



CHUAN HUAT RESOURCES BERHAD

(290729-W)

A n n u a l R e p o r t 2 0 0 2



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Corporate Information

BOARD OF DIRECTORS

Dato' Haji Wan Zaki Bin Haji Wan Muda
(Non-Executive Chairman)

Dato' Lim Khoon Heng
(Ceo/Group Managing Director)

Lim Loong Heng
(Deputy Managing Director)

Lim Khoon Hock
(Executive Director)

Tai Keat Chai
(Independent Non-Executive Director)

Dali Kumar @ Dali Bin Sardar
(Independent Non-Executive Director)

Leow Bock Lim
(Independent Non-Executive Director)

SECRETARIES

Tay Lee Siang (Ls 00129)
Pan Kow Bah (Ls 07152)

REGISTERED OFFICE

Wisma Lim Kim Chuan
Lot 50A, Section 92A
3 ½ Miles, Off Jalan Sungei Besi
57100 Kuala Lumpur
Tel No: 03-79833333
Fax No: 03-79803333

PRINCIPAL BANKERS

RHB Bank Berhad
United Overseas Bank (Malaysia) Berhad
Malayan Banking Berhad
Hong Leong Bank Berhad

AUDITORS

Ong Boon Bah & Co
B-10-1, Megan Phileo Promenade
189, Jalan Tun Razak
50400 Kuala Lumpur

REGISTRAR

Sectrars Services Sdn Bhd
28-2, Jalan Tun Sambanthan 3
Brickfields
50470 Kuala Lumpur
Tel No: 03-22746133
Fax No: 03-22741016

STOCK EXCHANGE LISTING

Second Board
Of The Kuala Lumpur Stock Exchange

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting of Chuan Huat Resources Berhad will be held at Hotel Sri Petaling Kuala Lumpur, Ball Room, Level 1, 30, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000, Kuala Lumpur on Friday, 20 June 2003 at 11.00 a.m. for the following purposes:-

AGENDA

1. To receive and adopt the Audited Financial Statement for the year ended 31 December 2002 and the Reports of the Directors and Auditors thereon. **(Ordinary Resolution 1)**
2. To approve the payment of a first and final tax exempt dividend of 1.5 sen per ordinary share for the financial year ended 31 December 2002. **(Ordinary Resolution 2)**
3. To approve the payment of Directors' fees in respect of the year ended 31 December 2002. **(Ordinary Resolution 3)**
4. To re-elect the following Directors retiring pursuant to Article 63 of the Company's Articles of Association:
 - (i) Dato' Lim Khoon Heng **(Ordinary Resolution 4)**
 - (ii) Lim Khoon Hock **(Ordinary Resolution 5)**
5. To re-appoint Messrs. Ong Boon Bah & Co. as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration. **(Ordinary Resolution 6)**

AS SPECIAL BUSINESS

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

6. 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 authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being, subject always to the approval of all the relevant regulatory bodies being obtained for such issue and allotment." **(Ordinary Resolution 7)**
7. To transact any other ordinary business of which due notice shall have been given.

NOTICE OF ENTITLEMENT DATE AND DIVIDEND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that the First and Final Tax Exempt Dividend of 1.5 sen per ordinary share in respect of the financial year ended 31 December 2002, if approved by the shareholders at the Ninth Annual General Meeting, will be paid on 3 September 2003.

The entitlement date shall be fixed on 8 August 2003 and 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 8 August 2003 in respect of ordinary transfers;
- (b) Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

Notice Of Annual General Meeting (Cont'd)

BY ORDER OF THE BOARD

TAY LEE SIANG [LS 00129]
PAN KOW BAH [LS 007152]
Secretaries

Kuala Lumpur
Date: **26 May 2003**

Notes:-

1. A member of the Company entitled to attend and vote is entitled to appoint a proxy/proxies to attend and vote in his/her stead. A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal or the hand of its attorney or an officer duly authorised.
2. Where a member of the Company is an authorised nominee as defined under the Central Depository Act, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
3. Where a member appoints more than one (1) proxy (subject to a maximum of two (2) proxies at each meeting), the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. To be valid, this proxy form duly completed must be deposited at the Registered Office of the Company at Wisma Lim Kim Chuan, Lot 50A, Section 92A, 3 ½ Miles, Off Jalan Sungei Besi, 57100 Kuala Lumpur not less than 48 hours before the time for holding the meeting or any adjournment thereof.

Explanatory Notes To Special Business:-

1. Ordinary Resolution 7

The proposed Ordinary Resolution if passed, will give the Directors of the Company authority to issue shares at any time in their absolute discretion without convening a general meeting. This authorisation, will unless revoked or varied by the Company at a General Meeting, expire at the next Annual General Meeting.

Statement Accompanying Notice Of Annual General Meeting

1. Directors who are standing for re-election at the Ninth Annual General Meeting of Chuan Huat Resources Berhad are as follows:-

- i. Dato' Lim Khoon Heng
- ii. Lim Khoon Hock

2. Details of attendance of directors at Board meetings.

There were 6 Board of Directors' Meetings held during the financial year ended 31st December 2002 and the number of meetings attended by each Director are as follows:-

Name of Director	Attendance
Dato' Haji Wan Zaki Bin Haji Wan Muda	4/6
Dato' Lim Khoon Heng	5/6
Lim Loong Heng	6/6
Lim Khoon Hock	6/6
Wong Kon Fatt *	6/6
Dali Kumar @ Dali Bin Sardar	5/6
Tai Keat Chai	6/6
Leow Bock Lim	5/6

* *Resigned on 31 January 2003*

3. Place, date and time of the Ninth Annual General Meeting

The place, date and time of the Ninth Annual General Meeting are as follows:-

Date	Time	Place
20 June 2003	11.00 a.m.	Hotel Sri Petaling Kuala Lumpur, Ball Room, Level 1, 30, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000, Kuala Lumpur

4. Details of Directors who are standing for re-election

The Directors who are standing for re-election are Dato' Lim Khoon Heng and Mr Lim Khoon Hock, are disclosed under the Profile of Directors. The Directors' shareholdings in the Company are disclosed under the Analysis of Shareholdings.

Board Of Directors



Sitting from left to right

DATO' HAJI WAN ZAKI BIN HAJI WAN MUDA

(Non-executive Chairman and Director, member of the Remuneration Committee and Nomination Committee)

DATO' LIM KHOON HENG

(CEO/Group Managing Director, member of ESOS Committee and Remuneration Committee)

Standing from left to right

LEOW BOCK LIM

(Director, member of Audit Committee, Remuneration Committee and Nomination Committee)

TAI KEAT CHAI

(Director, member of Audit Committee, Remuneration Committee and Nomination Committee)

MARK LIM LOONG HENG

(Deputy Managing Director and member of the Audit Committee)

NORMAN LIM KHOON HOCK

(Executive Director and member of the ESOS Committee)

DALI KUMAR @ DALI BIN SARDAR (Not Present)

(Director, member of Audit Committee, Nomination Committee, ESOS Committee and Remuneration Committee)

Profile Of Directors

Dato' Haji Wan Zaki Bin Haji Wan Muda

(Non-executive Chairman and Director, member of the Remuneration Committee and Nomination Committee)

54 years of age

DPMT, PPN, PJK

Chairman and Director, holding a non-executive position since 2 May 1997. He is the founder member of Ahmad Zaki Sdn Bhd (AZSB) and began his working career in 1971 as a Financial Assistant with Syarikat Permodalan Pahang Bhd. He later joined Perakayuan Pahang Sdn Bhd in 1973 where he served until 1977 while holding the post of Marketing Manager. In the same year, he joined Pesaka Terengganu Bhd, as its Operations Manager and continued to serve until 1979 prior to joining Pesama Timber Corporation Sdn Bhd as Managing Director. He left Pesama Timber Corporation Sdn Bhd in 1984 to venture into the construction industry by founding AZSB.

Dato' Haji Wan Zaki is the Executive Chairman in Ahmad Zaki Resources Berhad and attended four out of six Board Meetings held in the financial year ended 31 December 2002. He has no family relationship with any other director or major shareholders of the Company. He has never been charged for any offence within the past 10 years and has no conflict of interest with the Company.

Dato' Lim Khoon Heng

(CEO/Group Managing Director, member of ESOS Committee and Remuneration Committee)

50 years of age

Malaysian

D.S.S.A

Chief Executive Officer and Group Managing Director, holding an executive and non-independent position since 2 May 1997. He is the Managing Director of Chuan Huat Hardware (Sdn.) Berhad since 14 December 1976. He is responsible for the operation management and strategic planning of the Chuan Huat Resources Berhad Group. He was conferred with the DSSA award which carries the title of "Dato" by the Sultan of Selangor on 13 March 1999. He is also the President of the Metal Dealers Association (Wilayah Persekutuan and Selangor) and the Chairman of Acsan Steel Service Centre Sdn Bhd.

Dato' Lim Khoon Heng is the Non-Executive Chairman in Disccomp Berhad and attended five out of six Board Meetings held in the financial year ended 31 December 2002. He is the brother of Mr. Lim Loong Heng and Mr. Lim Khoon Hock, the directors and major shareholders of the Company. He has never been charged for any offence within the past 10 years and has no conflict of interest with the Company.

Lim Loong Heng

(Deputy Managing Director and member of the Audit Committee)

48 years of age

Malaysian

Deputy Managing Director, holding an executive and non-independent position since 2 May 1997. He was attached to Schinger Ltd in the UK as an Assistant Accountant for two years prior to his appointment to the Board of Directors of Chuan Huat Hardware Holdings Sdn Bhd. He currently takes charge of corporate planning matters of the Chuan Huat Resources Berhad Group.

Mr. Lim Loong Heng is the Managing Director in Disccomp Berhad and attended six out of six Board Meetings held in the financial year ended 31 December 2002. He is the brother of Dato' Lim Khoon Heng and Mr. Lim Khoon Hock, the directors and major shareholders of the Company. He has never been charged for any offence within the past 10 years and has no conflict of interest with the Company.

Profile Of Directors (Cont'd)

Lim Khoon Hock
(Executive Director and member of the ESOS Committee)
46 years of age
Malaysian

Director, holding an executive and non-independent position since 2 May 1997. He is a Director of Chuan Huat Hardware (Sdn.) Berhad since 11 January 1980. He holds a Bachelor's Degree in Civil Engineering from Monash University, Australia. He was attached with the Jabatan Kerja Raya from January 1980 to December 1981, in road construction supervision. He later joined a consultant firm as a Designing Engineering and was part of the team involved in the design of Shangri-La Hotel, Kuala Lumpur. Currently, he leads the Chuan Huat Resources Berhad Group's manufacturing activities.

Mr. Lim Khoon Hock is the Deputy Managing Director in Disccomp Berhad and attended six out of six Board Meetings held in the financial year ended 31 December 2002. He is the brother of Dato' Lim Khoon Heng and Mr. Lim Loong Heng, the directors and major shareholders of the Company. He has never been charged for any offence within the past 10 years and has no conflict of interest with the Company.

Tai Keat Chai
(Director, member of Audit Committee, Remuneration Committee and Nomination Committee)
48 years of age
Malaysian

Director, holding a non-executive and independent position since 29 June 2001. He is qualified as a Fellow of the Institute of Chartered Accountants in England and is also a member of the Malaysian Institute of Accountants. He worked at KPMG, London as an Audit Senior between 1977 and 1978, after which he returned to Malaysia and commenced working with PricewaterhouseCoopers in Kuala Lumpur. In 1981, he joined Alliance Merchant Bank Berhad where he worked in corporate finance for 7 years before he ventured into stockbroking, during which time he worked in SJ Securities Sdn Bhd, JB Securities Sdn Bhd and BBMB Securities Sdn Bhd. He is presently a director of Fiscal Corporate Services Sdn Bhd.

Mr. Tai Keat Chai is the Director in Disccomp Berhad, Amanah Smallcap Fund Berhad and Toyochem Corporation Berhad and attended six out of six Board Meetings held in the financial year ended 31 December 2002. He has no family relationship with any other director or major shareholders of the Company. He has never been charged for any offence within the past 10 years and has no conflict of interest with the Company.

Dali Kumar @ Dali Bin Sardar
(Director, member of Audit Committee, Nomination Committee, ESOS Committee and Remuneration Committee)
44 years of age
Malaysian

Director, holding a non-executive and independent position since 15 July 1999.

He was with Citibank/Citicorp (NY/KL) from 1982 to 1996. Prior to his departure, he was the Managing Director of Citicorp Capital Sdn Bhd, a venture capital subsidiary of Citicorp. He left to become the CEO of Utama Merchant Bank Berhad. He left the position at the end of 1996 and set up DTA Capital Partners Sdn Bhd. DTA is a boutique corporate finance set-up. DTA now has a fully owned subsidiary, DTA Ventures, which is managing a venture capital fund owned by the Ministry of Finance, MAVCAP.

Mr. Dali Kumar @ Dali Bin Sardar is the Director in Lii Hen Industries Berhad and Malaysian General Investment Corporation Berhad and attended six out of six Board Meetings held in the financial year ended 31 December 2002. He has no family relationship with any other director or major shareholders of the Company. He has never been charged for any offence within the past 10 years and has no conflict of interest with the Company.

Profile Of Directors (Cont'd)

Leow Bock Lim

(Director, member of Audit Committee, Remuneration Committee and Nomination Committee)

60 years of age

Malaysian

Director, holding a non-executive and independent position since 29 June 2001. He is an associate of The Institute of Chartered Secretaries and Administrators and an associate of the Institute of Canadian Bankers. He is a retired banker who has had over 35 years of working experience in various local and foreign banks. He began his banking career with the OCBC Bank in 1960. In 1962, he left to join United Malayan Banking Corporation Berhad as an operations officer. Between 1966 and 1970, he held various operational and treasury positions in The Chase Manhattan Bank. In 1971 and 1972, he served as the chief operating officer of the Oriental Bank Berhad. Between 1973 and 1977, he was the treasury head of The Bank of Nova Scotia. He joined the Security Pacific Asian Bank in 1978 and was its country head for 12 years. In 1994 he joined Alliance Bank Berhad as its Senior Vice President and served as its head of treasury and international banking prior to his retirement in 2000.

Mr. Leow Bock Lim is the Chairman (Independent non-executive) of Autoair Holdings Berhad, the Director in Discomp Berhad and Kumpulan Belton Berhad and attended five out of six Board Meetings held in the financial year ended 31 December 2002. He has no family relationship with any other director or major shareholders of the Company. He has never been charged for any offence within the past 10 years and has no conflict of interest with the Company.

Chairman's Statement



On behalf of the Board of Directors, it is my pleasure to present to you the Annual Report and Financial Statements of CHUAN HUAT RESOURCES BERHAD for the financial year ended 31 December 2002.

FINANCIAL OVERVIEW

For the financial year under review, the Group posted an increase in turnover from RM 355.0 million in previous year to RM 422.0 million. The increase in turnover was mainly due to the increased demand for Iron and Steel, Building Materials from the various new Government infrastructure projects. However, the Group recorded a loss after tax of RM291,000 compared to previous year profit after tax of RM 3.2 million. The loss was due to the consolidation adjustment made in the year pertaining to a deemed disposal of a subsidiary arising from the dilution of interest in the subsidiary during the IPO exercise amounting to RM2.6 million. Profit margin has declined compared to the previous years due mainly to the increase in competitiveness of the Group's products and services.

The Iron and Steel, Building Materials Division contributed 91.5% of the Group's total turnover whilst the Group IT Division contributed 8.3% with the Investment Holdings and Trading in properties making up the combined balance of 0.2%.

REVIEW OF OPERATIONS

The Iron & Steel Building Materials Division continue to be the income churning pillar of the Group. There was a substantial improvement in the manufacturing division particularly in the replacement of existing machineries with more technically advanced machineries resulting in a higher production yield and efficiency. On the trading side, the Group continue to source and increase its product's pool and its network of branches throughout the Peninsular and East Malaysia had already made significant impact in increasing the Group's market share of Iron & Steel, Building Material products nationwide. The imposition of import control on most steel products by the Government and having had to turn to buying local steel products at a higher price had somehow curtailed the earnings and reduced the profit margins on such steel products traded.

Chairman's Statement (Cont'd)

The IT Division however saw a decline in the demand of its products and services in both in the local and export market largely due to the continued uncertainty in the global economy. With the thinning of its profit margin from the increase in product competitiveness, the IT division has repositioned itself by opening more retail outlets and to strengthening its foothold on the compatible and remanufactured ink cartridges market.

The Group has also tightened its Credit Control management and embarked on a very thorough filtering process in opening of new accounts to reduce the risks of bad debts.

OVERVIEW

The **ASEAN TRADE AGREEMENT (AFTA)** which came into effect in 1st January 2003 will somehow see a significant impact on the Group's products and services competitiveness. The Group will have to realign its corporate strategy to weather the challenges ahead. The continued instability due to global uncertainties vis-a-vis the post effect of the Iraqi war and the recent SARS virus outbreak will have a telling effect on the overall economy and the Group's earnings for the coming year.

However the Group is optimistic that with its prudent and conservative management policies, a better results and shareholders' return will be achieved.

DIVIDEND

The Board is pleased to recommend a first and final tax-exempt dividend of 1.5% subject to shareholders' approval at the forthcoming Annual General Meeting.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board, I would like to extend our sincere appreciation to all our staff for their tireless contribution and continued effort to the company. I would also like to take this opportunity to record our sincerest appreciation to our shareholders, bankers and customers for their continuous support and confidence in the Group.

DATO' HAJI WAN ZAKI BIN HAJI WAN MUDA
CHAIRMAN

Corporate Governance Statement

The Board of Directors of Chuan Huat Resources Berhad ("Board") is fully committed to the maintenance of high standards of corporate governance by supporting and implementing the prescriptions of the principles and best practices set out in Parts 1 and 2 of the Malaysian Code on Corporate Governance (Code) respectively.

The Board has directed and managed the business and affairs of the Group towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholders' values whilst taking into account the interests of other stakeholders.

The Board is pleased to provide the following statements, which outlines the main corporate governance practices that were in place throughout the financial year.

Compliance Statement

The Group has complied throughout the year ended 31 December 2002 with all the best practices of corporate governance set out in Part 2 of the Code.

Principles Statements

The following statement sets out how the Group has applied the principles in Part 1 of the Code. The principles are dealt with under the following headings: (A) Board of Directors, (B) Directors' remuneration, (C) Shareholders and (D) Accountability and audit.

A. Board Of Directors

(a) Board Responsibilities

The Group is controlled and led by a dynamic Board. It has a balanced board composition with effective independent directors. The Board acknowledges the pivotal role played by the Board in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

(b) Board Meetings

The Board ordinarily meets at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. During the year ended 31 December 2002, the Board met on six (6) occasions; where it deliberated upon and considered a variety of matters including the Group's financial results, corporate proposals, the business plan and direction of the Group. Directors' attendance to these meeting can be found in the statement Accompanying the Notice of the Annual General Meeting.

The Board receives documents on matters requiring its consideration prior to and in advance of each meeting. The Board papers providing updates on operational, financial and corporate developments as well as minutes of meetings of the Board are circulated prior to the meeting, are comprehensive and encompass both quantitative and qualitative factors so that informed decisions are made. All proceedings from the Board meetings are minuted and signed by the Chairman of the meeting. The Board has full access to senior management and the advice and services of the Company Secretaries, who are responsible for ensuring that Board meeting procedures are followed and that applicable rules and regulations are complied with. In addition, the Directors may also seek independent professional advice, at the Company's expense, if required. The Directors may also consult with the Group Managing Director and other Board members prior to seeking any independent professional advice.

Corporate Governance Statement (Cont'd)

(c) Board Balance

As at the date of this statement, the Board consists of seven (7) members; comprising one (1) Managing Director, one (1) Deputy Managing Director, one (1) Executive Directors, one (1) Non-Executive Director and, three (3) Independent Non-Executive Directors. On 27 November 2001, En. Dali Kumar @ Dali Bin Sardar was appointed as the Senior Independent Non-Executive Director to whom all concerns may be conveyed to the Board. A brief profile of each Director can be found in the "Profile of Directors".

The concept of independence adopted by the Board is in tandem with the definition of an independent Director in Section 1.01 of the Listing Requirements of the Kuala Lumpur Stock Exchange. The key elements for fulfilling the criteria are the appointment of an independent Director who is not a member of management (a non-executive director) and who is free of any relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of the Group. The Board complied with paragraph 15.02 of the Listing Requirements which requires that at least two (2) directors or one-third of the Board, whichever is the higher, are independent directors.

The Directors, with their different backgrounds and specialisations, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, marketing and operations. The Executive Directors in particular are responsible for implementing the policies and decisions of the Board, overseeing the operations as well as co-ordinating the development and implementation of business and corporate strategies. The Independent Non-Executive Directors bring to bear objective and independent judgement to the decision making of the Board and provide a capable check and balance for the Executive Directors. The Non-Executive Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. Together with the Executive Directors who have intimate knowledge of the business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities. As and when a potential conflict of interest arises, it is a mandatory practice for the Directors concerned to declare their interests and abstain from the deliberation.

There is a clear division of responsibilities at the head of the Group to ensure a balance of authority and power.

The role of Chairman and the Group Managing Director are clearly defined with their individual position descriptions. The Chairman is responsible for running the Board and ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in Board decisions. The Group Managing Director is responsible for the day to day management of the business as well as the implementation of Board's policies and decisions.

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

(d) Supply of Information

The members of the Board in their individual capacity have full and timely access to information with Board papers distributed in advance of meetings for the discharge of their duties and responsibilities. Prior to the meetings of the Board, Board papers which include the agenda and reports relevant to the issues of the meetings covering the areas of strategic, financial, operational and regulatory compliance matters, were circulated to all the directors. The Board meet, review and approve all corporate announcements, including the announcement of the quarterly financial results, prior to releasing them to the KLSE. Besides direct access to management staff, external professional advisers as well as company secretary are also made available to render their independent views and advice to the Board.

Corporate Governance Statement (Cont'd)

(e) Board Committee

i. Audit Committee

The Audit Committee of the Board has been in place since 1997. It presently comprises three (3) Independent Non-Executive Directors and one (1) Deputy Managing Director. A brief report on Audit Committee can be found in the "Audit Committee Report".

ii. Nomination Committee

The Board has on 22 August 2001 established a Nomination Committee, which comprised the following members:-

Name of Directors	Designation
Dali Kumar @ Dali Bin Sardar	Chairman, Independent Non-Executive Director
Tai Keat Chai	Independent Non-Executive Director
Leow Bock Lim	Independent Non-Executive Director
Dato' Haji Wan Zaki Bin Haji Wan Muda	Non-Executive Chairman

The Nomination Committee is empowered by the Board for recommending board appointments and assessment of directors on an on-going basis. The Committee also keeps under review the Board structure, size and composition as well as considering the Board succession planning. There was no meeting conducted during the financial year ended 31 December 2002 as there is currently no necessity to appoint any new members to the Board since the establishment of Nomination Committee. The Board is of the opinion that the present mix of experience and expertise is adequate, optimal and sufficiently capable in overseeing and ensuring that the strategies of the Group are thoroughly deliberated, considered and properly implemented.

(f) Directors' Training

The Board through the Nomination Committee ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfil the duties of a director appropriately. All directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysis Malaysia (RIIAM). The directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge where relevant.

(g) Retirement and Re-election

The Articles of Association provide that at least one-third of the Board, including the Group Managing Director, are subject to retirement by rotation at each Annual General Meeting. The directors to retire in each year are the directors who have been longest in office since their appointment or re-appointment. A retiring director is eligible for re-appointment.

The Article of Association also provides that the Group Managing Director who shall be elected from amongst the Board members shall also retire once at least in each three (3) years and shall be eligible for re-election. These provide an opportunity for the shareholders to renew their mandates. The election of each director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings' attendance and the shareholdings in the Company of each director standing for election are furnished in the statement accompanying the Notice of the 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.

Corporate Governance Statement (Cont'd)

B. Directors' Remuneration

(a) Remuneration Committee

The Board has on 22 August 2001 established a Remuneration Committee, which comprised the following members:-

Name of Directors	Designation
Dali Kumar @ Dali Bin Sardar	Chairman, Independent Non-Executive Director
Tai Keat Chai	Independent Non-Executive Director
Leow Bock Lim	Independent Non-Executive Director
Dato' Haji Wan Zaki Bin Haji Wan Muda	Non-Executive Chairman
Dato' Lim Khoo Heng	Managing Director

The remuneration committee is responsible for recommending the remuneration packages of executive directors to the Board. None of the executive directors participated in any way in determining their individual remuneration. The Board as a whole determines the remuneration of non-executive director with individual directors abstaining from decisions in respect of their individual remuneration.

The policy practised on directors' remuneration by the Remuneration Committee is to provide the remuneration packages necessary to attract, retain and motivate directors of the quality required to manage the business of the Group and to align the interest of the directors with those of the shareholders. Information prepared by independent consultants and survey data on the remuneration practices of comparable companies are taken into consideration in determining the remuneration packages.

There was one (1) meeting convened during the financial year ended 31 December 2002.

(b) Details of the Directors' Remuneration

The aggregate remuneration of directors who served during the financial year ended 31 December 2002 are as follows:

Element of remuneration	Executive Directors	Non-Executive Directors	Total
Salaries & other emoluments	1,197,454	—	1,197,454
Fees	24,000	128,000	152,000
	1,221,454	128,000	1,349,454

The number of directors whose remuneration fall into the respective bands are as follows:-

Band of remuneration	Executive Directors	Non-Executive Directors	Total
0 – 50,000	—	4	4
50,000 – 100,000	—	—	—
100,000 – 150,000	—	—	—
150,000 – 200,000	—	—	—
200,000 – 250,000	1	—	1
250,000 – 300,000	1	—	1
300,000 – 350,000	1	—	1
350,000 – 400,000	1	—	1

* One of the Executive Directors resigned on 31 January 2003

Corporate Governance Statement (Cont'd)

(c) Employees Share Option Scheme (ESOS)

Each of the executive directors were granted a maximum allowable entitlement of 500,000 options in accordance with ESOS's Bye-Law approved by authorities and shareholders. All executive directors have yet to exercise their options based on first ESOS allocation as at 31 December 2002. Some salient features regarding the ESOS have been included in the Directors' Report under the heading of "ESOS".

C. Shareholders

The Company recognises the importance of communicating with its shareholders and does this through the annual report, Annual General Meeting, Company's website and analyst meetings. The policy of the Company is to maintain an active dialogue with its shareholders with the intention of giving shareholders as clear and complete a picture of the Company's performance and position as possible.

The key elements of the Company's dialogue with its shareholders is the opportunity to gather views of, and answer questions from, both private and institutional shareholders on all issues relevant to the Company at the Annual General Meeting. It has also been the Company's practice to send the Notice of the Annual General Meeting and related papers to shareholders at least twenty one (21) days before the meeting. At the Annual General Meeting, the shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general. Additionally, a press conference is held immediately after the Annual General Meeting where the Group's Managing Director advises the press of the resolutions passed, and answers questions on the Group's operation. The Group Deputy Managing Director and the Executive Directors are also present at the press conference to clarify and explain any issue.

The Company also responded to fund managers, institutional investors, investment analysts and members of media upon request, to brief them on key events of the Company. Investors' and analysts' feedback is sought to ensure principal issues are being effectively communicated and shareholders' objectives are known.

D. Accountability And Audit

(a) Financial Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly announcements of results to shareholders as well as the Group's Chairman statement and review of operations in the annual report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

(b) Directors' Responsibility Statement in respect of the preparation of the Audited Financial Statements

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of the accounting period and of their profit or loss and cashflows for the period then ended. In preparing the financial statements, the Directors have (1) ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied, and (2) selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates.

The directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Corporate Governance Statement (Cont'd)

(c) Directors' Responsibility Statement in respect of the State of Internal Controls

The Board acknowledges its responsibility for the internal control system in the Company and the Group, covering not only financial controls but also controls relating to operational, compliance and risk management. The system of internal control involves each key business unit and its management, including the Board, and is designed to meet the business unit particular need and to manage the risks to which they are exposed. The system, by its nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. The concept of reasonable assurance recognises the costing aspect, whereby the cost of control procedures is not to exceed the expected benefits.

The Board recognises that risks cannot be completely eliminated. As such, the systems, processes and procedures being put in place are aimed at minimising and managing them. On going reviews are continuously carried out to ensure the effectiveness, adequacy and integrity of the system of internal controls in safeguarding the Company's assets.

(d) Relationship with the Auditors

The Board has established a formal and transparent relationship with the auditors. The Audit Committee recommends the appointment of the external auditors and their remuneration. The appointment of external auditors is subject to the approval of shareholders in general meeting whilst their remuneration is authorised by shareholders to be fixed by the Board.

Key features underlying the relationship of the Audit Committee with the auditors including the role of both the external and internal auditors are further described in the Audit Committee Report.

A summary activities of the Audit Committee during the year, including the evaluation of the independent audit process, are set out in the Audit Committee Report.

(e) Statement on Material Contracts Involving Directors' or Major Shareholders' Interest

There is no material contracts subsisting as at 31 December 2002 or entered into since the end of the previous financial year, by the Company or its subsidiaries, which involved the interests of the Directors or major shareholders other than those disclosed under notes to the account on Related Party Transactions of revenue in nature.

The Company is also seeking renewal of shareholders' mandate on Related Party Transactions of revenue in nature for transactions to be entered by the Company or its subsidiaries with Related Parties in the forthcoming Annual General Meeting. The details of Related Party Transactions of revenue in nature for transactions to be entered by the Company or its subsidiaries with Related Parties are included in the Circular.

(f) Non-audit fee

As at the date of this statement, there is no non-audit fee incurred and paid to external auditors.

(g) Utilisation of proceeds

There were no proceeds raised from any corporate proposals as at the date of this statement except it's sub-subsidiary, Disccomp Berhad (DB), raised proceeds of RM8 million from it's flotation. DB has to-date utilised RM2.2 million from listing expenses and expansion of retail outlets.

Corporate Governance Statement (Cont'd)

DB has on 31st March 2003 obtained approval from KLSE for the proposed revision to DB's utilisation of proceeds subject to the following condition:-

1. DB to obtain shareholders' approval for the proposed utilisation revision;
2. DB to disclose the revision in its business plan due to the proposed utilisation revision and to quantify the contribution to be derived from the company's proposed utilisation of proceeds to (i) purchase additional equipment to complement its existing compatible ink cartridge manufacturing line, (ii) purchase equipment for the manufacturing of remanufactured replacement ink jet cartridges and toners and (iii) for the expansion of retail outlets, in its circular to shareholders in respect of the proposed utilisation revision; and
3. In respect of the proceeds which is currently placed in a fixed deposit account pending the identification of project(s)/business(es) to be undertaken, DB is required to identify a new viable project(s)/business(es) in line with its core business within 6 months from the date of approval of the proposed utilisation revision and to inform the KLSE of the same accordingly.

(h) Shares Buy-Backs

There were no share buy-backs during the financial period ended 31 December 2002.

(i) Options, Warrants or Convertible Securities Exercised

The Company has not issued any options, warrants or convertible securities in respect of the financial period ended 31 December 2002.

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

The Company has not sponsored any ADR or GDR programme for the financial period ended 31 December 2002.

(k) Sanctions and/or Penalties

The Company and its subsidiaries, Directors and management have not been imposed with any sanctions and/or penalties by any regulatory bodies.

(l) Variation in Results

There is no material variance between the results for the financial period and the unaudited results previously announced by the Company except for 4th Quarterly Financial Report for the year ended 31st December 2002 made through KLSE Link on 28th February 2003. The amended announcement was subsequently announced on 11th April 2003. The amendment was due to consolidation adjustment pertaining to loss on deemed disposal of a subsidiary arising from dilution of interest in the subsidiary during IPO exercise in current financial year amounting to RM2.6 million.

(m) Profit Guarantee

The Company did not issue any profit forecast or profit guarantee for the financial period ended 31 December 2002.

(n) Revaluation Policy

The Company has not adopted a regular revaluation policy on landed properties.

Audit Committee Report

Membership

The present members of the Audit Committee comprise:-

Name	Designation
Mr. Tai Keat Chai (Chairman)	Independent Non-Executive Director
Encik Dali Kumar @ Dali bin Sardar	Independent Non-Executive Director
Mr. Leow Bock Lim	Independent Non-Executive Director
Mr. Lim Loong Heng	Deputy Managing Director

Terms of Reference

The terms of reference of the Committee are detailed in this annual report under the heading of "Terms of reference of the Audit committee".

Meeting and Attendance

During the year ended 31 December 2002, the Committee held 5 meetings, which were appropriately structured through the use of agendas, and the attendance details of the members were as follows:-

Name	No. of Meetings Attended
Mr. Tai Keat Chai	5
Encik Dali Kumar @ Dali bin Sardar	4
Mr. Leow Bock Lim	4
Mr. Lim Loong Heng	5

The Company Secretary and the Finance General Manager were also present by invitation at all the meetings, whilst the internal and external auditors also attended when invited to do so.

Summary of Activities

The main activities undertaken by the Committee during the year included the following:-

- reviewed the quarterly reports of the Company prior to their submission to the Board and public release;
- reviewed the audited financial statements of the Company prior to their submission to the Board for its consideration and approval;
- reviewed the external auditor's scope of work and audit plans for the year;
- reviewed with the external auditors the results of the audit, the audit report and the management letter, including management's response;
- reviewed and discussed on the internal audit reports to assess the effectiveness of the system of internal controls in the areas audited;
- evaluated and recommended the re-appointment of the external auditor.

Internal Audit Function

The Company outsourced its internal audit functions to a professional services firm, which is tasked with the aim of assisting the Committee to discharge its duties and responsibilities.

The firm has conducted ongoing review of the adequacy and effectiveness of the system of internal control. Some internal control weaknesses were identified during the financial year under review, all of which have been or are being addressed by the management. None of these weaknesses has resulted in any material loss that would require disclosure in the Group's financial statement.

Term Of Reference Of The Audit Committee

Objectives

The primary objectives of the Audit Committee include the following:-

- a) to safeguard the interests of all shareholders including the minority shareholder;
- b) to assist in discharging the responsibilities of the Board of Directors as they relate to the Company's management and internal controls, accounting policies and financial reporting; and
- c) to provide, by way of regular meetings, a line of communication between the Board, and the internal and external auditors.

Membership

The Committee shall be appointed by the Board from amongst its members and shall consist of no fewer than three members, none of whom shall be alternate directors.

The majority of the members, including the Chairman of the Committee, shall be independent directors.

At least one member shall be a member of the Malaysian Institute of Accountants or a person approved under subparagraph 15.10 (1)(c)(ii) of the KLSE Listing Requirements.

Any vacancy resulting in the non-compliance of subparagraph 15.10(1) of the KLSE Listing Requirements shall be filled within three months, and the Board shall review the terms of office and performance of the Committee and each of its members at least once every three years to determine whether they have carried out their duties in accordance with their terms of reference.

Authority

The Committee shall have the authority to investigate any matter within its terms of reference, and the resources required to perform its duties.

It shall also have full and unrestricted access to any information pertaining to the Company, and have direct communication channels with the external and internal auditors.

The Committee should be able to obtain independent professional or other advice, and be able to convene meetings with the external auditor, excluding the attendance of its executive members, whenever deemed necessary.

Meetings

The Committee shall meet at least four times a year, and as many times as it deems necessary.

The majority of members present shall be independent directors in order to form a quorum.

The Company Secretary of the Company shall act as the Secretary of the Committee, and shall draw up an agenda for circulation together with the relevant support papers at least one week prior to each meeting to the members.

The Company Secretary shall also be responsible for keeping the minutes of the meetings, which shall be circulated to the members of the Board as well.

The Committee shall meet at least once a year with the management and the internal and external auditors in separate sessions without the presence of any executive Board member.

Term Of Reference Of The Audit Committee (Cont'd)

Functions

The functions of the Committee include the following:-

1. To review, and report the same to the Board:-
 - a) with the external auditor, the nature and scope of its audit plan, its evaluation of the system of internal controls and its audit report;
 - b) the assistance given by the Company's employees to the external auditor;
 - c) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - d) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - e) the quarterly results and year-end financial statement prior to the approval by the Board, focusing on:
 - i) changes in or implementation of major accounting policy changes;
 - ii) significant and unusual events; and
 - iii) compliance with accounting standards and other legal requirements;
 - f) any problems or reservations arising from the interim and final audits, and any matter which the external auditor may wish to discuss (in the absence of management where necessary);
 - g) the external auditor's management letter, and management's response;
 - h) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity; and
 - i) the appointment of the external auditor, its audit fee and any questions of its dismissal or resignation.
2. To recommend the nomination of the external auditor.
3. To consider other matters as defined by the Board.

Statement Of Internal Control

INTRODUCTION

The Malaysian Code on Corporate Governance (“Code”) requires listed companies to maintain a sound system of internal controls to safeguard shareholders’ investments and the Group’s assets. Paragraph 15.27(b) of the Kuala Lumpur Stock Exchange’s (“KLSE”) Listing Requirements has a requirement for the Board to include a statement in its Annual Report on the state of internal control in the Company as a group. The KLSE’s Statement on Internal Control: Guidance for Directors of Public Listed Companies (“Guidance”) provides guidance for compliance with these requirements. The Board of Directors is pleased to report that the Group’s Internal Control Statement, has been prepared in accordance with the Guidance.

RESPONSIBILITY OF THE BOARD

The Board recognizes the importance of sound internal control and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group’s system of internal control and for reviewing its adequacy and integrity. Such system covers not only financial controls but also controls relating to operational, risk management and compliance with applicable laws, regulations, rules, directives and guidelines.

The system of internal control involves key operating companies within the Group and their management, including the Boards, and is designed to meet the Group’s business objectives and to manage the risks to which the companies are exposed. The Board acknowledges that risks cannot be completely eliminated. The system, by its nature, can only provide reasonable, and not absolute, assurance against material misstatement, loss and fraud.

RISK MANAGEMENT FRAMEWORK

The Group had carried out 2 days risk awareness workshop run by an external professional firm of consultants for all operational managers to (i) inculcate understanding of potential and current risks as faced by the various operating companies within the Group and (ii) familiarise themselves with the principal risks and controls and the maintenance of a database of such risk profiles based on likelihood of occurrence and magnitude of impact.

The Group is in the process of studying proposals by professional firm of consultants to assist in the formalisation of a Corporate Risk management Framework for the Group.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Apart from the above, other key elements that form the Group’s internal control system are described below:

Board Committees

Specific responsibilities have been delegated to the relevant Board committees, all of which have written terms of reference. These committees have the authority to examine all matters within their scope of responsibility and report back to the Board with their recommendations for the Board’s decision.

Operational Structure

The structure with defined lines of responsibilities and delegation of authority is in place within the Group.

Statement Of Internal Control (Cont'd)

Policies & Procedures

Policies & procedures such as Credit control and capital expenditure policies are documented to set out the standards and guidelines for day-to-day operations for each company. The policies & procedures are formulated as and when required and are regularly updated to reflect the changing risks or resolve operational deficiencies. Instances of non-compliance are reported by its internal and external audit functions to the Board via the audit committee.

Performance Monitoring

Regular and comprehensive information is provided to Management for monitoring of performance against the strategic plan approved by the Board, covering all key financial and operational indicators.

A detailed budgeting process has been established requiring all key operating companies in the Group to prepare budgets annually, which are discussed and approved by the Board. Effective reporting system on actual performance against approved budgets is in place and significant variances are followed up by the Management.

Financial System

A computerised financial system that captures every single financial transaction which is collated and consolidated into the monthly management financial statements and quarterly performances. This allows Management to focus on areas of concern.

Internal Audit

Ongoing reviews of the internal control system are carried out by the internal audit function. The work of the internal audit function is focused on areas of priority as identified by risk analysis and in accordance with an annual audit plan approved by the Audit Committee.

Some internal control weaknesses were identified during the financial period under review, all of which have been or are being addressed by the Management. None of these weaknesses has resulted in any material loss that would require disclosure in the Group's financial statements.

FINANCIAL STATEMENTS

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Directors' Report

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiary companies are shown in Note 4 to the financial statements.

Details of subsidiary companies acquired during the financial year are shown in Note 4 to the financial statements.

There have been no significant changes in the activities of the Company and of its subsidiary companies during the financial year except for the subsidiary companies acquired during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
(Loss)/Profit after taxation	(1,032,859)	885,150
Minority interests	741,244	—
(Loss)/Profit after taxation and minority interests	(291,615)	885,150

SHARE CAPITAL

During the financial year, the issued and paid up share capital of the Company was increased from RM40,201,000 to RM40,917,000 by the issue of 716,000 ordinary shares of RM1.00 each pursuant to the Employees' Share Option Scheme at an option price of RM1.23 per ordinary share.

DIVIDEND

The Company has paid a first and final tax exempt dividend of 2 sen per share in respect of the financial year ended 31 December 2001 and dealt with in the previous Directors' Report amounting to RM816,940. This is an increase of RM12,920 over the amount disclosed in the previous Directors' Report due to fully paid share issued pursuant to the Employees' Share Option Scheme.

The Directors propose a first and final tax exempt dividend of 1.5 sen per share amounting to RM613,755 in respect of the current financial year. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year other than as disclosed in the financial statements.

Directors' Report (Cont'd)

DIRECTORS

The Directors who served since the date of last report are:-

Dato' Haji Wan Zaki Bin Haji Wan Muda
 Dato' Lim Khoon Heng
 Lim Loong Heng
 Lim Khoon Hock
 Dali Kumar @ Dali Bin Sardar
 Tai Keat Chai
 Wong Kon Fatt (Resigned on 31.1.03)
 Leow Bock Lim

In accordance with Article 63 of the Company's Articles of Association, Dato' Lim Khoon Heng and Mr Lim Khoon Hock retire by rotation, and being eligible, offer themselves for re-election.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than those disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which a Director is a member or with a company in which a Director has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of transactions between the Company and its related companies and certain companies in which certain Directors of the company and/or its subsidiary companies are substantial shareholders as disclosed in Note 27 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares and warrants of the Company during the financial year are as follows:-

	Number of Ordinary Shares of RM1.00 each			
	As at 1.1.02	Additions	Disposals	As at 31.12.02
Direct Interest				
Dato' Haji Wan Zaki Bin Haji Wan Muda	3,835,197	—	—	3,835,197
Dato' Lim Khoon Heng	4,768,175	—	—	4,768,175
Lim Loong Heng	4,768,174	—	—	4,768,174
Lim Khoon Hock	4,768,174	—	—	4,768,174
Dali Kumar @ Dali Bin Sardar	120,000	—	—	120,000
Indirect Interest				
Dato' Lim Khoon Heng *	—	483,312	—	483,312
Lim Loong Heng *	—	483,312	—	483,312
Lim Khoon Hock *	—	483,312	—	483,312

Directors' Report (Cont'd)

	As at 1.1.02	Number of Warrants 1999/2004		As at 31.12.02
		Additions	Disposals	
Indirect Interest				
Dato' Lim Khoon Heng *	—	474,312	—	474,312
Lim Loong Heng *	—	474,312	—	474,312
Lim Khoon Hock *	—	474,312	—	474,312

* Indirect interest held through Lim Kim Chuan & Sons Holdings Sdn Bhd

In addition to the above, the following Directors are deemed to have interest in shares of the Company by virtue of options granted pursuant to the Employee Share Option Scheme of the Company:-

	As at 1.1.02	Number of Options Over Ordinary Shares of RM1.00 each		As at 31.12.02
		Granted	Exercised	
Dato' Lim Khoon Heng	500,000	—	—	500,000
Lim Loong Heng	500,000	—	—	500,000
Lim Khoon Hock	500,000	—	—	500,000

Other than as disclosed above, the Directors of the Company do not have any other interest in the shares of the Company.

EMPLOYEE SHARE OPTION SCHEME

Under the Company's Employees Share Option Scheme ("ESOS") which became effective on 19 July 2001 options to subscribe for unissued new ordinary shares of RM1.23 each in the Company were made available to eligible Directors and employees of the Company and its subsidiary companies.

The main features of the ESOS were as follows:-

- (I) The total number of shares which may be made available shall not exceed ten percent (10%) of the issued and paid up share capital of the Company at any point of time during the exercise of the Scheme.
- (II) Eligible persons are confirmed Malaysian employees including full-time executive directors of the Group who have been employed for at least 12 full months of continuous service, including service during the probation period and whose employment has been confirmed in writing prior to the date of offer, and for at least 2 years of continuous service and current employment contract should be not less than 1 year before the date of offer for Non-Malaysian employees.
- (III) The actual entitlement of eligible employees shall essentially be based on the length of service and seniority of job position and shall not less than 1,000 shares nor more than their maximum allowable allotment and shall always be in multiples of 1,000 shares.

Directors' Report (Cont'd)

(IV) The option price subscribe for shares under the ESOS shall be the higher of:-

- the weighted average market price of the Shares for the five (5) market days immediately preceding the Date of Offer, subject to a discount of not more than ten percent (10%) which the Company may at its discretion decide to give; or
- the par value of the shares.

The movements of number of options granted and exercised pursuant to the ESOS during the financial year are as follows:

Granted on	Subscription price per Share	Balance as at 1.1.2002	Granted	Exercised	Lapsed	No. of Shares unissued as at 31.12.2002
19.7.2001	RM1.23	3,001,000	—	716,000	346,000	1,939,000

OTHER STATUTORY INFORMATION

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps:-

- to ascertain the action taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

- which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

Directors' Report (Cont'd)

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

In the opinion of the Directors:-

- (a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) other than as disclosed in the financial statements, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

AUDITORS

The auditors, Ong Boon Bah & Co, have indicated their willingness to continue in office.

Signed in accordance with a resolution of the Directors dated 28 April 2003.

DATO' LIM KHOON HENG

Director

LIM KHOON HOCK

Director

Kuala Lumpur

Statement By Directors

We, **DATO' LIM KHOON HENG** and **LIM KHOON HOCK**, being two of the Directors of **CHUAN HUAT RESOURCES BERHAD**, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 32 to 71 are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2002 and of the results and cash flows of the Group and of the Company for the financial year ended on that date.

Signed in accordance with a resolution of the Directors dated 28 April 2003.

DATO' LIM KHOON HENG
Director

LIM KHOON HOCK
Director

Kuala Lumpur

Statutory Declaration

I, **LIM LOONG HENG**, the Director primarily responsible for the financial management of **CHUAN HUAT RESOURCES BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 32 to 71 are, to the best of my knowledge and belief correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above-named **LIM LOONG HENG** at Kuala Lumpur in the Federal Territory on 28 April 2003.

LIM LOONG HENG

Before me
P. SETHURAMAN
No. W217

Commissioner for Oaths
Kuala Lumpur

Report Of The Auditors

To The Members Of Chuan Huat Resources Berhad

We have audited the financial statements set out on pages 32 to 71. The preparation of these financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary, to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
 - (ii) the state of affairs of the Group and of the Company as at 31 December 2002 and of the results and cash flows of the Group and of the Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiary companies have been properly kept in accordance with the provisions of the said Act.

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

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Subsection (3) of Section 174 of the Companies Act, 1965.

ONG BOON BAH & CO
AF: 0320
Chartered Accountants

LIM KOK BENG
588/02/05(J)
Partner of the Firm

Kuala Lumpur
28 April 2003

Balance Sheets

As At 31 December 2002

		Group		Company	
	Note	2002 RM	2001 RM	2002 RM	2001 RM
PROPERTY, PLANT AND EQUIPMENT	2	52,336,212	53,153,857	1,125	1,575
INVESTMENT PROPERTIES	3	7,020,014	8,216,650	—	—
SUBSIDIARY COMPANIES	4	—	—	43,743,927	43,743,927
ASSOCIATED COMPANY	5	2,517,870	2,440,718	—	—
INVESTMENTS	6	4,006,568	3,921,079	—	—
INTANGIBLE ASSETS	7	338,893	375,791	—	—
CURRENT ASSETS					
Inventories	8	40,172,989	27,142,520	—	—
Trade receivables	9	99,972,441	127,591,980	—	—
Other receivables, deposits and prepayments	10	5,793,569	4,897,589	1,000	4,688
Tax recoverable		1,327,199	92,080	1,234	—
Amount due from subsidiary companies		—	—	15,186,900	14,048,100
Fixed deposit with a licensed bank		6,125,000	125,000	—	—
Cash and bank balances		10,237,591	8,925,508	25,106	231,849
		163,628,789	168,774,677	15,214,240	14,284,637
CURRENT LIABILITIES					
Trade payables		28,659,772	31,672,095	—	—
Other payables and accruals	11	2,787,509	6,468,731	54,984	74,721
Hire purchase liabilities	12	1,016,175	578,056	—	—
Short term borrowings	13	91,891,807	100,692,878	—	—
Tax liabilities		99,074	896,520	—	—
		124,454,337	140,308,280	54,984	74,721
NET CURRENT ASSETS		39,174,452	28,466,397	15,159,256	14,209,916
		105,394,009	96,574,492	58,904,308	57,955,418
Financed by:					
SHARE CAPITAL	14	40,917,000	40,201,000	40,917,000	40,201,000
RESERVES	15	42,152,376	43,569,867	17,987,308	17,754,418
SHAREHOLDERS' FUNDS		83,069,376	83,770,867	58,904,308	57,955,418
MINORITY INTERESTS		18,833,341	8,970,416	—	—
DEFERRED PAYABLES		—	670,846	—	—
HIRE PURCHASE LIABILITIES	12	1,447,388	630,043	—	—
TERM LOANS	16	558,334	1,449,827	—	—
DEFERRED TAXATION	17	1,485,570	1,082,493	—	—
		105,394,009	96,574,492	58,904,308	57,955,418
Net tangible assets per share (RM)		2.02	2.07		

The accompanying notes form an integral part of the financial statements.

Income Statements

For The Financial Year Ended 31 December 2002

		Group		Company	
	Note	2002 RM	2001 RM	2002 RM	2001 RM
Revenue	18	422,651,701	355,911,867	861,300	800,000
Other operating income		2,211,329	2,411,759	236,152	48,177
Changes in inventories of finished goods and work-in-progress		7,574,551	(593,691)	—	—
Purchases of finished goods		(359,300,415)	(292,460,539)	—	—
Raw materials and consumables used		(34,092,215)	(27,656,466)	—	—
Staff costs		(10,037,826)	(9,024,380)	—	—
Depreciation and amortisation expenses		(5,781,152)	(5,869,330)	(450)	(450)
Other operating expenses		(19,545,723)	(14,713,516)	(193,021)	(228,335)
Profit from operations	19	3,680,250	8,005,704	903,981	619,392
Finance costs	20	(1,778,799)	(1,896,032)	(531)	(646)
Profit before share in results of an associated company		1,901,451	6,109,672	903,450	618,746
Share in results of an associated company		117,363	129,341	—	—
Profit before taxation		2,018,814	6,239,013	903,450	618,746
Taxation	21				
- Company and subsidiary companies		(3,011,462)	(3,049,513)	(18,300)	16,870
- associated company		(40,211)	(29,633)	—	—
(Loss)/Profit after taxation		(1,032,859)	3,159,867	885,150	635,616
Minority interests		741,244	53,864	—	—
(Loss)/Profit after taxation and minority interests		(291,615)	3,213,731	885,150	635,616
Basic (loss)/earnings per share (sen)	22	(0.72)	8.03		
Fully diluted (loss)/earnings per share (sen)	22	(0.63)	6.90		

The accompanying notes form an integral part of the financial statement.

Statement Of Changes In Equity

For The Financial Year Ended 31 December 2002

GROUP	Note	Share capital RM	Reserves (Note 15) RM	Total RM
Balance as at 31 December 2000				
As previously reported		40,021,000	40,784,678	80,805,678
Prior year adjustment	23		800,420	800,420
Restated balance		40,021,000	41,585,098	81,606,098
Shares issued		180,000	41,400	221,400
Listing expenses			(1,000)	(1,000)
Net profit for the financial year			3,213,731	3,213,731
Dilution arising from change in equity interest in a subsidiary company			(4,247)	(4,247)
Amortisation of reserve on consolidation			(495,289)	(495,289)
Reserve on consolidation arising from acquisition of additional equity interest in a subsidiary company			30,594	30,594
Dividend	24		(800,420)	(800,420)
Balance as at 31 December 2001		40,201,000	43,569,867	83,770,867
Balance as at 1 January 2002				
As previously reported		40,201,000	42,765,847	82,966,847
Prior year adjustment	23		804,020	804,020
Restated balance		40,201,000	43,569,867	83,770,867
Shares issued		716,000	164,680	880,680
Net loss for the financial year			(291,615)	(291,615)
Amortisation of reserve on consolidation			(496,192)	(496,192)
Deemed disposal of a subsidiary company			(22,396)	(22,396)
Reserve on consolidation arising from acquisition of additional equity interest in a subsidiary company			44,972	44,972
Dividend	24		(816,940)	(816,940)
Balance as at 31 December 2002		40,917,000	42,152,376	83,069,376

The accompanying notes form an integral part of the financial statements.

Statement Of Changes In Equity (Cont'd)

For The Financial Year Ended 31 December 2002

COMPANY	Note	Share capital RM	Reserves (Note 15) RM	Total RM
Balance as at 31 December 2000				
As previously reported		40,021,000	17,078,402	57,099,402
Prior year adjustment	23		800,420	800,420
Restated balance		40,021,000	17,878,822	57,899,822
Shares issued		180,000	41,400	221,400
Listing expenses			(1,000)	(1,000)
Net profit for the financial year			635,616	635,616
Dividend	24		(800,420)	(800,420)
Balance as at 31 December 2001		40,201,000	17,754,418	57,955,418
Balance as at 1 January 2002				
As previously reported		40,201,000	16,950,398	57,151,398
Prior year adjustment	23		804,020	804,020
Restated balance		40,201,000	17,754,418	57,955,418
Shares issued		716,000	164,680	880,680
Net profit for the financial year			885,150	885,150
Dividend	24		(816,940)	(816,940)
Balance as at 31 December 2002		40,917,000	17,987,308	58,904,308

The accompanying notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

For The Financial Year Ended 31 December 2002

	Note	2002 RM	2001 RM
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		2,018,814	6,239,013
Adjustment for non-cash items, interests and dividend	25(a)	12,400,357	10,850,279
Operating profit before working capital changes		14,419,171	17,089,292
Increase in inventories		(13,030,469)	(195,707)
Decrease/(Increase) in trade and other receivables		23,177,459	(39,717,429)
(Decrease)/Increase in trade and other payables		(7,364,391)	9,392,139
Cash generated from/ (used in) operations		17,201,770	(13,431,705)
Tax paid		(4,632,453)	(1,967,565)
Interest paid		(1,615,432)	(1,728,972)
Interest received		634,119	23,798
Net cash inflow/(outflow) from operating activities		11,588,004	(17,104,444)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	25(b)	(3,805,421)	(1,482,525)
Purchase of investment properties	25(c)	(17,764)	(25,104)
Purchase of investments		(85,489)	(18,000)
Proceeds from disposal of property, plant and equipment		599,008	125,742
Purchase of subsidiary companies	26	–	93,753
Pre-operating expenses incurred		(5,630)	–
Purchase of additional shares in subsidiary companies		(42,500)	(341,250)
Dividend income from an associated company		–	33,145
Proceeds from disposal of investments		–	224,835
Proceeds from disposal of investment properties		1,099,151	2,049,811
Net cash (outflow)/inflow from investing activities		(2,258,645)	660,407
CASH FLOWS FROM FINANCING ACTIVITIES			
Net repayments of term loans		(891,919)	(2,175,489)
Net repayments of hire purchase liabilities		(418,752)	(527,919)
Net (repayments of)/proceeds from short term borrowings		(9,148,188)	20,809,163
Proceeds from issuance of shares to minority shareholders		8,073,500	2,049,000
Proceeds from issuance of shares		880,680	221,400
Dividend paid to minority shareholders		(43,200)	(235,274)
Dividend paid		(816,940)	(800,420)
Payment of listing expenses		–	(1,000)
Net cash (outflow)/inflow from financing activities		(2,364,819)	19,339,461
Net increase in cash and cash equivalents		6,964,540	2,895,424
Cash and cash equivalents at beginning of the financial year		7,674,301	4,778,877
Cash and cash equivalents at end of the financial year	25(d)	14,638,841	7,674,301

The accompanying notes form an integral part of the financial statements.

Cash Flow Statement

For The Financial Year Ended 31 December 2002

	Note	2002 RM	2001 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		903,450	618,746
Adjustment for non-cash items, interests and dividend	25(a)	(860,850)	(799,550)
Operating profit/(loss) before working capital changes		42,600	(180,804)
Increase in other receivables		–	(1,000)
(Decrease)/Increase in other payables		(19,737)	45,891
Cash generated from/(used in) operations		22,863	(135,913)
Tax paid		(15,846)	(5,250)
Net cash inflow/(outflow) from operating activities		7,017	(141,163)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase)/Decrease in amount due from subsidiary companies		(1,138,800)	30,420
Dividend received		861,300	800,000
Net cash (outflow)/inflow from investing activities		(277,500)	830,420
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		880,680	221,400
Payment of listing expenses		–	(1,000)
Dividend paid		(816,940)	(800,420)
Net cash inflow/(outflow) from financing activities		63,740	(580,020)
Net (decrease)/increase in cash and cash equivalents		(206,743)	109,237
Cash and cash equivalents at beginning of the financial year		231,849	122,612
Cash and cash equivalents at end of the financial year	25(d)	25,106	231,849

The accompanying notes form an integral part of the financial statements.

Notes To The Financial Statements

31 December 2002

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies.

The financial statements comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to the end of the financial year. Subsidiary companies are companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. The results of subsidiary companies acquired during the financial year are included in the consolidated income statement from the date of acquisition. Subsidiary companies are consolidated using the acquisition method of accounting. All inter-company balances and transactions and unrealised surpluses and deficits on transactions between group companies have been eliminated on consolidation. Where necessary, accounting policies for subsidiary companies have been changed to ensure consistency with the policies adopted by the Group. Separate disclosure is made of minority interests.

Goodwill and reserve on consolidation represents the difference between the purchase price and the fair value of the net assets of subsidiary and associated companies at the date of acquisition. Goodwill and reserve on consolidation are amortised over a period of twenty five years. Goodwill is written down immediately through the income statements if there is a permanent diminution in value.

(c) Investment Properties

Investment properties are investments in land and buildings held for long term purposes and are not occupied substantially for use by, or in the operations of the Group. Investment properties are stated at cost less impairment losses and are not depreciated.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

(d) Associated Company

A company, other than a subsidiary company, in which the Group has a long term equity investment of between 20% and 50% and where the Group has representation on the board and is in a position to exercise significant influence is accounted for as an associated company.

The Group's investment in associated company is accounted for under the equity method of accounting based on the audited financial statements of the associated company made up to the Group's financial year end. The equity method of accounting involves recognising in the income statement the Group's share in the results of associated company for the period. The Group's investment in associated company is carried in the balance sheet at an amount that reflects its share of the net assets of the associated company less impairment losses.

(e) Investments

Investment in subsidiary and associated companies in the Company's financial statements and other investments are stated at cost and allowance is made where, in the opinion of the Directors, there is a permanent diminution in value.

Notes To The Financial Statements (Cont'd)

31 December 2002

(f) Property, Plant and Equipment

Land and buildings and other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Freehold land and capital work-in-progress are not depreciated. Leasehold land is amortised over the period of the leases ranging from 21 to 99 years.

Property, plant and equipment are written down to recoverable amount if the recoverable amount is less than their carrying value. Recoverable amount is the higher of an asset's net selling price and its value in use.

Gains or losses arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation of the other property, plant and equipment is provided on the straight line basis to write off the cost of each asset over its estimated useful life. The principal annual depreciation rates used are:-

Buildings	2%
Plant, machinery and cabin	10% - 15%
Motor vehicles	10% - 20%
Renovation	10% - 20%
Furniture and equipment	10%

(g) Impairment of Assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the assets recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use. An impairment loss is charged to the income statement.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement.

(h) Licence Fees

Licence fees is stated at cost net of amortisation and impairment losses. Licence fees is amortised using the straight line method over a period not exceeding 10 years upon commencement of operations or commercial production.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined principally on the first-in first-out basis. The cost of raw materials comprise the original purchase price plus cost incurred in bringing the inventories to their present locations and conditions. The cost of finished goods and work-in-progress comprise the cost of raw materials, direct labour, direct charge and a proportion of production overheads. Inventories of completed properties is stated at the lower of cost and net realisable value and is determined using the specific identification method.

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated cost to completion.

(j) Hire Purchase

Property, plant and equipment acquired under hire purchase are capitalised and depreciated in accordance with the depreciation policy set out in Note 1(f) above. The corresponding outstanding obligations due under hire purchase after deducting finance charges are included as liabilities in the financial statements. Finance charges are allocated to the income statements over the periods of the respective agreements.

Notes To The Financial Statements (Cont'd)

31 December 2002

(k) Receivables

Known bad debts are written off and specific allowance is made for any debts considered to be doubtful of collection.

(l) Deferred Taxation

Provision is made, on the liability method, for taxation deferred by capital allowances and other timing differences, except where the tax effects of such timing differences are expected to be deferred indefinitely.

Deferred tax benefit is only recognised when there is a reasonable expectation of realisation.

(m) Revenue Recognition

Revenue from sale of goods is recognised when the goods are delivered.

Rental income is recognised on an accrual basis in accordance with the substance of the rental agreement.

Dividend income is recognised when the shareholders' right to receive payment is established.

(n) Foreign Currencies

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange ruling at the transaction dates or at contracted rate where applicable. Monetary assets and liabilities in foreign currencies at the financial year end are translated into Ringgit Malaysia at the rates of exchange ruling at the date. All exchange differences are included in the income statement.

The principal closing rates used in translation of foreign currency amounts are as follows:-

Foreign Currency	31.12.2002 RM	31.12.2001 RM
1 USD	3.800	3.800
1 SGD	2.188	2.073
1 AUD	2.145	1.942

(o) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand, bank overdrafts, demand deposits and other short-term and highly liquid investments which are readily convertible to cash with insignificant risk of changes in value.

(p) Financial Instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expenses or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes To The Financial Statements (Cont'd)

31 December 2002

2. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and buildings RM	Plant, machinery cabin, renovation and motor vehicles RM	Furniture and fittings, and office equipment RM	Capital work-in- progress RM	Total RM
COST					
At 1 January 2002	36,156,186	46,751,494	3,380,265	959,528	87,247,473
Additions	672,674	4,175,936	349,068	488,995	5,686,673
Disposals	—	(1,587,576)	(54,648)	—	(1,642,224)
Written off	—	(3,446,622)	(11,513)	—	(3,458,135)
Transfers	336,746	—	—	(336,746)	—
At 31 December 2002	37,165,606	45,893,232	3,663,172	1,111,777	87,833,787
ACCUMULATED DEPRECIATION					
At 1 January 2002	3,507,321	28,884,548	1,701,747	—	34,093,616
Charge for the financial year	742,549	5,182,278	321,168	—	6,245,995
Disposals	—	(1,380,945)	(7,322)	—	(1,388,267)
Written off	—	(3,445,702)	(8,067)	—	(3,453,769)
At 31 December 2002	4,249,870	29,240,179	2,007,526	—	35,497,575
NET BOOK VALUE					
At 31 December 2002	32,915,736	16,653,053	1,655,646	1,111,777	52,336,212
At 31 December 2001	32,648,865	17,866,946	1,678,518	959,528	53,153,857
Depreciation charge for the financial year ended 31 December 2001	730,081	5,273,185	333,842	—	6,337,108
(a) Included in net book value above are assets acquired under hire purchase:-					
NET BOOK VALUE					
At 31 December 2002	—	3,903,308	—	—	3,903,308
At 31 December 2001	—	1,824,048	—	—	1,824,048

Notes To The Financial Statements (Cont'd)

31 December 2002

(b) Analysis of land and buildings as follows:-

GROUP	Freehold land and buildings RM	Long leasehold land and buildings RM	Short leasehold land and buildings RM	Buildings RM	Total RM
COST					
At 1 January 2002	7,142,600	20,305,660	7,380,890	1,327,036	35,156,186
Additions	—	672,674	—	—	672,674
Transfers	—	—	—	336,746	336,746
At 31 December 2002	7,142,600	20,978,334	7,380,890	1,663,782	37,165,606
ACCUMULATED DEPRECIATION					
At 1 January 2002	73,549	1,379,635	1,904,657	149,480	3,507,321
Charge for the financial year	14,742	308,119	386,973	32,715	742,549
At 31 December 2002	88,291	1,687,754	2,291,630	182,195	4,249,870
NET BOOK VALUE					
At 31 December 2002	7,054,309	19,290,580	5,089,260	1,481,587	32,915,736
At 31 December 2001	7,069,051	18,926,025	5,476,233	1,177,556	32,648,865
Depreciation charge for the financial year ended 31 December 2001	14,743	301,825	386,972	26,541	730,081

- (c) Certain landed properties with carrying values totalling RM8,985,523 (2001: RM19,682,881) have been pledged as securities for term loans of certain subsidiary companies.
- (d) The issuance of title deeds of certain pieces of freehold and leasehold land of the subsidiary companies are pending from the relevant authority as at 31 December 2002.
- (e) The addition to capital work-in-progress of the Group includes term loan interest capitalised amounting to RM7,897.

Notes To The Financial Statements (Cont'd)

31 December 2002

COMPANY	Office equipment RM
COST	
At 1 January and 31 December 2002	4,500
ACCUMULATED DEPRECIATION	
At 1 January 2002	2,925
Charge for the financial year	450
At 31 December 2002	3,375
NET BOOK VALUE	
At 31 December 2002	1,125
At 31 December 2001	1,575

3. INVESTMENT PROPERTIES

	2002 RM	Group 2001 RM
At cost:-		
Freehold land and buildings	5,495,642	6,112,822
Leasehold land and buildings	1,524,372	2,103,828
	7,020,014	8,216,650

The issuance of title deeds of certain investment properties of subsidiary companies are pending from relevant authorities as at 31 December 2002.

4. SUBSIDIARY COMPANIES

	2002 RM	Company 2001 RM
Unquoted shares at cost	43,743,927	43,743,927

Notes To The Financial Statements (Cont'd)

31 December 2002

The subsidiary companies are as follows:-

Name of Company	Country of incorporation	Holding in equity		Principal activities
		2002 %	2001 %	
Chuan Huat Hardware Holdings Sdn Bhd	Malaysia	100	100	Investment holding
Chuan Huat Hardware (Sdn) Berhad	Malaysia	100	100	Hardware merchant
Disccomp Berhad	Malaysia	# 63.9	# 95.3	Manufacturing and marketing of computer diskettes
CH Steel Wire Products Sdn Bhd	Malaysia	# 65.2	# 65.2	Processing and trading of steel wire products
SC Multimedia Technology Sdn Bhd	Malaysia	# 100	# 100	Computer merchants and retailers
CH Reinforcing Steel (M) Sdn Bhd	Malaysia	# 100	# 100	Dormant
Optical Disc Technology Sdn Bhd	Malaysia	# 55	# 55	Manufacturing of CD-ROMS, video CDs and Audio CDs
ODT Marketing Sdn Bhd	Malaysia	# 100	# 100	Retailing and supplying of compact discs
SC Multimedia Product Sdn Bhd	Malaysia	# 100	# 100	Manufacturing and trading in magnetic media products
Chuan Huat Metal Sdn Bhd	Malaysia	# 80	# 80	Trading in building materials
Interactive Office Supplies Sdn Bhd	Malaysia	# 100	# 100	Multimedia publication services and retailing in computer and related accessories
Vibrant Innovations Sdn Bhd	Malaysia	# 67	# 67	Dormant
CH Steel Recycle Centre Sdn Bhd (formerly known as Triumph Consolidated Sdn Bhd)	Malaysia	# 100	# 100	Steel service centre
Chuan Huat Industrial Marketing Sdn Bhd	Malaysia	# 100	# 100	Hardware dealers and marketing
CHRB Selatan Sdn Bhd	Malaysia	# 80	# 80	Hardware dealers and marketing
CHRB Utara Sdn Bhd	Malaysia	# 100	# 97	Dealing in building materials
Richter Precision (Asia) Sdn Bhd	Malaysia	# 100	# 100	Refurbishing of compact disc mould and mirror

Notes To The Financial Statements (Cont'd)

31 December 2002

Name of Company	Country of incorporation	Holding in equity		Principal activities
		2002 %	2001 %	
Pineapple Computer Systems Sdn Bhd	Malaysia	# 90	# 90	Retailing in computers and related accessories
Esy Ink Technology Sdn Bhd	Malaysia	# 100	# 100	Importing and distribution of full range of compatible ink jet cartridges, toners and related accessories
Esy Ink Remanufacturing Sdn Bhd <i>(formerly known as Pineapple Computer (PJ) Sdn Bhd)</i>	Malaysia	# 100	# 100	Dormant
Pineapple Computers & Accessories Sdn Bhd <i>(formerly known as Pineapple Computer (Low Yat Plaza) Sdn Bhd)</i>	Malaysia	# 100	# 100	Retailing in computers and related accessories
CH-Lion Reinforcing Steel Sdn Bhd	Malaysia	# 80	# 80	Cutting and bending of steel bars
CHRB Corporation Sdn Bhd	Malaysia	# 100	# 100	Investment holding
CHRB Properties Sdn Bhd	Malaysia	# 100	# 100	Trading in properties
CHRB Timuran Sdn Bhd	Malaysia	# 100	# 100	Hardware dealers and marketing
SC Multimedia (EM) Sdn Bhd	Malaysia	# 51	# 51	Retailing in computers and related accessories
Pine System Technology Sdn Bhd	Malaysia	# 51	# 51	Retailing in computers and related accessories

The subsidiary companies acquired during the financial year are as follows:-

Name of Company	Country of incorporation	Holding in equity	Principal activities
CHRB Shoji Sdn Bhd	Malaysia	# 51	Trading in building materials
Esytech Export Sdn Bhd	Malaysia	# 51	Export and distribution of range of compatible ink jet cartridges, toners and related accessories

Holding in equity by subsidiary companies.

During the financial year, the Group's equity interest in Disccomp Berhad had been reduced from 95.3% to 63.9% subsequent to the listing of the said company.

Notes To The Financial Statements (Cont'd)

31 December 2002

5. ASSOCIATED COMPANY

	2002 RM	Group 2001 RM
Unquoted shares at cost	2,250,000	2,250,000
Share of post-acquisition profits	267,870	190,718
	2,517,870	2,440,718

The Group's interest in the associated company is analysed as follows:-

	2002 RM	Group 2001 RM
Share of net assets	2,505,664	2,428,512
Premium on acquisition	12,206	12,206
	2,517,870	2,440,718

The associated company is as follow:-

Name of Company	Country of incorporation	Holding in equity		Accounting year end	Principal activities
		2002 %	2001 %		
Vintage Consolidated Sdn Bhd	Malaysia	# 25	# 25	31 December	Trading, retailing and supplying of all kinds of steel products

Holding in equity by a subsidiary company.

6. INVESTMENTS

	2002 RM	Group 2001 RM
Quoted shares in Malaysia at cost	71,100	71,100
Unquoted shares at cost	3,849,979	3,849,979
	3,921,079	3,921,079
Club membership at cost	85,489	—
	4,006,568	3,921,079
Market value of quoted shares	13,950	19,325

Notes To The Financial Statements (Cont'd)

31 December 2002

7. INTANGIBLE ASSETS

	2002 RM	Group 2001 RM
Preliminary expenses	2,300	6,300
Pre-operating expenses	3,330	3,536
	5,630	9,836
Amount written off	(5,630)	(9,836)
	–	–
Licence fee	136,600	136,600
Accumulated amortisation	(68,280)	(54,624)
	68,320	81,976
Goodwill on consolidation	355,377	355,377
Deemed disposal of a subsidiary company	(38,155)	–
	317,222	355,377
Accumulated amortisation	(79,255)	(61,562)
Deemed disposal of a subsidiary company	32,606	–
	270,573	293,815
Total	338,893	375,791

8. INVENTORIES

	2002 RM	Group 2001 RM
At cost:-		
Raw materials	3,813,489	1,199,450
Finished goods	31,794,965	22,163,532
Work-in-progress	271,772	301,374
Completed properties	4,141,879	1,300,000
	40,022,105	24,964,356
At net realisable value:-		
Finished goods	150,884	2,178,164
	40,172,989	27,142,520

The carrying amount of finished goods carried at net realisable value at end of the financial year is RM153,964 (2001: RM2,222,615).

As at 31 December 2002, the strata titles of the completed properties have not been registered in the name of the subsidiary company.

Notes To The Financial Statements (Cont'd)

31 December 2002

9. TRADE RECEIVABLES

	2002 RM	Group 2001 RM
Trade receivables	111,303,158	135,701,259
Allowance for doubtful debts	(11,330,717)	(8,109,279)
	99,972,441	127,591,980

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Other receivables	4,269,874	2,981,336	—	—
Allowance for doubtful debts	(62,718)	(18,971)	—	—
	4,207,156	2,962,365	—	—
Deposits	949,082	1,400,088	1,000	1,000
Prepayments	637,331	535,136	—	3,688
	5,793,569	4,897,589	1,000	4,688

11. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Other payables	1,531,655	5,273,694	23,984	20,221
Accruals	1,255,854	1,195,037	31,000	54,500
	2,787,509	6,468,731	54,984	74,721

Included in other payables of the Group is an amount of RM76,500 (2001: RM273,401), being earnest deposit received for disposal of investment properties of which the sale and purchase agreements are still pending as at the end of the financial year.

Notes To The Financial Statements (Cont'd)

31 December 2002

12. HIRE PURCHASE LIABILITIES

	2002 RM	Group 2001 RM
Hire purchase liabilities		
- payable within one year	1,190,009	678,085
- payable between one and five years	1,682,750	731,819
	2,872,759	1,409,904
Interest-in-suspense	(409,196)	(201,805)
	2,463,563	1,208,099
Portion due within one year	(1,016,175)	(578,056)
Non-current portion	1,447,388	630,043
The net hire purchase liabilities are repayable as follows:-		
Within one year	1,016,175	578,056
Between one and five years	1,447,388	630,043
	2,463,563	1,208,099

The hire purchase liabilities carry interest rates ranging from 4.1% to 6% (2001: 4.3% to 6%) per annum.

13. SHORT TERM BORROWINGS

	2002 RM	Group 2001 RM
Unsecured:-		
Bank overdrafts	1,723,750	1,376,207
Bills payable	89,206,975	97,072,000
Trust receipts	—	1,283,163
Secured:-		
Term loans		
- portion repayable within one year (Note 16)	961,082	961,508
	91,891,807	100,692,878

The short term borrowings carry interest rates ranging from 0.75% to 2.5% (2001: 0.75% to 2.5%) per annum above the respective bank's base lending rate.

Notes To The Financial Statements (Cont'd)

31 December 2002

14. SHARE CAPITAL

	Group and Company 2002 RM	2001 RM
Authorised:- 100,000,000 Ordinary shares of RM1.00 each	100,000,000	100,000,000
Issued and fully paid:- Ordinary shares of RM1.00 each		
At 1 January	40,201,000	40,021,000
Issued during the financial year	716,000	180,000
At 31 December	40,917,000	40,201,000

As at 31 December 2002, there were 13,089,283 warrants with a right to subscribe for ordinary shares of the Company, on the basis of one new ordinary share for every one warrant held, at the subscription price of RM1.00 per ordinary share, not exercised. These warrant holders may exercise their right at any time not later than 5.00 p.m. on 13 August 2004.

During the financial year, the issued and paid up share capital of the Company was increased from RM40,201,000 to RM40,917,000 by the issue of 716,000 ordinary shares pursuant to the Employees' Share Option Scheme ("ESOS") at option price of RM1.23 per share.

The ESOS for the eligible Directors and employees of the Group became effective on 19 July 2001 and will expire on 18 July 2006.

The main features of the ESOS are as follows:-

- (I) The total number of shares which may be made available shall not exceed ten percent (10%) of the issued and paid up share capital of the Company at any point of time during the exercise of the Scheme.
- (II) Eligible persons are confirmed Malaysian employees including full-time executive directors of the Group who have been employed for at least 12 full months of continuous service, including service during the probation period and whose employment has been confirmed in writing prior to the date of offer, and for at least 2 years of continuous service and current employment contract should be not less than 1 year before the date of offer for Non-Malaysian employees.
- (III) The actual entitlement of eligible employees shall essentially be based on the length of service and seniority of job position and shall not less than 1,000 shares nor more than their maximum allowable allotment and shall always be in multiples of 1,000 shares.
- (IV) The option price subscribe for shares under the ESOS shall be the higher of:-
 - the weighted average market price of the Shares for the five (5) market days immediately preceding the Date of Offer, subject to a discount of not more than ten percent (10%) which the Company may at its discretion decide to give; or
 - the par value of the Shares.

The movements of number of options granted and exercised pursuant to the ESOS during the financial year are as follows:-

Granted on	Subscription price per share	Balance as at 1.1.2002	Granted	Exercised	Lapsed	No. of shares unissued as at 31.12.2002
19.7.2001	RM1.23	3,001,000	—	716,000	346,000	1,939,000

Notes To The Financial Statements (Cont'd)

31 December 2002

15. RESERVES

	Non-distributable			Distributable		2002 Total RM	2001 Total RM
	Share premium RM	Reserve on consolidation RM	Capital reserves RM	Retained profits RM			
GROUP							
Balance as at 1 January As previously reported	16,763,112	9,909,131	13,154,920	2,938,684	42,765,847	40,784,678	
Prior year adjustment (Note 23)	—	—	—	804,020	804,020	800,420	
Restated balance	16,763,112	9,909,131	13,154,920	3,742,704	43,569,867	41,585,098	
Listing expenses	—	—	—	—	—	(1,000)	
Shares issued	164,680	—	—	—	164,680	41,400	
Reserve on consolidation arising from acquisition of additional equity interest in a subsidiary company	—	44,972	—	—	44,972	30,594	
Amortisation of reserve on consolidation	—	(496,192)	—	—	(496,192)	(495,289)	
Deemed disposal of a subsidiary company	—	(22,396)	—	—	(22,396)	(4,247)	
Net loss for the financial year	—	—	—	(291,615)	(291,615)	3,213,731	
Dividend (Note 24)	—	—	—	(816,940)	(816,940)	(800,420)	
Balance as at 31 December	16,927,792	9,435,515	13,154,920	2,634,149	42,152,376	43,569,867	

Notes To The Financial Statements (Cont'd)

31 December 2002

	Non-distributable	Distributable		
	Share premium RM	Retained profits RM	2002 Total RM	2001 Total RM
COMPANY				
Balance as at 1 January				
As previously reported	16,763,112	187,286	16,950,398	17,078,402
Prior year adjustment (Note 23)	—	804,020	804,020	800,420
Restated balance	16,763,112	991,306	17,754,418	17,878,822
Listing expenses	—	—	—	(1,000)
Shares issued	164,680	—	164,680	41,400
Net profit for the financial year	—	885,150	885,150	635,616
Dividend (Note 24)	—	(816,940)	(816,940)	(800,420)
Balance as at 31 December	16,927,792	1,059,516	17,987,308	17,754,418

Details of capital reserves as at 31 December are as follows:-

	2002 RM	Group 2001 RM
Capital redemption reserves	82,500	82,500
Accretion arising from change in equity interest in subsidiary companies	72,420	72,420
Capitalised for bonus issue by subsidiary companies	13,000,000	13,000,000
	13,154,920	13,154,920

16. TERM LOANS

	2002 RM	Group 2001 RM
Secured:-		
Term loans	1,519,416	2,411,335
Portion repayable within one year (Note 13)	(961,082)	(961,508)
	558,334	1,449,827

Notes To The Financial Statements (Cont'd)

31 December 2002

The term loans are repayable over the following periods:-

	2002 RM	Group 2001 RM
Within one year	961,082	961,508
From two to five years	558,334	1,449,827
	1,519,416	2,411,335

The term loans are secured by way of charges over the landed properties of certain subsidiary companies. The term loans carry interest rates ranging from 1% to 2% (2001: 1% to 2%) per annum above the respective bank's base lending rate.

17. DEFERRED TAXATION

	2002 RM	Group 2001 RM
At beginning of the financial year	1,082,493	648,390
Net transfer from income statement (Note 21)	403,077	434,103
At end of the financial year	1,485,570	1,082,493
Amount of timing differences in respect of deferred tax benefits/(deferred tax liabilities) not accounted for:		
- Excess of tax capital allowance over book depreciation of property, plant and equipment	(6,496,140)	(9,124,000)
- Unabsorbed tax losses	626,100	3,247,000
- Unabsorbed capital allowances	897,400	2,722,000
	(4,972,640)	(3,155,000)
Tax effect of these timing differences	(1,392,339)	(883,400)

The unabsorbed tax losses and capital allowances are subject to agreement with the tax authorities.

18. REVENUE

	2002 RM	Group 2001 RM	2002 RM	Company 2001 RM
Sale of goods	422,294,301	355,627,765	—	—
Rental income	357,400	284,102	—	—
Dividend income from subsidiary companies	—	—	861,300	800,000
	422,651,701	355,911,867	861,300	800,000

Notes To The Financial Statements (Cont'd)

31 December 2002

19. PROFIT FROM OPERATIONS

(a) Profit from operations is arrived at:-

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
After charging:-				
Directors' remuneration				
- fees	152,000	119,000	72,000	64,000
- other emoluments	1,197,454	1,291,202	—	—
Auditors' remuneration:-				
- current year	94,400	85,050	5,000	5,000
- under accrued in prior year	1,000	1,195	—	—
Depreciation	6,245,995	6,337,108	450	450
Intangible assets written off	5,630	9,836	—	—
Amortisation of:-				
- goodwill on consolidation	17,693	13,855	—	—
- intangible assets	13,656	13,656	—	—
Rental of premises	326,751	206,653	—	—
Allowance for doubtful debts	3,628,849	3,180,422	—	—
Bad debts written off	70,157	224,202	—	—
Property, plant and equipment written off	4,366	3,175	—	—
Loss on disposal of investment properties	115,249	28,912	—	—
Loss on deemed disposal of a subsidiary company	2,644,528	—	—	—
Management fees	40,000	—	—	—
And crediting:-				
Rental income from:-				
- Directors	8,400	9,600	—	—
- others	829,050	781,802	—	—
Tax exempt dividend income from a subsidiary company	—	—	861,300	800,000
Amortisation of reserve on consolidation	496,192	495,289	—	—
Interest income from:-				
- fixed deposit	167,447	2,488	3,332	—
- others	466,672	21,310	—	—
Allowance for doubtful debts written back	363,664	—	—	—
Gain on disposal of property, plant and equipment	345,051	41,431	—	—
Management fee from:-				
- subsidiary companies	—	—	232,800	48,000
- others	14,800	—	—	—
Gross dividend income from an associated company	4,809	—	—	—

Notes To The Financial Statements (Cont'd)

31 December 2002

- (b) The aggregate amount of remuneration receivable by Directors of the Company during the financial year were as follows:-

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Executive Directors				
Fees				
Dato' Lim Khoon Heng	8,000	8,000	—	—
Lim Loong Heng	8,000	8,000	—	—
Lim Khoon Hock	8,000	8,000	—	—
Lim Kim Chuan	—	15,000	—	—
Hew Kwee Won	—	8,000	—	—
	24,000	47,000	—	—
Salary and bonus				
Dato' Lim Khoon Heng	364,454	340,438	—	—
Lim Loong Heng	287,592	268,096	—	—
Lim Khoon Hock	238,594	222,346	—	—
Wong Kon Fatt	306,814	259,050	—	—
Lim Kim Chuan	—	110,286	—	—
Hew Kwee Won	—	90,986	—	—
	1,197,454	1,291,202	—	—
Non-executive Directors				
Fees				
Dali Kumar @ Dali Bin Sardar	24,000	24,000	24,000	24,000
Leow Bock Lim	48,000	10,000	24,000	10,000
Tai Keat Chai	48,000	10,000	24,000	10,000
Low Beng Choo	—	10,000	—	10,000
Tengku Yunus Kamaruddin	—	10,000	—	10,000
Dato' Haji Wan Zaki Bin Haji Wan Muda	8,000	8,000	—	—
	128,000	72,000	72,000	64,000
Total Directors' remuneration	1,349,454	1,410,202	72,000	64,000

Notes To The Financial Statements (Cont'd)

31 December 2002

20. FINANCE COSTS

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Interest expenses on:-				
- bills payable	1,252,444	1,087,970	—	—
- bank overdrafts	79,877	98,469	—	—
- term loans	146,285	285,610	—	—
- hire purchase	124,858	78,326	—	—
- loan from a Director	6,361	52,134	—	—
- loan from a company in which certain Directors have interest	—	126,463	—	—
- others	5,607	—	—	—
Bank charges	163,367	167,060	531	646
	1,778,799	1,896,032	531	646

21. TAXATION

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Current year	2,846,410	4,468,049	18,300	—
Under/(Over) accrued in prior years	75,575	8,390	—	(16,870)
Recovery of tax deducted at source on dividend received and receivable from a subsidiary company and an associated company	(313,600)	(1,861,029)	—	—
Share in taxation of associated company	40,211	29,633	—	—
Deferred taxation	403,077	434,103	—	—
	3,051,673	3,079,146	18,300	(16,870)

The effective tax rate of the Group is higher than the statutory tax rate mainly due to certain expenses which are not allowable for tax purposes.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividend out of its retained profit as at 31 December 2002.

The amount is subject to agreement with the tax authorities.

Notes To The Financial Statements (Cont'd)

31 December 2002

22. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.

	2002 RM	Group 2001 RM
Net (loss)/profit attributable to shareholders (RM)	(291,615)	3,213,731
Weighted average number of ordinary shares	40,727,417	40,036,917
Basic (loss)/earnings per share (sen)	(0.72)	8.03

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares which are the warrants granted to warrant holders and ESOS granted to eligible Directors and employees of the Group.

	2002 RM	Group 2001 RM
Net (loss)/profit attributable to shareholders (RM)	(291,615)	3,213,731
Weighted average number of ordinary shares:-		
- in issue during the financial year	40,727,417	40,036,917
- adjustments for assumed conversion of:-		
warrants	4,857,030	5,652,190
ESOS	439,019	903,710
	46,023,466	46,592,817
Diluted (loss)/earnings per share (sen)	(0.63)	6.90

The fully diluted earnings per share is calculated by dividing the Group's loss after tax and minority interests of RM291,615 (2001: RM3,213,731 - profit) by the weighted average number of ordinary shares of 46,023,466 (2001: 46,592,817) that include warrants and ESOS that would have been exercised at that date.

23. PRIOR YEAR ADJUSTMENT

In previous years, dividends were accrued as a liability when proposed by Directors. During the financial year, the Group changed its accounting policy on the recognition of liabilities in respect of proposed dividend in compliance with MASB 19, "Events After the Balance Sheet Date", whereby dividend is recognised in shareholders' equity when the obligation to pay is established. Accordingly, the final dividend is included as a liability in the financial statements after the approval of the shareholders at the Annual General Meeting. This change in accounting policy has been accounted for retrospectively.

Notes To The Financial Statements (Cont'd)

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The effects of the new accounting policy on the financial statements are as follows:-

	As previously reported RM	Effect of change in accounting policy RM	As restated RM
Group			
At 1 January 2001			
Accumulated profit	12,533,220	800,420	13,333,640
At 1 January 2002			
Accumulated profit	2,938,684	804,020	3,742,704
Proposed dividend	804,020	(804,020)	—
Company			
At 1 January 2001			
Retained profit	355,690	800,420	1,156,110
At 1 January 2002			
Accumulated profit	187,286	804,020	991,306
Proposed dividend	804,020	(804,020)	—

24. DIVIDEND

	Group and Company			
	2002		2001	
	Gross dividend per share (sen)	Amount of dividend, net of tax RM	Gross dividend per share (sen)	Amount of dividend, net of tax RM
First and final dividend paid	2	816,940	2	800,420

The first and final dividend paid by the Company in respect of the previous financial year and are dealt with in the previous Directors' report amounted to RM816,940. This is an increase of RM12,920 over the amount proposed in the previous financial year due to shares issued pursuant to the Employees' Share Option Scheme.

Upon adoption of MASB 19, "Events After The Balance Sheet Date", the Group and the Company recognise dividend in the financial year when the obligation to make future payment is established. This represents a change in accounting policy from that of prior years are explained in Note 23.

The Company proposed a first and final tax exempt dividend of 1.5 sen per share amounting to RM613,755 in respect of the current financial year. The dividend which is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

Notes To The Financial Statements (Cont'd)

31 December 2002

25. CASH FLOW STATEMENTS

a) Adjustment for Non-Cash Items, Interests and Dividend

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Amortisation of goodwill				
on consolidation	17,693	13,855	—	—
Amortisation of intangible assets	13,656	13,656	—	—
Amortisation of reserve				
on consolidation	(496,192)	(495,289)	—	—
Bad debts written off	70,157	224,202	—	—
Intangible assets written off	5,630	9,836	—	—
Depreciation	6,245,995	6,337,108	450	450
Dividend income	(4,809)	—	(861,300)	(800,000)
Gain on disposal of property, plant and equipment	(345,051)	(41,431)	—	—
Loss on disposal of investment properties	115,249	28,912	—	—
Loss on deemed disposal of a subsidiary company	2,644,528	—	—	—
Interest income	(634,119)	(23,798)	—	—
Interest expenses	1,615,432	1,728,972	—	—
Share in results of an associated company	(117,363)	(129,341)	—	—
Allowance for doubtful debts	3,628,849	3,180,422	—	—
Property, plant and equipment written off	4,366	3,175	—	—
Allowance for doubtful debts written back	(363,664)	—	—	—
	12,400,357	10,850,279	(860,850)	(799,550)

b) Purchase of Property, Plant and Equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM5,686,673 (2001: RM2,526,068) of which RM1,674,216 (2001: RM896,743) was acquired by means of hire purchase and RM207,036 (2001: 146,800) was acquired by means of contra against trade receivables balances. Cash payments of RM3,805,421 (2001: RM1,482,525) were made to purchase property, plant and equipment.

c) Purchase of Investment Properties

During the financial year, the Group acquired investment properties with an aggregate cost of RM17,764 (2001: RM1,750,742) of which RM Nil (2001: RM1,725,638) was acquired by means of contra against trade receivables balances. Cash payments of RM17,764 (2001: RM25,104) was made to purchase investment properties.

Notes To The Financial Statements (Cont'd)

31 December 2002

d) Cash and Cash Equivalents at End of the Financial Year

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Fixed deposit with a licensed bank	6,125,000	125,000	—	—
Cash and bank balances	10,237,591	8,925,508	25,106	231,849
Bank overdrafts	(1,723,750)	(1,376,207)	—	—
	14,638,841	7,674,301	25,106	231,849

26. SUMMARY OF EFFECTS ON ACQUISITION OF SUBSIDIARY COMPANIES

a) Net Assets Acquired

	Group	
	2002 RM	2001 RM
Property, plant and equipment	—	75,602
Investment	—	5,000
Inventories	—	100,091
Trade and other receivables	—	242,484
Intangible assets	—	2,300
Cash and bank balances	4	246,759
Trade and other payables	—	(399,736)
Hire purchase liabilities	—	(30,868)
Tax liabilities	—	(13,030)
Minority interests	—	(106,830)
Net assets acquired	4	121,772
Goodwill	—	31,234
Purchase consideration	4	153,006
Cash and bank balances acquired	(4)	(246,759)
Cash flows on acquisition net of cash and bank balances acquired	—	(93,753)

Notes To The Financial Statements (Cont'd)

31 December 2002

- b) The effect of the acquisition of subsidiary companies on the financial results of the Group during the financial year are as follows:-

	2002 RM	2001 RM
Revenue	1,046,613	13,029,684
Other operating income	282	56,024
Changes in inventories of finished goods and work-in-progress	—	118,335
Purchases of finished goods	(940,481)	(12,238,321)
Staff costs	(6,140)	(289,523)
Depreciation and amortisation expenses	—	(39,636)
Other operating expenses	(133,553)	(383,154)
(Loss)/Profit from operations	(33,279)	253,409
Finance costs	(54)	(31,465)
(Loss)/Profit before taxation	(33,333)	221,944
Taxation	(6,000)	(84,540)
(Loss)/Profit after taxation	(39,333)	137,404
Minority interests	16,948	—
(Loss)/Profit after taxation and minority interest	(22,385)	137,404

- c) The effect of the acquisition of subsidiary companies on the financial position of the Group at the financial year end are as follows:-

	2002 RM	2001 RM
Property, plant and equipment	—	316,717
Investment	—	5,000
Inventories	—	1,485,442
Trade and other receivables	330,277	3,258,706
Cash and bank balances	93,317	920,514
Trade and other payables	(308,259)	(3,709,142)
Tax liabilities	(4,668)	(58,892)
Hire purchase liabilities	—	(77,872)
Deferred taxation	—	(5,000)
Minority interests	(65,767)	—
Increase in Group's net assets	44,900	2,135,473

Notes To The Financial Statements (Cont'd)

31 December 2002

27. RELATED PARTY TRANSACTIONS

Related parties and relationship

The related parties of the Group and of the Company comprise the following:-

- related companies being subsidiary companies of Chuan Huat Resources Berhad.
- other related parties being an associated company of the Chuan Huat Resources Berhad Group of companies and companies in which Directors of the Company and Directors of subsidiary companies have an interest.

The significant related party transactions are as follows:-

a) Sale of goods

	2002 RM	Group 2001 RM
Other related parties		
- Ahmad Zaki Sdn Bhd	8,100,807	16,304,459
- AZSB Industrial Marketing Sdn Bhd	—	—
- Basic Electronic (S) Pte Ltd	1,625,302	1,717,112
- Basic Electronic (M) Sdn Bhd	—	978,550
- Pineapple Computer Sales & Service Sdn Bhd	—	118,763
	9,726,109	19,118,884

b) Purchase of goods

	2002 RM	Group 2001 RM
Other related parties		
- Basic Electronic (S) Pte Ltd	232,081	1,543,083
- Basic Electronic (M) Sdn Bhd	—	2,340
- Pineapple Computer Sales & Service Sdn Bhd	—	7,576
	232,081	1,552,999

Notes To The Financial Statements (Cont'd)

31 December 2002

c) Others

	Company	
	2002 RM	2001 RM
Dividend income received from a subsidiary company, Chuan Huat Hardware (Sdn) Berhad	861,300	800,000
Management fees received from subsidiary companies:-		
- Chuan Huat Hardware (Sdn) Berhad	116,400	24,000
- Chuan Huat Hardware Holdings Sdn Bhd	116,400	24,000

Ahmad Zaki Sdn Bhd and AZSB Industrial Marketing Sdn Bhd are companies in which, Dato' Wan Zaki bin Wan Muda, a Director of the Company, has a substantial financial interest.

Mr. Au Weng Keong, a Director of Optical Disc Technology Sdn Bhd, has a substantial financial interest in Basic Electronic (S) Pte Ltd and Basic Electronic (M) Sdn Bhd.

Pineapple Computer Sales & Service Sdn Bhd is a company in which Mr. Yeo Pek Hiang, a Director of Pineapple Computer Systems Sdn Bhd, has a substantial financial interest.

In the opinion of the Directors, the above related party transactions have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with independent third parties.

The amounts due from subsidiary companies which arose mainly from inter-company advances and payments made on behalf are unsecured, interest free and have no fixed repayment terms.

28. CAPITAL COMMITMENTS

The Group has commitments as follows:-

	Group	
	2002 RM	2001 RM
Capital expenditure approved and contracted for	663,852	684,590

29. CONTINGENT LIABILITIES

	Company	
	2002 RM	2001 RM
Unsecured:-		
Guarantees in respect of banking facilities granted to subsidiary companies	114,128,000	107,600,000
Corporate guarantees given to suppliers for supply of goods to subsidiary companies	6,600,000	5,300,000

Notes To The Financial Statements (Cont'd)

31 December 2002

30. SEGMENT ANALYSIS - GROUP

2002

BUSINESS SEGMENTS

	Trading in hardware and building materials RM	Technology related products Trading RM	Manufacturing RM	Investment holdings RM	Trading in properties RM	Eliminations RM	Consolidated RM
REVENUE							
External sales	387,144,266	19,090,714	16,059,321	315,050	42,350		422,651,701
Inter-segment sales	72,466,914	6,970,333	2,804,801	1,504,386	–	(83,746,434)	–
	459,611,180	26,061,047	18,864,122	1,819,436	42,350	(83,746,434)	422,651,701
RESULTS							
Segment results	6,750,607	2,099,030	(1,707,268)	(4,281,481)	21,876		2,882,764
Interest expenses							(1,615,432)
Interest income							634,119
Share in result of an associated company	117,363	–	–	–	–		117,363
Taxation							(3,051,673)
Net loss for the financial year							(1,032,859)
OTHER INFORMATION							
Segment assets	151,758,677	12,719,007	30,592,616	26,757,728	4,175,249		226,003,277
Investment in an associated company	2,517,870	–	–	–	–		2,517,870
Total segment assets							228,521,147
Total segment liabilities	115,298,025	2,468,280	6,893,889	1,687,391	13,400		126,360,985
Capital expenditure	3,083,708	226,208	1,530,135	870,016	–		5,710,067
Depreciation	1,833,867	210,789	3,674,719	526,620	–		6,245,995
Non-cash expenses other than depreciation	3,555,454	138,779	22,725	23,393	–		3,740,351

Notes To The Financial Statements (Cont'd)

31 December 2002

	Consolidated RM
Reconciliation:-	
(i) Segment assets:-	
Property, plant and equipment	52,336,212
Investment properties	7,020,014
Associated company	2,517,870
Investments	4,006,568
Intangible assets	338,893
Current assets	163,628,789
Less: Tax recoverable	1,327,199
	228,521,147
(ii) Segment liabilities:-	
Current liabilities	124,454,337
Hire purchase liabilities	1,447,388
Deferred taxation	1,485,570
Term loans	558,334
Less: Tax liabilities and deferred taxation	1,584,644
	126,360,985
(iii) Capital expenditure:-	
At cost	
Property, plant and equipment	5,686,673
Investment properties	17,764
Intangible assets	5,630
	5,710,067

	Trading in hardware and building materials RM	Technology related products Trading RM	Manufacturing RM	Investment holdings RM	Trading in properties RM	Eliminations RM	Consolidated RM
2001							
REVENUE							
External sales	310,029,391	27,159,838	18,438,536	284,102	–		355,911,867
Inter-segment sales	42,767,928	5,449,460	4,054,533	8,133,472	–	(60,405,393)	–
	352,797,319	32,609,298	22,493,069	8,417,574	–	(60,405,393)	355,911,867
RESULTS							
Segment results	6,250,408	2,619,057	599,993	(1,651,904)	(2,708)		7,814,846
Interest expenses							(1,728,972)
Interest income							23,798
Share in result of an associated company	129,341	–	–	–	–		129,341
Taxation							(3,079,146)
Net profit for the financial year							3,159,867

Notes To The Financial Statements (Cont'd)

31 December 2002

	Trading in hardware and building materials RM	Technology related products Trading RM	Manufacturing RM	Investment holdings RM	Trading in properties RM	Eliminations RM	Consolidated RM
2001							
OTHER INFORMATION							
Segment assets	166,922,134	10,763,059	28,880,549	26,483,240	1,300,992		234,349,974
Investment in an associated company	2,440,718	–	–	–	–		2,440,718
Total segment assets							236,790,692
Total segment liabilities	128,029,221	3,041,292	7,938,552	3,153,011	400		142,162,476
Capital expenditure	3,021,681	768,371	449,845	46,749	–		4,286,646
Depreciation	1,835,219	143,645	3,840,305	517,939	–		6,337,108
Non-cash expenses other than depreciation	3,274,722	154,431	13,693	–	2,300		3,445,146
							Consolidated RM
Reconciliation:-							
(i) Segment assets:-							
Property, plant and equipment							53,153,857
Investment properties							8,216,650
Associated company							2,440,718
Investments							3,921,079
Intangible assets							375,791
Current assets							168,774,677
Less: Tax recoverable							92,080
							236,790,692
(ii) Segment liabilities:-							
Current liabilities							140,308,280
Deferred payables							670,846
Hire purchase liabilities							630,043
Deferred taxation							1,082,493
Term loans							1,449,827
Less: Tax liabilities and deferred taxation							1,979,013
							142,162,476
(iii) Capital expenditure:-							
At cost							
Property, plant and equipment							2,526,068
Investment properties							1,750,742
Intangible assets							9,836
							4,286,646

No segment information by geographical area has been presented as the Group operates predominantly in Malaysia.

Notes To The Financial Statements (Cont'd)

31 December 2002

31. CORPORATE INFORMATION

a. The Company is a public limited liability company incorporated and domiciled in Malaysia, and listed on the Second Board of the Kuala Lumpur Stock Exchange.

b. Registered office and principal place of business

The registered office and principal place of business of the Company are both located at Wisma Lim Kim Chuan, Lot 50A, Section 92A, 3½ Miles, Off Jalan Sungei Besi, 57100 Kuala Lumpur.

c. Number of employees

	Group		Company	
	2002	2001	2002	2001
Total number of employees, including Directors, employed by the Group and the Company as at end of the financial year	453	434	8	8

32. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks. The Group operates within clearly defined guideline that are approved by the Board and the Group's policy is not to engage in speculative transactions. The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activity are set out as follows:-

a. Foreign Currency Risk

The Group is exposed to foreign currency risk as a result of its normal trading activities where the currency denomination differs from the local currency, Ringgit Malaysia (RM).

Exposures to foreign currency risks are monitored on an ongoing basis and the Group does not hedge its foreign currency risk.

b. Interest Rate Risk

The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

c. Credit Risk

The Group controls its credit risk by the application of credit approvals, limits and monitoring procedures. Credit evaluations are performed on all customers requiring credit over a certain amount and strictly limiting the Group's associations to business partners with high credit worthiness. Trade receivables are monitored on an ongoing basis.

Generally, the Group does not require collateral in respect of its financial assets. The Group is not exposed to any individual customer or counter party nor does it have any major concentration of credit risk related to any financial assets.

d. Market Risk

The Group's principal exposure to market risk arises mainly from the changes in equity prices. The Group manages disposal of its investments to optimise returns on realisation.

Notes To The Financial Statements (Cont'd)

31 December 2002

e. Liquidity and Cash Flow Risks

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group endeavours to maintain sufficient levels of cash or cash convertible investments to meet its working capital requirements.

In addition, the Group's objective is to maintain a balance of funding and flexibility through the use of credit facilities, short and long term borrowings. Short-term flexibility is achieved through credit facilities and short-term borrowings.

33. FINANCIAL INSTRUMENTS

a. Interest Rate Risk

The interest rate risk that financial instruments's values will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities are as follows:

	Less than 1 year RM	1 to 5 years RM	More than 5 years RM	Total RM	Effective interest rate during the year %
GROUP 2002					
Financial assets:-					
Deposits, cash and bank balances	16,362,591	—	—	16,362,591	2.7 - 3.2
Marketable securities	71,100	—	—	71,100	—
Investments	3,935,468	—	—	3,935,468	—
Financial liabilities:-					
Short term borrowings	90,930,725	—	—	90,930,725	3.4 - 9.0
Hire purchase liabilities	1,016,175	1,447,388	—	2,463,563	7.6 - 13.8
Term loans	961,082	558,334	—	1,519,416	7.0 - 9.0
2001					
Financial assets:-					
Deposits, cash and bank balances	9,050,508	—	—	9,050,508	2.7 - 3.2
Marketable securities	71,100	—	—	71,100	—
Investments	3,849,979	—	—	3,849,979	—
Financial liabilities:-					
Short term borrowings	99,731,370	—	—	99,731,370	3.5 - 9.0
Hire purchase liabilities	578,056	630,043	—	1,208,099	7.9 - 13.8
Term loans	961,508	1,449,827	—	2,411,335	7.0 - 9.0

Notes To The Financial Statements (Cont'd)

31 December 2002

	Less than 1 year RM	1 to 5 years RM	More than 5 years RM	Total RM	Effective interest rate during the year %
COMPANY					
2002					
Financial assets:-					
Cash and bank balances	25,106	—	—	25,106	—
2001					
Financial assets:-					
Cash and bank balances	231,849	—	—	231,849	—

b. Credit Risk

The maximum credit risk associated with recognised financial assets is the carrying amount shown in the balance sheet.

The Group and Company have no significant concentration of credit risk with any single counterparty. In respect of investment of cash and hedging transactions, the policy is to transact with financial institutions that have at least a short-term counterparty rate.

c. Fair Values

The carrying amounts and estimated fair values of financial instruments of the Group and Company as at 31 December 2002 are as follows:

	Group		Company	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
2002				
Financial assets:-				
Deposits, cash and bank balances	16,362,591	16,362,591	25,106	25,106
Marketable securities	71,100	13,950	—	—
Trade and other receivables	105,128,679	105,128,679	1,000	1,000
Amount due from subsidiary companies	—	—	15,186,900	15,186,900
Other investments	3,935,468	*	—	—
Financial liabilities:-				
Trade and other payables	33,910,844	33,910,844	54,984	54,984
Borrowings	92,450,141	92,450,141	—	—

Notes To The Financial Statements (Cont'd)

31 December 2002

	Group		Company	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
2001				
Financial assets:-				
Deposits, cash and bank balances	9,050,508	9,050,508	231,849	231,849
Marketable securities	71,100	19,325	—	—
Trade and other receivables	131,954,433	131,954,433	1,000	1,000
Amount due from subsidiary companies	—	—	14,048,100	14,048,100
Other investments	3,849,979	3,849,979	—	—
Financial liabilities:-				
Trade and other payables	40,019,771	40,019,771	74,721	74,721
Borrowings	102,142,705	102,142,705	—	—

* It is not practical to estimate the fair value of the Group's non-current unquoted shares because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. However, the Group believes that the carrying amount represents the recoverable values.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:-

i. Deposits, Cash and Bank Balances

The carrying amounts of deposits, cash and bank balances approximate fair values due to the relatively short term maturity of these instruments.

ii. Marketable Securities

The fair values of publicly traded instruments are estimated based on the quoted market prices.

iii. Trade and other Receivables and Payables

The carrying amounts of trade receivables and payables subject to normal trade credit terms approximate fair values. The carrying amounts of other receivables and payables are reasonable estimates of fair value because of their short maturity.

iv. Borrowings

The carrying amount of short term borrowings approximates fair value because of the short maturity period. The fair value of long term borrowings is estimated based on the current rates available for borrowings with the same maturity profile.

v. Amount due from Subsidiary Companies

The carrying amount of the amount due from subsidiary companies is a reasonable estimate of its fair value because of its short maturity.

Notes To The Financial Statements (Cont'd)

31 December 2002

34. COMPARATIVE FIGURES

- (i) The presentation and classification of certain items in the financial statements have been amended. Accordingly, comparative amounts for those items have been reclassified to ensure comparability with the current year.

	Group		Company	
	As restated RM	As previously reported RM	As restated RM	As previously reported RM
Cash flow statement				
Cash flow from operating activities:-				
Adjustment for non-cash items, interests and dividend	—	—	(799,550)	450
Cash flow from investing activities:-				
Dividend received	—	—	800,000	—
Purchase of property, plant and equipment	(1,482,525)	(859,120)	—	—
Cash flow from financing activities:-				
Net repayments of hire purchase liabilities	(527,919)	(1,151,324)	—	—

- (ii) The presentation of segment analysis in Note 30 has been changed to conform with the requirements of MASB 22 - Segment Reporting.

List Of Properties

Description of properties/Usage	Location	Land area/ Built-up area (in sq.metre)	Tenure/approx age of building	Net book value (RM'000)	Year of acquisition
Leasehold industrial land used as open warehouse / own use	Lot 17, Section 92A, Kuala Lumpur.	3,333/-	Leasehold for 42 years expiring in 2017 / NA	791	1997
Leasehold industrial land with warehouse & office / own use	PT 50, Section 92A, Kuala Lumpur.	4,919 / 3,257	Leasehold for 42 years expiring in 2017 / 11	2,939	1997
Leasehold industrial land with factory cum office / own use	Lot C34, Lot 1651 Nilai Industrial Area, Phase II, 71800 Nilai.	15,570 / 7,041	Leasehold for 99 years expiring in 2090 / 8	5,607	1997
Leasehold industrial land with factory cum office and canteen / own use	Lot 7401, PT 1888 Nilai Industrial Area, Phase II, 71800 Nilai.	28,416 / 6,297	Leasehold for 99 years expiring in 2091 / 8	7,207	1997
2 lots of leasehold land with a factory each / rented	Lots 3017 & 3018, 64 & 65 Jln Medan 3, Taman Medan, Petaling Jaya.	167 / 167 per lot	Leasehold for 99 years expiring in 2097 / 8	423	1997
Leasehold industrial land with a 2 storey building / rented	No. 302A, Jln Tiga, Jalan Chan Sow Lin, Kuala Lumpur.	4,047 / 2,500	Leasehold for 42 years expiring in 2009 / unknown	754	1997
Leasehold industrial land used as open warehouse / own use	Lot 19, Section 92A, Kuala Lumpur.	3493.1	Leasehold for 42 years expiring in 2017 / NA	428	1997
Industrial land / vacant	Lot P204, Bukit Minyak Ind. Area, Mukim 13, Central District, Penang.	111.0	Leasehold for 60 years expiring in 2058 / NA	1,791	1997
Leasehold industrial land / vacant	Pusat Perindustrian Zurah, Mukim Rasa, Hulu Selangor.	10,927	Leasehold for 99 years expiring in 2095/NA	781	1997
Office building / rented	Unit P5.04, 5th Floor, BICMA Building, Lot 2, Jalan 243/51A, Petaling Jaya.	4,750 / 89.8	Leasehold for 99 years expiring in 2073 / 12	277	1997
2 Floors in a 3 1/2 storey shop-office / rented	Lot 66, Jalan SBC 3, Tmn Sri Batu Caves, 68100 Batu Caves.	193.4 / 193.4	Freehold / 6 per storey	458	1997
2 lots of 3 storey shop - houses / vacant	Lots 7251 & 7252, Jalan BBN 1/4, Bandar Baru Nilai, 71800 Nilai.	167.2 / 150.5	Freehold / 7 per lot	734	1997

List Of Properties (Cont'd)

Description of properties/Usage	Location	Land area/ Built-up area (in sq.metre)	Tenure/approx age of building	Net book value (RM'000)	Year of acquisition
2 Apartment / 1 vacant & 1 rented	Units A4-5 & A4-6, Tudor Court Apt. Taman Rasmi Jaya, Ampang.	9,920 / 82 per unit	Leasehold for 99 years expiring in 2090 / 16	141	1997
Apartment / vacant	Unit A3-10, Level 10, Amber Court, Genting Highlands, 69000 Pahang.	60 / 60	Freehold / 13	176	1997
Apartment / vacant	Unit 12/B2, Gold Mansion, Straits Court, Melaka.	92.2 / 92.2	Freehold / 5	155	1997
Land with a bungalow house / vacant	No. 17, Jalan Serai, Taman Cheras, 56100 Kuala Lumpur.	692 / 327	Freehold / 5	483	1997
Land with a bungalow house / own use	No.3, Jalan Badam 6, Taman Cheras, 56100 Kuala Lumpur.	515 / 428	Freehold / 17	519	1997
Leasehold industrial land with factory cum office / rented	C43, Blk C, Lot 1566, Nilai Industrial Area, 71800 Nilai.	16,820 / 2,358	Leasehold for 99 years expiring in 2089 / 13	3,689	1998
Land used as open warehouse / rented	Lot 10464, 5th Mile, Jalan Nenas, Off Jln Bukit Kemuning, Kg. Jawa, 41000 Klang.	40645.82	Freehold / NA	5,645	1998
2nd Floor of a 4 1/2 storey shop-lot / rented	34-2, Jln Wangsa 2/5, Tmn Wangsa Permai, 52200 Kuala Lumpur.	113.5 / 113.5	Leasehold for 99 years expiring in 2098 / 5	130	1998
2 units of office lots in a Complex / 1 vacant & 1 rented	Units 8.02 & 8.03, Kompleks Kota, Kajang, Lot 434, Batu 4½, Jln Cheras, 43000 Kajang.	127.3 / 127.3	Freehold / 5	480	1998
3 level of a 5-storey shop lot / 1 rented & 2 vacant	Block B Unit 11, Level 1, 2 & 4, Krystal Point Commercial Centre, 11900 Bayan Lepas.	L1 – 88.2/88.2 L2 – 97.5/97.5 L4 – 97.5/97.5	Freehold / 5	1,007	1998
Land with a 2-storey terrace house / vacant	PT 5590, Jalan BBN 9/2F, Desa Anggerik, Bandar Baru Nilai, 71800 Nilai.	282.2 / 120.8	Freehold / 6	170	1998

List Of Properties (Cont'd)

Description of properties/Usage	Location	Land area/ Built-up area (in sq.metre)	Tenure/approx age of building	Net book value (RM'000)	Year of acquisition
Apartment / vacant	No. 3-14-4, Desa Bistari, Phase II, Batu Uban, Penang.	65.1 / 65.1	Freehold / 5	111	1998
Apartment / vacant	Block N—9-12, Desa Medura, Taman Desa Relau II, Penang.	65.1 / 65.1	Freehold / 5	120	1998
Apartment / vacant	Unit 10, Level 10, Blk B, Suria Mutiara, Penang.	77.1 / 77.1	Freehold / 5	148	1998
4½ storey shopoffice / vacant	53-C, 2nd Floor, Jalan BRP 6/10, Bukit Rahman Putra, Sek U20, Shah Alam.	153.3 / 153.3	Freehold / 4	149	1999
4 storey shop-office / 1 level rented, 1 own use 2 levels vacant	19, Lorong Tiara 1B, Bandar Baru Klang, 41150 Klang.	307 / 307 per level	Leasehold for 99 years expiring in 2093 / 9	2,300	1999
Single storey terrace house / vacant	12, Jln Kenari 12E/8, Lembah Beringin, Kuala Kubu Bahru, 44110 Selangor	132.8 / 132.8	Freehold / 3	90	1999
Condominium / vacant	Unit 30-12-4, Reagon Tower, Pandan Hgts, Taman Pandan, Perdana, 56100 Kuala Lumpur.	199.5 / 199.5	Freehold / 5	264	1999
Townhouse / rented	No. 56, C27-1B, 1st Flr, Jalan 1/155A, Bukit OUG, Kuala Lumpur.	110.1 / 110.1	Freehold / 4	215	1999
Townhouse / rented	No. 54, C28-1B, 1st Flr, Jalan 1/155A, Bukit OUG, Kuala Lumpur.	110.1 / 110.1	Freehold / 4	218	1999
3 storey shop-lot/rented	No. 60, Jalan Melaka, Raya 20, Taman Melaka Raya,Melaka.	143.0 / 143.0 per level	Leasehold for 99 years expiring in 2093 / 3	383	2000
3 storey shop-lot/vacant	No. 62, Jalan Melaka, Raya 20, Taman Melaka Raya,Melaka.	143.0 / 143.0 per level	Leasehold for 99 years expiring in 2093 / 3	356	2000

List Of Properties (Cont'd)

Description of properties/Usage	Location	Land area/ Built-up area (in sq.metre)	Tenure/approx age of building	Net book value (RM'000)	Year of acquisition
3 storey shop-lot/vacant	604, Jln Haruan 4/8, Oakland Commercial Centre, Seremban, 70300 Ng. Sembilan.	92.9 / 92.9 per level	Freehold / 3	298	2000
Condominium / vacant	Unit 6B-12-1, Eden Fairway Condo, Jalan Sungai Emas, 11100 Penang.	178.8 / 178.8	Freehold / 4	356	2000
1 level in 12 storey shop-office / rented	GL 23, Aras 1, Blk D Dataran Usahawan Kelana, No.17 Jalan SS7/26 Kelana Jaya.	130.1 / 130.1	Leasehold for 88 years expiring in 2089 / 2	856	2001
1 level in 12 storey shop-office / vacant	815, Aras 8, Blk D Dataran Usahawan Kelana, No.17 Jalan SS7/26 Kelana Jaya.	115.7 / 155.7	Leasehold for 88 years expiring in 2089 / 2	444	2001
3 storey semi-detached factory / rented	No. 4 Jalan PJS ¼ Section 1, Bandar Pinggiran Subang, 40150 Shah Alam.	711 / 711	Leasehold for 99 years expiring in 2095 / 6	847	2001
3 storey shop-office / vacant	No.1, Jalan PJS 1/2A Section 1, Bandar Pinggiran Subang, 40150 Shah Alam.	315 / 315	Leasehold for 99 years expiring in 2095 / 6	1,995	2001
Condominium / vacant	Unit 203, Phase 5, Block MN, Perdana Condo Resort, Off Jalan Pantai, Sirusa, 71050 Port Dickson.	77.7 / 77.7	Freehold /5	102	2001
Condominium / vacant	Unit 207, Phase 5, Block MN, Perdana Condo Resort, Off Jalan Pantai, Sirusa, 71050 Port Dickson.	77.7 / 77.7	Freehold /5	109	2001
Double storey terrace house/under construction	PT 5549, Taman Bachang Baru, 75000 Melaka.	111.0 / 111.0	Freehold / NA	163	2002
Apartment / under construction	Block M3-421, Merak Apartments, Subang Impian, Bdr Pinggiran Subang, Sek. U5, Shah Alam.	78.9 / 78.9	Freehold / NA	79	2002
Apartment / vacant	B-4-4, Block Rumbia, Las Palmas Apts., Bdr Country Homes, 48000 Rawang.	64.2 / 64.2	Freehold / 2	51	2002

Statement Of Shareholdings

As At 14 April 2003

Authorised Share Capital	:	RM100,000,000
Issued and Paid-Up Capital	:	RM40,917,000
Class of Shares	:	Ordinary shares of RM1.00 each
Voting Rights	:	One vote per ordinary share

Analysis of Shareholdings

Size of Shareholdings	No. of shareholders	%	No. of shares held	%
Less than 100	4	0.13	11	0.00
100 to 1,000	1,694	56.77	1,690,300	4.13
1,001 to 10,000	1,174	39.34	4,251,500	10.39
10,001 to 100,000	96	3.22	2,243,844	5.48
100,001 to less than 5% of issued shares	11	0.37	11,733,263	28.68
5% and above of issued shares	5	0.17	20,998,082	51.32
Total	2,984	100.00	40,917,000	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 14 APRIL 2003

Name	Direct interest		Deemed interest	
	No. of shares	%	No. of shares	%
Dato' Lim Khoon Heng	4,768,175	11.65	483,312 (a)	1.18
Lim Loong Heng	4,768,174	11.65	483,312 (a)	1.18
Lim Khoon Hock	4,768,174	11.65	483,312 (a)	1.18
Dato' Haji Wan Zaki Bin Wan Muda	3,835,197	9.37	—	—
Tan Sri Wan Azmi Bin Wan Ibrahim	2,858,362	6.98	—	—

DIRECTORS' SHAREHOLDINGS AS AT 14 APRIL 2003

Name	Direct interest		Deemed interest	
	No. of shares	%	No. of shares	%
Dato' Haji Wan Zaki Bin Wan Muda	3,835,197	9.37	—	—
Dato' Lim Khoon Heng	4,768,175	11.65	483,312 (a)	1.18
Lim Loong Heng	4,768,174	11.65	483,312 (a)	1.18
Lim Khoon Hock	4,768,174	11.65	483,312 (a)	1.18
Dali Kumar @ Dali Bin Sardar	120,000	0.29	—	—
Tai Keat Chai	—	—	—	—
Leow Bock Lim	—	—	—	—

Note:-

(a) Deemed interest by virtue of their substantial interests in Lim Kim Chuan & Sons Holdings Sdn Bhd

Statement Of Shareholdings (Cont'd)

As At 14 April 2003

LIST OF 30 LARGEST SHAREHOLDERS AS AT 14 APRIL 2003

No.	Name	No. of shares held	%
1.	DATO' LIM KHOON HENG	4,768,175	11.65
2.	LIM LOONG HENG	4,768,174	11.65
3.	LIM KHOON HOCK	4,768,174	11.65
4.	DATO' HAJI WAN ZAKI BIN HAJI WAN MUDA	3,835,197	9.37
5.	TAN SRI WAN AZMI BIN WAN HAMZAH	2,858,362	6.98
6.	W MOHAMED @ NIK AZAM BIN WAN HAMZAH	1,997,360	4.88
7.	LIM KIM CHUAN	1,803,142	4.40
8.	CHEN CHIN SANG	1,798,316	4.39
9.	HEW KWEE WON	1,798,133	4.39
10.	CHONG MOAN LAM @ CHEONG MOON LAM	1,394,500	3.40
11.	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LEOW CHOW KUEN</i>	1,016,000	2.48
12.	LEMBAGA TABUNG HAJI	600,000	1.46
13.	LIM KIM CHUAN & SONS HOLDINGS SDN BHD	483,312	1.18
14.	AU WENG KEONG	388,500	0.94
15.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD <i>UBS AG SINGAPORE FOR PACIFIC INVESTMENT FUND</i>	334,000	0.81
16.	MAYBAN NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR DALI KUMAR @ DALI BIN SARDAR</i>	120,000	0.29
17.	TASEC NOMINEES (ASING) SDN BHD <i>MEESPIERSON ASIA LIMITED FOR SAVERN FINANCE LIMITED</i>	90,000	0.21
18.	CHEN THIAM KWEE @ TAN THIAM KWEE	80,000	0.19
19.	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR SEE CHOK HOCK</i>	70,000	0.17
20.	ANNIE LOO YEAN LAY	60,000	0.14

Statement Of Shareholdings (Cont'd)

As At 14 April 2003

LIST OF 30 LARGEST SHAREHOLDERS AS AT 14 APRIL 2003 (Cont'd)

No.	Name	No. of shares held	%
21.	CITICORP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR NG WAI LEONG</i>	57,000	0.13
22.	TAN GIM HOE	54,000	0.13
23.	TSAI CHANG, HSIU-HSIANG	50,000	0.12
24.	LEE YOKE WAN	50,000	0.12
25.	KHONG TSEE CHONG @ KHONG HOO CHONG	48,000	0.11
26.	SAVIOUR PRODUCTS (M) SDN BHD	48,000	0.11
27.	HEW CHEE WAH	44,000	0.10
28.	LIEW WAI KIAT	40,000	0.09
29.	WAN POOI LING	39,000	0.09
30.	OOI BIN KEONG	38,000	0.09
		33,499,345	81.72

Statement Of Warrant Holdings

As At 14 April 2003

Type of Securities	:	Warrants
No. of Warrants Issued	:	13,089,283
Voting Rights	:	One vote per warrant holder

Analysis of Warrant Holdings

Size of Warrant Holdings	No. of warrant holders	%	No. of warrants held	%
Less than 100	0	0.00	0	0.00
100 to 1,000	1,239	53.82	1,235,811	9.44
1,001 to 10,000	944	41.01	3,654,000	27.92
10,001 to 100,000	109	4.73	2,584,844	19.75
100,001 to less than 5%	8	0.35	2,421,812	18.50
5% and above	2	0.09	3,192,816	24.39
Total	2,302	100.00	13,089,283	100.00

SUBSTANTIAL WARRANT HOLDERS AS AT 14 APRIL 2003

Name	Direct interest		Deemed interest	
	No. of warrants	%	No. of warrants	%
Chen Chin Sang	1,798,316	13.73	—	—
Chong Moan Lam @ Cheong Moon Lam	1,394,500	10.65	—	—

DIRECTORS' WARRANT HOLDINGS AS AT 14 APRIL 2003

Name	Direct interest		Deemed interest	
	No. of warrants	%	No. of warrants	%
Dato' Haji Wan Zaki Bin Wan Muda	—	—	—	—
Dato' Lim Khoon Heng	—	—	474,312 (a)	3.62
Lim Loong Heng	—	—	474,312 (a)	3.62
Lim Khoon Hock	—	—	474,312 (a)	3.62
Dali Kumar @ Dali Bin Sardar	124,000	0.94	—	—
Tai Keat Chai	—	—	—	—
Leow Bock Lim	—	—	—	—

Note:-

- (a) Deemed interest by virtue of their substantial interests in Lim Kim Chuan & Sons Holdings Sdn Bhd

Statement Of Warrant Holdings (Cont'd)

As At 14 April 2003

LIST OF 30 LARGEST WARRANT HOLDERS AS AT 14 APRIL 2003

No.	Name	No. of warrants held	%
1.	CHEN CHIN SANG	1,798,316	13.73
2.	CHONG MOAN LAM @ CHEONG MOON LAM	1,394,500	10.65
3.	SEE CHOK HOCK	533,000	4.07
4.	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LEOW CHOW KUEN</i>	489,000	3.73
5.	LIM KIM CHUAN & SONS HOLDINGS SDN BHD	474,312	3.62
6.	LEOW LEE FONG	459,000	3.50
7.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD <i>UBS AG SINGAPORE FOR PACIFIC INVESTMENT FUND</i>	134,000	1.02
8.	DALI KUMAR @ DALI BIN SARDAR	124,000	0.94
9.	AU WENG KEONG	106,500	0.81
10.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LEUNG PUI MING</i>	102,000	0.77
11.	INTER-PACIFIC EQUITY NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR KOAY BOON BIOH</i>	99,000	0.75
12.	CHEN THIAM KWEE @ TAN THIAM KWEE	80,000	0.61
13.	THONG KOON CHOON	75,000	0.57
14.	ANNIE LOO YEAN LAY	74,000	0.56
15.	KHONG TSEE CHONG @ KHONG HOO CHONG	67,000	0.51
16.	HEW CHEE YEW	63,000	0.48
17.	WAN POOI LING	57,000	0.43
18.	TEN AH MAN	56,000	0.42
19.	AFFIN-UOB NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR SIAW HUM KIW</i>	52,000	0.39
20.	TAN CHEE GEE	50,000	0.38
21.	TAN YONG YIAP	46,000	0.35

Statement Of Warrant Holdings (Cont'd)

As At 14 April 2003

LIST OF 30 LARGEST WARRANT HOLDERS AS AT 14 APRIL 2003 (Cont'd)

No.	Name	No. of warrants held	%
22.	TAN AH LAM	45,000	0.34
23.	LOW BENG CHOO	43,844	0.33
24.	LOO MOON WHAI	43,000	0.32
25.	LAI KUI YIN	43,000	0.32
26.	PUBLIC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR LEE SIE TONG @ LEE AH TONG</i>	40,000	0.30
27.	CHOY WEE CHIAP	37,000	0.28
28.	TA NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR NG WAI LEONG</i>	36,000	0.27
29.	CHING LEE LOOK	33,000	0.25
30.	BEH MOOI HONG	33,000	0.25
		6,687,472	50.95

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CHUAN HUAT RESOURCES BERHAD

(290729-W)
(Incorporated in Malaysia)

PROXY FORM

I/We _____

NRIC No./Passport No./Company _____

CDS Account No./Name of beneficial owner* _____

Of _____

being a member(s) of **Chuan Huat Resources Berhad**, hereby appoint _____

NRIC No./Passport No./Company _____

Of _____

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Ninth Annual General Meeting of the Company to be held at Hotel Sri Petaling Kuala Lumpur, Ball Room, Level 1, 30, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000, Kuala Lumpur on Friday, 20 June 2003 at 11.00 a.m. and at every adjournment thereof.

RESOLUTIONS		FOR	AGAINST
No. 1	Adoption of Audited Financial Statement		
No. 2	Approval of First and Final Tax Exempt Dividend		
No. 3	Approval of Payment of Directors' Fees		
	Re-election of the following Directors:-		
No. 4	Dato' Lim Khoon Heng		
No. 5	Lim Khoon Hock		
No. 6	Re-appointment of Auditors		
No. 7	Authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965		

** To be completed by authorised nominees.*

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

No. of shares	
---------------	--

Signature: _____

Date : _____

Notes:-

1. A member of the Company entitled to attend and vote is entitled to appoint a proxy/proxies to attend and vote in his/her stead. A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal or the hand of its attorney or an officer duly authorised.
2. Where a member of the Company is an authorised nominee as defined under the Central Depository Act, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
3. Where a member appoints more than one (1) proxy (subject to a maximum of two (2) proxies at each meeting), the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. To be valid, this proxy form duly completed must be deposited at the Registered Office of the Company at Wisma Lim Kim Chuan, Lot 50A, Section 92A, 3 ½ Miles, Off Jalan Sungei Besi, 57100 Kuala Lumpur not less than 48 hours before the time for holding the meeting or any adjournment thereof.



