponsor any ADR or GDR programme.

### IMPOSITION OF SANCTIONS AND PENALTIES

- During the financial year under review, Kuala Lumpur Stock Exchange (KLSE) imposed a public reprimand and a fine of RM4,000 on the Company for breaching Section 60(b) of the KLSE Main Board Listing Requirements.
- amongst the MWE Holdings Berhad Group, the following penalties were imposed by the Suruhanjaya Syarikat Malaysia (formerly known as Registrar of Companies) on seven (7) subsidiaries:-
  1. Total penalties of RM150 under Section 165(4) of the Companies Act, 1965.
  2. Total penalties of RM250 under Section 141(6) of the Companies Act, 1965.

### NON-AUDIT FEES

The Company did not pay the external auditors any non-audit fees during the financial year.

### PROFIT ESTIMATE, FORECAST OR PROJECTION

There were no variances of 10% or more between the results for the financial year and the unaudited results and the profit forecast previously announced.

### PROFIT GUARANTEE

During the financial year, there were no profit guarantees given by the Company.

### MATERIAL CONTRACTS

During the year, there were no material contracts on the Company and its subsidiaries involving directors' and major shareholders' interests.

## CONTRACTS RELATING TO LOANS

There were no contracts relating to loans by the Company in respect of the material contracts involving directors and major shareholders' interests.

## REVALUATION OF LANDED PROPERTIES

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

## RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OF TRADING NATURE (RRPT)

The RRPTs entered into by the MWE Group during the financial year ended 31 December 2001 pursuant to the Shareholders' Mandate granted at the Extraordinary General Meeting of the Company held on 24 January 2002 were as follows:-

## RELATED PARTIES

Messrs Teo Chiap Chai ("TCC"), Liew Kee Keong ("LKK"), Toh Kee Wah ("TKW") and Thoon Ah Lai @ Thung Chong Tong ("TAL") are common shareholders of DG Technologies (M) Sdn Bhd ("DG") and Daviscomms (S) Pte Ltd ("Davis"). The direct shareholdings of TCC, LKK, TKW and TAL in DG are 1.0%, 1.0%, 2.0% and 2.0% respectively, and their direct shareholdings in Davis are 6.5%, 9.5%, 3.0% and 3.0% respectively. LKK sits on the board of Davis whereas TKW is a director of DG.

## NATURE OF TRANSACTIONS

Nature of Transactions undertaken by MWE and/or its subsidiaries:-

Nature of Transactions		Year 2001	
undertaken by MWE and/or its subsidiaries	Transacting Party	(Actual) RM'000	Interested Related Party
<u>Sale of Pagers</u>			
• DG	• Davis	30,543,071	TCC, LKK, TKW and TAL