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02 | 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, 6 June 2005 at 10.30 a.m. for the following purposes:-

AGENDA

1. To receive and consider the Audited Financial Statements for the year ended 31 December 2004 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To declare a final dividend of 2% tax exempt for the year ended 31 December 2004. **(Resolution 2)**
3. (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 3)**
 (ii) To re-elect Mr. Tan Chor Teck, the Director retiring in accordance with the Company's Articles of Association and being eligible, offers himself for re-election. **(Resolution 4)**
4. To re-appoint Dato' Ahmad Hasmuni Bin Hj Hussein as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company pursuant to Section 129(6) of the Companies Act, 1965. **(Resolution 5)**
5. To approve the payment of Directors' fees of RM90,000 in respect of the year ended 31 December 2004 (2003 : RM90,000). **(Resolution 6)**
6. To re-appoint Messrs Moores Rowland as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**
7. 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 Bursa Malaysia Securities Berhad AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **(Resolution 9)**
8. To transact any other ordinary business of which due notice shall have been given.



Notice of Annual General Meeting | 03

NOTICE OF BOOKS CLOSURE

NOTICE IS ALSO HEREBY GIVEN THAT the final dividend of 2% tax exempt in respect of the financial year ended 31 December 2004, if approved by shareholders, will be paid on 1 August 2005 to depositors registered in the Records of Depositors at the close of business on 5 July 2005.

A Depositor shall qualify for entitlement only in respect of:

- (a) shares transferred into the Depositor's Securities Account before 4.00 p.m. on 5 July 2005 in respect of ordinary transfers; and
- (b) shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

LIM KONG YOW (MIA 4979)

Company Secretary

13 May 2005

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 percentum (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.

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.28(2) of the Listing Requirements of the Bursa Malaysia Securities Berhad)

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) Lawrence Lim Swee Lin
- (ii) Tan Chor Teck

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

- (i) Dato' Ahmad Hasmuni Bin Hj Hussein

2. Details of attendance of Directors at Board Meetings

There were five (5) Board meetings held during the financial year ended 31 December 2004. Details of attendance of the Directors are set out in the Statement on Corporate Governance appearing on page 16 of the Annual Report.

3. Place, Date and Time of Annual General Meeting

The Annual General Meeting of the Company shall be held at 846, Jalan Raya, 14209 Sungei Bakap, Seberang Perai Selatan, Pulau Pinang on Monday, 6 June 2005 at 10.30 a.m.

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 9 to 10 of the Annual Report.



Corporate Information | 05

DIRECTORS

Tang King Hua
 Lim Kong Yow
 Dato' Surin Upatkoon
D.S.P.N.
 Lawrence Lim Swee Lin
 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

AUDIT COMMITTEE

Dato' Ahmad Hasmuni bin Hj Hussein
*Committee Chairman/Independent
 Non-Executive Director*
 Dato' Shahbudin bin Imam Mohamad
Independent Non-Executive Director
 Tan Chor Teck
Independent Non-Executive Director
 Lim Kong Yow
Executive Director

NOMINATION COMMITTEE

Dato' Ahmad Hasmuni bin Hj Hussein
*Committee Chairman/Independent
 Non-Executive Director*
 Dato' Shahbudin bin Imam Mohamad
Independent Non-Executive Director
 Tan Chor Teck
Independent Non-Executive Director

REMUNERATION COMMITTEE

Tan Chor Teck
*Committee Chairman/Independent
 Non-Executive Director*
 Dato' Ahmad Hasmuni bin Hj Hussein
Independent Non-Executive Director
 Lim Kong Yow
Executive Director

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
 Bumiputra-Commerce Bank Berhad
 Southern Bank Berhad
 RHB Sakura Merchant Bankers Berhad

SOLICITORS

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

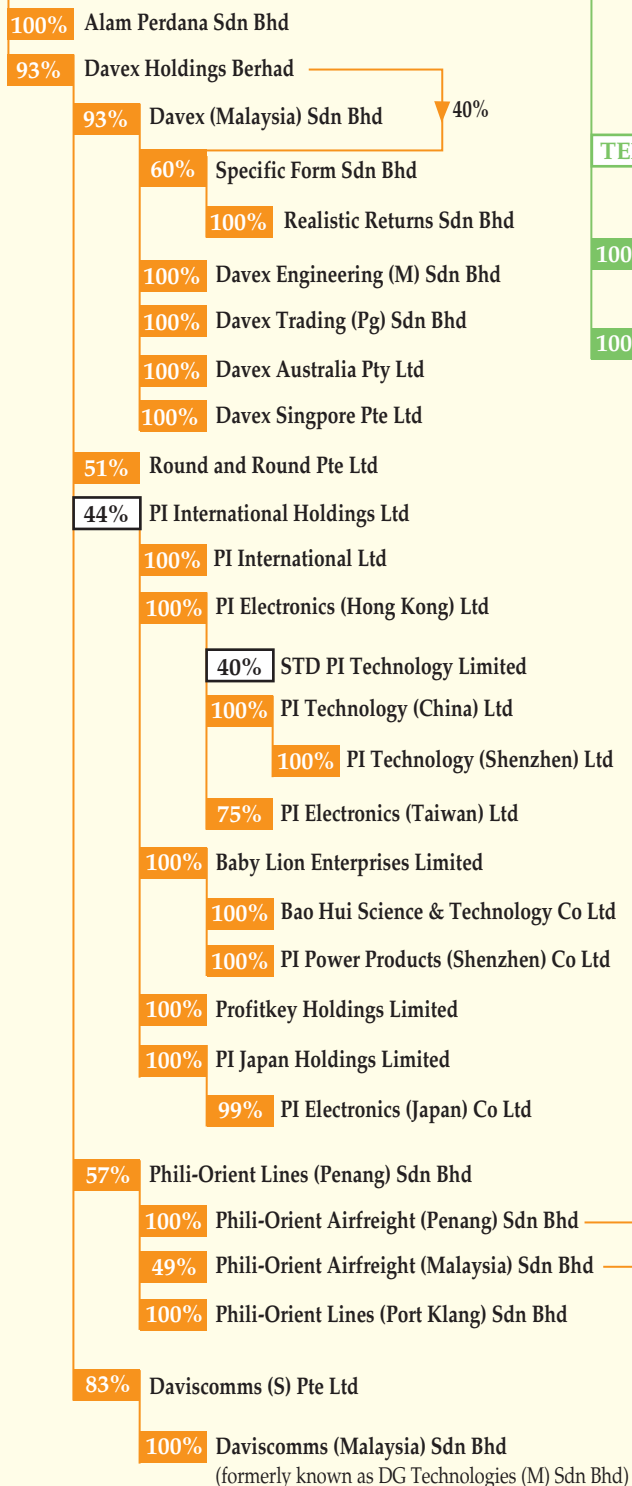
STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
 Main Board

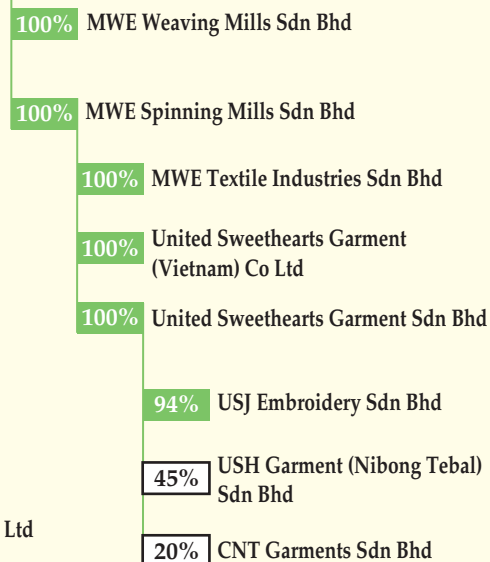
06 | Corporate Structure



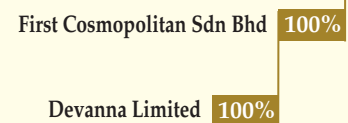
ELECTRONICS DIVISION



TEXTILE DIVISION

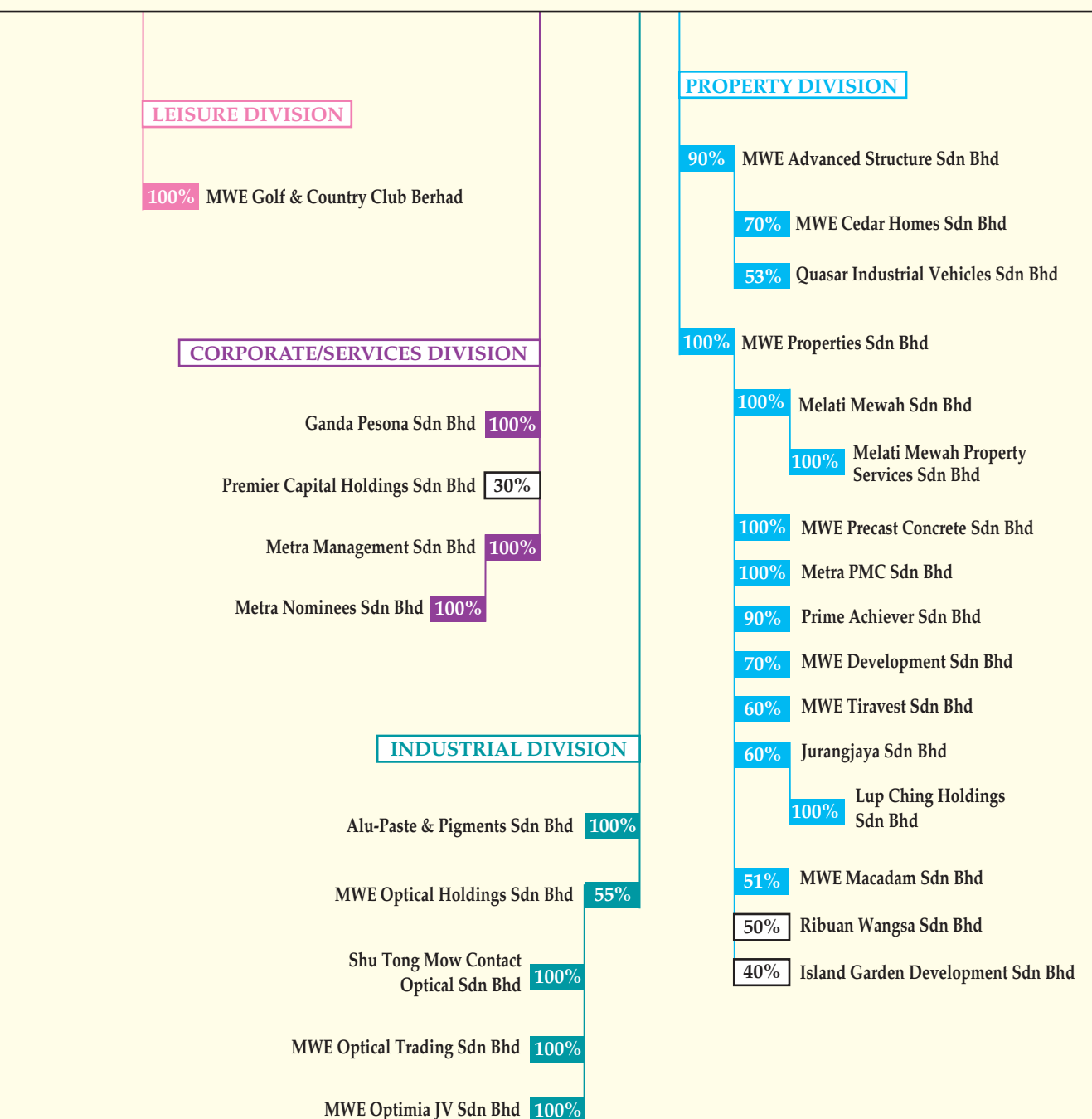


INTERNATIONAL DIVISION





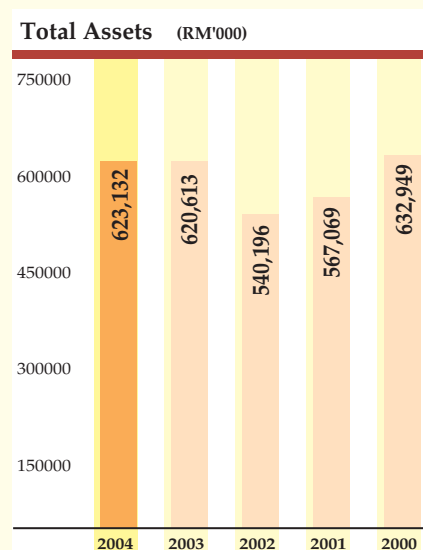
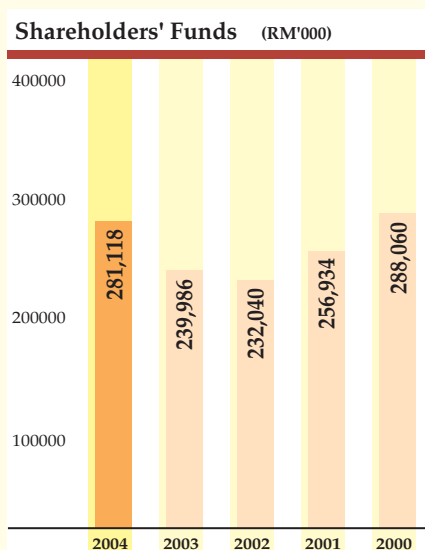
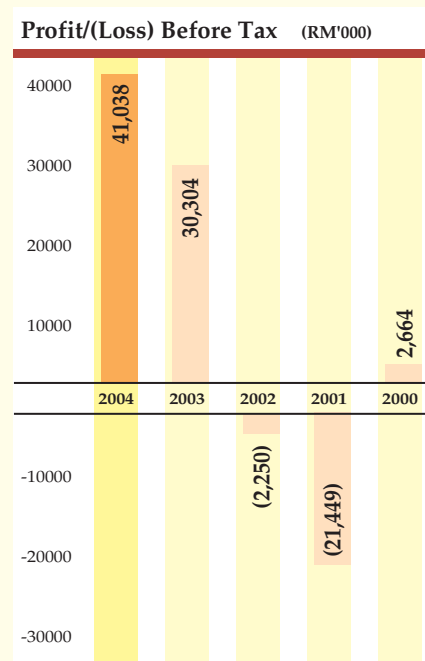
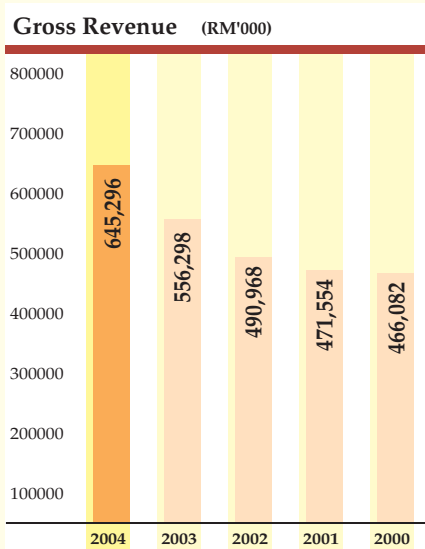
Corporate Structure | 07



☐ Associated Company

08 | Five Years' Group Financial Highlights

(RM'000)	2004	2003	2002	2001	2000
Gross Revenue	645,296	556,298	490,968	471,554	466,082
Profit/(Loss) Before Tax	41,038	30,304	(2,250)	(21,449)	2,664
Paid-up Capital	231,559	209,951	209,794	209,794	209,794
Shareholders' Funds	281,118	239,986	232,040	256,934	288,060
Gross Earnings/(Loss) per share	18	14	(1)	(10)	1
Total Assets	623,132	620,613	540,196	567,069	632,949
Gross Dividend	4	2	1	1	1





Directors' Profile | 09

TANG KING HUA *(Managing Director)*

Malaysian, aged 47, was appointed as an Executive Director of MWE on 2 February 2000 and subsequently as a Managing Director on 28 August 2002. Mr. Tang graduated with a Bachelor 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 quality control, 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.

LIM KONG YOW *(Executive Director)*

Malaysian, aged 50, 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' SURIN UPATKOON *(Non-Independent Non-Executive Director)*

Thai, aged 56, was appointed to the Board of MWE on 29 July 1976.

Currently, Dato' Surin is also the Managing Director and Chairman of Multi-Purpose Holdings Berhad and Magnum 4D Berhad respectively, public companies listed on the Main Board of the Bursa Malaysia Securities Berhad.

Dato' Surin has vast working experience particularly in the textile manufacturing business and played a key role in the expansion and development of MWE Group of Companies. He was first appointed the Managing Director of MWE Spinning Mills Sdn Bhd on 30 November 1974, taking charge of its day-to-day operations. Subsequently, he was appointed the Managing Director of MWE Weaving Mills Sdn Bhd.

Dato' Surin is 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. He also sits on the Boards of several private limited companies.

10 | Directors' Profile

LAWRENCE LIM SWEE LIN *(Non-Independent Non-Executive Director)*

Malaysian, aged 48, was appointed to the Board of MWE Holdings Berhad on 1 August 1989. Mr. Lim holds a Bachelor of Arts degree in Economics (Honours) from the University of Sheffield and a Masters degree in Business Administration from University of Manchester, United Kingdom.

He is also an Executive Director of Magnum 4D Berhad and also of its holding company, Magnum Corporation Berhad. Prior to this, Mr. Lim was with a leading merchant bank in Malaysia where he was principally involved in syndications, debt securitization and project financing. In addition, he sits on the Boards of a number of private and public limited companies both in Malaysia and overseas.

DATO' AHMAD HASMUNI BIN HJ HUSSEIN *(Independent Non-Executive Director)*

Malaysian, aged 70, 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 Sin Kean Boon Group Berhad, a public listed company on the Bursa Malaysia Securities Berhad.

DATO' SHAHBUDIN BIN IMAM MOHAMAD *(Independent Non-Executive Director)*

Malaysian, aged 63, 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 43, 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 | 11

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
Tang King Hua (Appointed on 2 February 2000)	Malaysian/ Chinese	ESOS	NIL	NIL	NIL
Lim Kong Yow (Appointed on 11 December 2001)	Malaysian/ Chinese	ESOS, AC & RC	NIL	NIL	NIL
Dato' Surin Upatkoon (Appointed on 29 July 1976)	Thai/ Chinese	ESOS	NIL	NIL	NIL
Lawrence Lim Swee Lin (Appointed on 1 August 1989)	Malaysian/ Chinese	-	NIL	NIL	NIL
Dato' Ahmad Hasmuni bin Hj Hussein (Appointed on 26 February 2000)	Malaysian/ Malay	AC, NC & RC	NIL	NIL	NIL
Dato' Shahbudin bin Imam Mohamad (Appointed on 14 September 2000)	Malaysian/ Malay	AC & NC	NIL	NIL	NIL
Tan Chor Teck (Appointed on 14 September 2000)	Malaysian/ Chinese	AC, NC & RC	NIL	NIL	NIL

AC	-	Audit Committee
RC	-	Remuneration Committee
NC	-	Nomination Committee
ESOS	-	Employees' Share Option Scheme Committee

12 | Managing Director's Statement

It is my great pleasure, on behalf of the Board of Directors to present the Annual Report and Accounts of MWE Holdings Berhad and the Group for the financial year ended 31 December 2004.

FINANCIAL PERFORMANCE

During the year under review, the Group reported further improvement in both revenue as well as profit. Revenue was higher at RM645.3 million from RM556.3 million, up 16% compared to the previous year. Both profit before taxation and profit after taxation and minority interest for the year under review improved to RM41 million and RM18.3 million compared to RM30.3 million and RM8.4 million respectively in the previous year.

The fine performance of the Group was attributed to contributions from both the Textile and Electronics Divisions as well as associated company involved in property development. Lower financing cost arising from reduced bank borrowings and lower impairment loss provisions also contributed to the improved performance.

At the company level, profit before and after taxation was higher at RM13.1 million and RM12.9 million compared to RM4.5 million and RM3.7 million respectively in the previous year. The substantial increase is principally due to higher dividend income from subsidiaries and lower financing costs.



DIVIDEND

The Board is proposing a final dividend of 2% tax exempt (2003: 2% less tax) amounting to RM4,631,180 for the financial year ended 31 December 2004. The final dividend, if approved by shareholders at the forthcoming Annual General Meeting, will be paid on 1 August 2005 to shareholders registered on 5 July 2005.

Together with the interim 2% gross dividend paid on 30 December 2004, the Company will be paying in total RM7.96 million in dividend payout, representing 163% increase compared to RM3.02 million paid in the previous financial year.

ISSUE OF SHARES

During the year, the company issued a total of 21,607,646 new ordinary shares of RM1.00 each thereby increasing the paid up capital of the Company to RM231,559,015 comprising 231,559,015 ordinary shares of RM1.00 each following the mandatory conversion of RM21,600,246 nominal amount of 5.5% Irredeemable Convertible Unsecured Loan Stocks 1999/2004 and exercise of 7,400 warrants 1994/2004.



Managing Director's Statement | 13

REVIEW OF OPERATIONS

TEXTILE DIVISION

Textile Division's performance for the year 2004 was unsatisfactory compared to that of year 2003. Profit before taxation for the Division was down by 32% from RM5.8 million to RM4.4 million despite a 10% increase in turnover from RM120 million to RM131.6 million. The lower profit of the Textile Division, principally from the yarns section, is largely due to slower demand, lower selling prices and increase in raw material prices. Garments section also faces deteriorating profit margin due to fierce global competition in the market place.

However, our Vietnam operations, United Sweethearts Garment (Vietnam) Co. Ltd has started to show positive contributions to the division's profitability and will emerge as a key contributor to the division in the coming years.

This year is anticipated to be yet another trying year for the world textile producing countries as a whole with the implementation of World Trade Organisation (Quota free arena for Textile and Clothing) effective 1 January 2005. This actually means that it is now quota free and will be subject to fierce pricing competition and profit margin squeeze among manufacturers. To meet these challenges, the Division is striving to achieve better performance through higher productivity, efficiency, excellence,



quality and shorter delivery time to keep ahead of competitors. At the same time, the Division also hopes to build up a strategic business partnership with its buyers and aggressive outsourcing activities in competitive strategic locations such as Vietnam and China.

ELECTRONICS DIVISION

For the year under review, the Division achieved a higher 9% profit before taxation of RM42.2 million compared to RM38.8 million in the previous year despite a loss of RM2.5 million on the effect of dilution of interest in PI International Holdings Ltd ("PIIH") from 51% to 44%.

However, turnover increased by 14% to RM424 million from RM374 million during the year under review. PIIH group remained as the main contributor of the Electronics Division.

The lighting section under the division reported strong performance which saw sales revenue increase by 105% from RM46.4 million to RM95 million during the year under review. The section recorded profit before taxation of RM11.6 million compared to RM9.5 million in the previous year. The strong performance of the Division is the result of its strong penetration into international markets and stringent cost cutting measures undertaken by the division.

14 | Managing Director's Statement

The pager business undertaken through Daviscomms reported a 10% drop in its revenue from RM57.4 million to RM51.4 million in the year under review. Accordingly, profit before taxation also recorded a reduction of 9% to RM4.1 million from RM4.5 million in the previous year. This reduction is attributed mainly to decreasing orders arising from change of pager designs by its major customers. However, Daviscomms expects sale orders to normalize with the approved new product designs by the customer in the current financial year.

PROPERTY DIVISION

MWE Advanced Structure Sdn Bhd ("MWEAS"), the Group's construction arm, is expected to complete the construction of 160 units of high medium cost condominium in Shah Alam, Selangor and 18 units of semi-detached houses at Monterez Golf and Country Club by end April 2005. However, the construction of 2 blocks of service apartment at Plaza Damas, Sri Hartamas is progressing well with the completion of about 25% to date.

Towards the end of 2004, MWEAS was awarded a housing development project comprising 97 units of 3 storey terrace houses at Tanjung Tokong, Penang worth RM37 million, and Construction work has since commenced in November 2004.

Meanwhile, MWEAS has taken various cost cutting measures to improve its price competitiveness to offset the recent raw material price increase, particularly steel and concrete products.

LEISURE DIVISION

Monterez Golf & Country Club ("MGCC") has been quite successful in its membership drive during the year. Membership grew by 300 during the year, the increase primarily attributed to its easy accessibility arising from the completion of Guthrie Corridor Expressway in August 2004 and aggressive promotional campaigns.

During the year, MGCC gave the club's facilities a facelift, which among others, include improving club landscaping, extension of Pedro's Club, re-equipment of its gymnasium facilities and repainting of the clubhouse.

Going forward, MGCC is confident that the Club has the resources and capabilities to further promote the Club as a prominent place for golfing and recreation.

PROSPECTS

Prospects for the Group in the year 2005 is anticipated to be challenging and volatile in the light of global uncertainties. Fluctuating oil prices have had dampening effect on the world economy and this has somehow affected consumer demand.

As the Group's business activities are well entrenched in oversea markets, its main focus will be to continue to expand its core businesses in particular garments, lighting and the electronics sectors. The Group is further committed to improving in operational efficiency and productivity and quality while simultaneously seeking new investment opportunities to broaden its product base and explore new markets for revenue growth in ensuing years.



Managing Director's Statement | 15

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express our heartfelt thanks to our valued clients, government authorities, business associates, bankers and shareholders for their continuing support and confidence in us during the year.

I would also like to express our appreciation to my fellow Directors, the management and staff for their dedication, effort and commitment that have contributed immensely to the Group.

TANG KING HUA

Managing Director

26 April 2005

16 | Statement on Corporate Governance

The Board of Directors of MWE Holdings Berhad recognises the importance of maintaining good standard of corporate governance. The application of the principles and the extent of compliance with the best practices set out in the Malaysian Code on Corporate Governance ("the Code") by the Company are as follows:-

1. THE BOARD OF DIRECTORS

The Board & Board Balance

The composition of the Board reflects a balance with a mix of technical, administrative and business experiences that has been vital to the direction of the Group.

Currently, the Board has 7 members, comprising 2 non-independent & non-executive directors, 3 independent & non-executive directors, the managing director and the executive director. The number of independent & non-executive directors make up more than 1/3 of the membership of the Board and their presence provided fair and independent view to the Board. The Board also delegates specific responsibilities to various committees such as Audit Committee, ESOS Committee, Remuneration Committee and Nomination Committee to assist in discharging their duties. The brief profiles of all directors are given in pages 9 to 10.

The respective roles of the Chairman and the Managing Director are clearly defined, so as to ensure that there is a balance of power and authority. The Chairman is responsible for ensuring Board effectiveness and conduct, whilst the Managing Director has overall responsibility for the operating units, organisational effectiveness and implementation of Board policies and decisions. The presence of Independent Non-Executive Directors fulfill a pivotal role in the corporate accountability. Although all the Directors have an equal responsibility for the Group's operations, the role of these Independent Non-Executive Directors is particularly important as they provide unbiased and independent view, advice and judgement.

Board of Meetings

The Board met 5 times during the year 2004, whereat it reviewed and approved various issues including the Group's quarterly financial results, the performance of the subsidiaries, the business plan and strategy of the Group and corporate proposals. The Board also reviewed the adequacy of the Group's internal control system, identified addressed principal risks in the Group's through the powers delegated to the Audit Committee.

The details of attendance of each Director at the Board of Directors' Meetings held during the financial year ended 31 December 2004 are set out as follows:-

Directors	Attendance
Tang King Hua	5/5
Lim Kong Yow	5/5
Dato' Surin Upatkoon	4/5
Lawrence Lim Swee Lin	5/5
Dato' Ahmad Hasmuni bin Hj Hussein	4/5
Dato' Shahbudin bin Imam Mohamad	4/5
Tan Chor Teck	5/5

The agenda for Board meetings, together with the detailed reports and proposition papers to be tabled at the Board meetings, are circulated to all the Directors for their perusal and consideration prior to each Board meeting.



Statement on Corporate Governance | 17

Senior Management staff as well as advisers and professionals appointed to advise on corporate proposals, were invited to attend Board meetings to provide the Board with their views and explanations on certain agenda items tabled to the Board, and to furnish clarification on issues that may be raised by the Directors.

Supply of Information

All Directors are supplied with necessary information on a timely basis to carry out their duties. Information given is inclusive of but not limited to financial figures, yearly budgets, business plans, list of directors' dealings, legal issues, project papers, draft circular etc. for discussion in Board Meetings as well as other occasions.

The Directors have full access to the senior management and the advice and services of the Company Secretary. In addition, the Directors may also seek independent professional advice, at the Company's expense, if any.

Appointment to the Board

Nomination Committee was set up on 28 August 2002 to ensure the process of nominating and appointing new members to the Board is fair and transparent. Currently, the Committee comprises the following members:-

1. Dato' Ahmad Hasmuni bin Hj Hussein (Independent Non-Executive Director)
2. Dato' Shahbudin bin Imam Mohamad (Independent Non-Executive Director)
3. Tan Chor Teck (Independent Non-Executive Director)

The Board, through the Nomination Committee, reviews annually its required mix of skills and experience and other qualities, including core competencies of all Directors to ensure the effectiveness of the Board as a whole and the committees of the Board.

Re-election of Directors

In accordance with the Company's Articles of Association, all Directors are subject to election at the first Annual General Meeting after their appointment.

The Articles also provide that at least (1/3) one third of the Directors are subject to re-election by rotation at each Annual General Meeting. Directors over seventy (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

All Directors have successfully completed the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysts Malaysia; an affiliate company of the Bursa Malaysia Securities Berhad ("BMSB"). During the year, the Directors have also attended BMSB accredited continuing education programme ("CEP") for directors of public listed companies.

Directors are encouraged to attend talks, training programmes and seminars to update and enhance their skills and knowledge on new developments in the business environment.

Directors' Remuneration

The Remuneration Committee currently comprises the following members:-

1. Dato' Ahmad Hasmuni bin Hj Hussein (Independent Non-Executive Director)
2. Tan Chor Teck (Independent Non-Executive Director)
3. Lim Kong Yow (Executive Director)

The Committee is entrusted with the responsibility of developing the policy on Executive Directors' remuneration package and recommending to the Board the remuneration and compensation of Managing Director and Executive Directors.

The determination of the remuneration package of the Non-Executive Directors shall be a matter for the Board as a whole, with the Director concerned abstaining from deliberation and voting on decisions in respect of his remuneration.

Directors' fees are approved by the shareholders together with the Audited Financial Statements of the Company at the Annual General Meeting.

The aggregate remuneration of Directors paid or payable to all Directors of the Company by the Company and the Group categorised into appropriate components for the financial year ended 31 December 2004 are as follows:-

	Company		Group		
	Fees RM	Meeting Allowances RM	Salary/Fee RM	Bonus RM	Total RM
Executive Directors	30,000	6,500	925,594	101,456	1,027,050
Non-Executive Directors	60,000	15,000	243,400	-	243,400
Total	90,000	21,500	1,168,994	101,456	1,270,450

The number of Directors of the Company who served during the financial year and whose total remuneration from the Group falling within the respective bands are as follows:-

	Number of Directors	
Range of Remuneration	Executive	Non-Executive
Up to 50,000	-	4
100,001-200,000	-	1
300,001-400,000	1	-
600,001-700,000	1	-

2. RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Company recognises the importance of regular and timely dissemination of information to shareholders and investors of the Company via annual report and financial statements, circulars to shareholders, quarterly financial reports and the various announcements made during the year. These will enable the shareholders, investors and members of the public to have an overview of the Group's performance and operations.

Care has been taken to ensure that no market sensitive information, such as corporate proposals, financial results or other material information is disseminated to any party without first making an official announcement to Bursa Malaysia Securities Berhad.

Shareholders and members of the public can obtain the Company's latest announcements via the Bursa Malaysia Securities Berhad website at www.bursamalaysia.com.



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3. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board holds responsible to provide and present to its shareholders, a balanced and understandable assessment of the Group's financial performance and prospects at the end of each financial year, through its annual financial statements, quarterly and half-yearly announcement of results to shareholders as well as the Chairman's Statement and review of operations in the annual report.

The Directors consider that in preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. All accounting standards which the Board considers to be applicable have been followed, subject to any explanations and material departures disclosed in the notes to the financial statements.

Audit Committee

The composition, terms of reference and activities of the Audit Committee are set out in the Audit Committee Report.

In addition to the duties and responsibilities set out under its terms of reference, the Audit Committee acts as a forum for discussion of internal control issues and contributes to the Board's review of the effectiveness of the Company's internal control and risk management systems.

Internal Controls

The Board acknowledges that it is responsible for maintaining a sound system of internal controls, which provides reasonable assessment of effective operations, internal financial controls and compliance with laws and regulations as well as with internal procedures and guidelines. A statement on Internal Control of the Group is set out on Page 25 of the Annual Report.

Relationship with the Auditors

Through the Audit Committee, the Group has established a close and transparent relationship with the Company's external auditors. The external auditors report to the Audit Committee and the Management on any weaknesses in the internal control systems and any non-compliance of accounting standards that come to their attention in the course of their audit.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board is responsible for ensuring that the financial statements of the group to give a true and fair view of the state of affairs of the group and of the Company at the end of the accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied and complied with subjects to any explanations and material departures disclosed in the notes to the financial statements.

The Directors hereby confirm that appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates in the preparation of the financial statements. All accounting standards which the Board considers to be applicable have been complied with and sufficient internal controls has been taken to safeguard the assets of the Group and the Company and detect any fraud or other irregularities which described more fully in the Statement on Corporate Governance

CONTINUING CORPORATE DISCLOSURE

Share Buybacks

During the year, there was no share buyback by the Company.

Options, Warrants or Convertible Securities

During the year, there were 118,100 Irredeemable Convertible Loan Stocks ("ICULS") converted to 118,100 ordinary shares of RM1.00 each and 21,482,146 ICULS were mandatorily converted to 21,482,146 new ordinary shares upon the maturity of the ICULS.

During the year, the Company also issued 7,400 new ordinary shares pursuant to the exercise of 7,400 warrants and a total of 66,149,883 unexercised warrants were lapsed and removed from the Official Listing of Bursa Malaysia Securities Berhad.

Accordingly, the Company issued a total of 21,607,646 new ordinary shares in the year and the latest paid-up share capital of the Company were 231,559,015.

Imposition of Sanctions/Penalties

There were no material sanctions and/or penalties imposed on the Company and its subsidiary companies, directors or management by the relevant regulatory bodies.

Non-audit Fees

There were no non-audit fees paid to the external auditors for the financial year ended 31 December 2004.

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 made or released by the Company.

Profit Guarantee

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

Material Contracts involving Directors/Substantial Shareholders' interests

During the year, there were no material contracts on the Company and its subsidiaries involving directors or substantial shareholders' interest.

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.

American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR") Programme

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



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Dato' Ahmad Hasmuni bin Hj Hussein

Chairman – Independent Non-Executive Director

Tan Chor Teck

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 consistent with the current Listing Requirements of the Bursa Malaysia Securities Berhad.

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 fulfill the following requirements:-

- i. the Audit Committee shall be composed of no fewer than 3 members;
- ii. the majority of the Audit Committee shall be independent directors; and
- 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:-

1. review the following and report the same to the Board of Directors of the Company:-
 - a) the audit plan with the external auditors;
 - b) evaluation of the system of internal controls with the external auditors;
 - c) audit report with the external auditors;
 - 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;
2. recommend the nomination of a person or persons as external auditors;
3. promptly report to the Bursa Malaysia Securities Berhad 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 Bursa Malaysia Securities Berhad; and
4. 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 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 Committee convened five (5) meetings during the financial year ended 31 December 2004 and the attendance record is as follows:-

	25/2/2004	22/4/2004	27/5/2004	25/8/2004	30/11/2004
Dato' Ahmad Hasmuni bin Hj Hussein	✓	✓	✗	✓	✓
Dato' Shahbudin bin Imam Mohamad	✓	✓	✗	✓	✓
Mr Tan Chor Teck (appointed w.e.f. 22 April 2004)	Not Applicable	Not Applicable	✓	✓	✓
Mr Lim Kong Yow	✓	✓	✓	✓	✓

ACTIVITIES

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

- Reviewed and approved the annual internal audit plan for year 2004.
- 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 audited financial statements for the financial year ended 31 December 2004 with the external auditors prior to submission to the Board for their consideration and approval.
- Reviewed the internal audit reports of the Company's subsidiaries, highlighting the audit issues, recommendations and management's response.
- Reviewed significant related party transactions entered into by the Group.
- Reviewed the revised Audit Committee Chapter in compliance with the Listing Requirements of the Bursa Malaysia Securities Berhad.

INTERNAL AUDIT FUNCTION

The group outsourced its internal audit function to a reputable professional services firm with international affiliation which is independent from the activities of the Company and reports directly to the Committee, who in turn decides on the remit of the internal audit function.

Its principal responsibility is to provide independent assessments of the Group's internal control systems to ensure adequate, efficient and effective compliance with systems and standard operating procedures in each of the operations in the Group and the scope encompasses the audits of all the companies within the Group over a period of three (3) years per cycle. The Audit Committee have received several reports from the Internal Auditors on the audit work, recommendations and management's responses prior to the Committee meetings. During the year, it had carried out the audits according to the audit plan, which had been approved by the Audit Committee.

The final internal audit reports undertaken during the year were forwarded to the Management for necessary corrective and preventive actions as recommended. The Management is responsible for ensuring that the actions are implemented within the required time frame.



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The Board is pleased to make the following disclosures pursuant to Paragraph 15.27 (b) of the Bursa Malaysia Securities Berhad Listing Requirements, which requires the Board of Directors of public listed companies to include in its annual report “a statement about the state of internal control of the listed issuer as a group”.

BOARD RESPONSIBILITY

The Board recognises its overall responsibility in promoting good corporate governance and maintaining a sound system of internal control and the need to regularly review its adequacy and integrity. Such system covers not only financial controls but also controls relating to operational and compliance to applicable laws, regulations, rules, directives and guidelines. It should be noted that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. The system by its nature can provide only reasonable but not absolute assurance against material misstatement or loss.

RISK MANAGEMENT FRAMEWORK

The Board acknowledges that all areas of the Group’s business activities involve some degree of risk and is committed to ensuring that the Group has an effective risk management framework which allows Management to manage risks within defined parameters and standards.

The identification, evaluation and management of significant risks faced by the Group is an ongoing process which is undertaken at each level of operations. During the year under review, this function was exercised through direct participation of Executive Directors in management meetings to ensure the adequacy and integrity of the system of internal control. Emphasis is placed on reviewing and updating the process for identifying and evaluating the significant risks affecting the business, and policies and procedures by which these risks are managed.

Management is also involved in the identification and evaluation of significant risks applicable to their area of business together with the design and operation of suitable internal controls. These risks are assessed on a continual basis and may be associated with a variety of internal and external sources including control breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements.

ASSURANCE ON INTERNAL CONTROL TO THE BOARD

The responsibility for reviewing the adequacy and integrity of the internal control system has been delegated by the Board to the Audit Committee. In turn, the Audit Committee assesses the adequacy and integrity of the internal control system through independent reviews conducted on reports it received from external auditors, the internal audit function and management.

The Group outsourced its internal audit function to a reputable professional services firm with international affiliation. Since the appointment of the internal audit function, periodic internal audit reviews have been carried out in accordance with the audit plan approved by the Audit Committee to assess the adequacy and integrity of the Group’s system of internal control. Areas of improvement of internal controls have been identified and action plan based on the proposed improvements have subsequently been implemented.

The Board currently does not regularly review the internal control systems of its associate companies, as the Board does not have any direct control over their operation. Notwithstanding this, the Group’s interest is served through representation on the Board of the associate companies. This representation also provides the Board with information for timely decision making on the continuity of the Group’s investments based on the performance of the associated companies.

KEY ELEMENTS OF INTERNAL CONTROL

The key processes that the Board has established in reviewing the adequacy and integrity of the Group's system of internal control include the following :-

1. A well defined organisational structure with clear lines of accountability and which has a documented delegation of authority that sets out the decisions that need to be taken and the appropriate authority levels of management including matters that required Board approval.
2. The Audit Committee reviews the quarterly financial reports, annual financial statements, the internal audit plan on a periodic basis. Discussion with Management were held to deliberate on the actions that are required to be taken to address internal control matters identified by the outsourced internal audit function.
3. Regular internal audit visits to assess the effectiveness of internal controls, to monitor compliance with procedures, to review and assess risks the Group's operations are exposed to and to assess the integrity and reliability of financial information.
4. A comprehensive business planning and budgeting process which establishes plans and targets against which performance is monitored on an on-going basis. The business planning process of the Group determines business objectives, examines strengths, weaknesses, opportunities, threats and key business risks, from which action plans are formulated thereon.

CONCLUSION

The Board is of the view that the system of internal controls is satisfactory and nothing has come to the attention of the Board which would result in any material losses, contingencies or uncertainties that would required separate disclosure in this annual report. The Board will continue to take active measures to strengthen the existing internal control systems and control environment after taking into consideration the changes in the business environment the Group operates in.