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*On behalf of your Company
I am pleased to present the
Annual Report and
Financial Statements for the
Goh Ban Huat Group of
Companies for Financial Year
ended December 31, 2002*

Review of Group Operations

The Group staged an enviable recovery in its operations for financial year ended December 31, 2002. Group sales increased by 8.2% to reach RM57.512 million against RM53.131 million achieved in the previous financial year. The increase in sales was brought about by better performances in the Group's Sanitary Ware and Tableware Divisions. Sales performances of the other three operating divisions being Clay Pipes, Ceramic Formers and Trading Products were lackluster.





The Group's financial performance for the year was affected by 3 major write-offs relating to inventories write-offs, inventory write-downs and a major provision for doubtful debts, all of which totaled RM16.975 million. Without these write-offs, write-downs and provisions, the Group would have ended the year with a profit, signaling a return to profitability. As it was the Group ended the year with a Loss Before Tax of RM14.721 million.







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Of noteworthy interest of events during the year was the decision made by the regulatory authorities to revise the pricing formula for piped natural gas, which is a principal ingredient in your Group's manufacturing activities. Whereas the previous pricing formula for this fundamental utility had positioned our gas price substantially higher than prices paid by our competitors in other gas-producing countries, the current price, pegged at RM12.87 per million British Thermal Unit, with effect from the fourth quarter of the year, is now comparable with prices paid by our competitors in other gas-producing countries.

Overall trading conditions in the country remain difficult with general demand appearing weak although your Group was able to pick out some high quality pockets of demand and performed against these requirements.

Demand for the Group's high-end sanitary ware products and high-end tableware products were particularly encouraging. In recent months, the Group also enjoyed better demand for its ceramic formers. However, demand for clay pipes continue to be soft.

Future Prospects

The Group is cautiously optimistic about its future trading prospects. The satisfactory re-pricing of the price for piped natural gas by the regulatory authorities has reestablished the fundamental viability of your Group's ceramic products manufacturing operations. In addition, your Group will focus its attention in seeking out higher quality market segments so that its activities will earn better profit margins in a generally extremely competitive trading environment.

Conclusion

In conclusion, I would like to take this opportunity to thank all Officers and Staff of the Group whose support was paramount in assisting the Group to stage its enviable recovery during the year. In addition, I would also like to thank the Group's many suppliers and associates for their continued support over the past few extremely difficult years. We look forward to the future with cautious optimism.

Alex Goh Tai Seng
Chairman of the Board





NOTICE IS HEREBY GIVEN THAT
the Fifty-Sixth Annual General
Meeting of the Company will be
held at Bunga Kenanga, Level 3,
Pan Pacific Hotel Kuala Lumpur,
Jalan Putra, 50746 Kuala
Lumpur on Tuesday, 24 June
2003 at 3.00 pm for the
following purposes:



AGENDA

Ordinary Business

- 1 To receive the Audited Financial Statements for the year ended 31 December 2002 together with the Directors' and Auditors' Reports thereon. [Resolution 1](#)
- 2 To approve the payment of Directors' fees of RM15,000.00 for the year ended 31 December 2002. [Resolution 2](#)
- 3 To re-elect the following Directors who are retiring in accordance with Article 80 of the Company's Articles of Association:
 - 3.1 Mr. Goh Tai He [Resolution 3](#)
 - 3.2 Mr Tan Ah Cheun [Resolution 4](#)
- 4 To re-appoint Messrs Ernst & Young as the Company's Auditors and to authorise the Board of Directors to fix their remuneration. [Resolution 5](#)

5 As Special Business

To consider and, if thought fit, pass with or without modifications, the following resolution as an Ordinary Resolution:

Ordinary Resolution

- Authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965 [Resolution 6](#)

"THAT, subject always to the approvals of the relevant authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total issued share capital of the Company at the time of issue and the Directors are hereby further empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Kuala Lumpur Stock Exchange and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

- 6 To transact any other business of the Company of which due notice shall have been given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

By Order of the Board

LIM PHOOI KEE (MIA 2759)
NG YIM KONG (LS 0008343)
Company Secretaries

Kuala Lumpur, 2 June 2003

Notes

1 A member of the Company entitled to attend and vote at the Fifty-Sixth Annual General Meeting is entitled to appoint a proxy/proxies, to attend and vote instead of him. A proxy may but need not be a member of the Company and the provisions of Section 149 (1) (b) of the Companies Act 1965 need not be complied with.

2 Where a member appoints two or more proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.

3 The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

4 The instrument appointing a proxy must be deposited at 238, Jalan Segambut, 51200 Kuala Lumpur at least forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof.

Explanatory note on special business of the Agenda

5 The Ordinary Resolution proposed under item 5 is in line with the Company's expansion plan which may involve the issue of new shares. Under Section 132D of the Companies Act, 1965, the Directors would have to call for a general meeting to approve the issue of new shares even though the number of shares involved is less than 10% of the issued share capital of the Company for the time being. In order to avoid any delay and costs involved in convening a general meeting, it is thus considered appropriate to seek the shareholders' approval for Directors of the Company to issue shares in the Company up to an aggregate amount of not exceeding 10% of the issued share capital of the Company for the time being for such purposes as they consider would be in the best interest of the Company and also to empower Directors to obtain approval from the Kuala Lumpur Stock Exchange for the listing of and quotation for additional shares issued. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

STATEMENT ACCOMPANYING
NOTICE OF FIFTY-SIXTH
ANNUAL GENERAL MEETING

Pursuant to paragraph 8.28 (2) of the Kuala Lumpur Stock Exchange Listing Requirements, appended hereunder are:

1 Place, date and time of the Fifty-Sixth Annual General Meeting

Date of Meeting	Time	Place
24 June 2003	3.00pm	Bunga Kenanga, Level 3, Pan Pacific Hotel Kuala Lumpur, Jalan Putra 50746 Kuala Lumpur

2 A total of four Board of Directors' Meetings were held during the financial year ended 31 December 2002. The place, date and time of the Board of Directors Meetings are as follows:

Date of Meeting	Time	Place
27 February 2002	4.15pm	Kuala Lumpur
31 May 2002	4.15pm	Kuala Lumpur
29 August 2002	3.35pm	Kuala Lumpur
28 November 2002	4.05pm	Kuala Lumpur

3 Details of Directors' Attendance at Board Meetings are as follows:

Name of Directors	Attendance	%
Mr. Goh Tai Seng	4	100
Mr. Goh Tai He	4	100
Dato' Haji Mohd Sarit Bin Haji Yusoh	2	50
Mr. Tan Ah Cheun	4	100
Haji Mohamed Amin Bin Haji Mohamed	4	100
En. Wan Shalihudin Bin Wan Ibrahim	4	100
Brig Jen (Rtd) Dato' Mior Azam Bin Mior Safi	4	100
Dato' Haji Mohd Yusof Bin Haji Mohamed (Alternate Director to Haji Mohamed Amin Bin Haji Mohamed)	0	0

4 Details of Directors standing for re-election as in the Resolutions 3 and 4 of the Fifty-Sixth Annual General Meeting of the Company are as follows:

(a) Directors to retire pursuant to Article 80 of the Company's Articles of Association are:

Mr Goh Tai He

56, a Malaysian, is a Non-Independent Executive Director and is the Group Managing Director of Goh Ban Huat Berhad (GBH). He holds a Bachelor of Science (Chemistry) degree from La Trobe University, Victoria, Australia and joined GBH in 1972. Since, he was actively involved in the management of GBH and was instrumental in setting up the highly mechanised ceramic pipe plant. He was appointed Group Managing Director on 1 September 1987. He is a member of the Audit Committee. He is also a director of GBH's subsidiaries and several other private companies. He is related to Mr. Goh Tai Seng, the Chairman of GBH and related to Directors of Ceramtec Sdn Bhd, a substantial shareholder of GBH. He has no personal interest in any business arrangement involving the company. He attended four (4) of four (4) Board Meetings held in the financial year ended 31 December 2002. He had no convictions for any offences within the past 10 years.

Mr Tan Ah Cheun

56, a Malaysian, is a Non-Independent Executive Director and the Group General Manager of Goh Ban Huat Berhad (GBH). He holds a Bachelor of Commerce (Honours) degree from University of Melbourne, Australia and joined GBH in 1988. He has twelve (12) years of local and international banking experience with one of the largest international banks in the world and has also worked in a merchant bank in Sydney, Australia. He was appointed Director on 9 December 1988. He is also a director of GBH's subsidiaries and several other private companies. He does not have any family relationship with any Director and/or major shareholder of GBH, nor personal interest in any business arrangement involving the company. He attended four (4) of four (4) Board Meetings held in the financial year ended 31 December 2002. He had no convictions for any offences within the past 10 years.

5 Other information on Directors who are standing for reelection:

Please refer to the Directors Information on page14 and 15.





The Audit Committee is pleased to present the Audit Committee Report for the financial year ended 31 December 2002.

Composition of audit committee

Dato' Haji Mohd Sarit Bin Haji Yusoh
(Chairman of Audit Committee)

Independent Non-Executive Director

Haji Mohamed Amin Bin Haji Mohamed
Independent Non-Executive Director

Goh Tai He
Non-Independent Executive Director

Terms of reference

The board hereby resolves to establish a Committee of the board to be known as the Audit Committee.

Membership

The Committee shall be appointed by the board from amongst the directors of the Company and shall consist of not less than 3 members of which the majority shall not be executive directors of the Company or of a related company. A quorum shall be 2 members.

The Chairman of the Committee shall be appointed by the Board.

Attendance at meetings

The finance directors, the head of internal audit, and a representative of the external auditors shall normally attend meetings. However at least once a year the Committee shall meet with the external auditors without any executive board member present.

The company secretary shall be the secretary of the Committee.

Frequency of Meetings shall be held not less than three times a year. The external auditors may request a meeting if they consider that one is necessary.

Authority

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

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

Duties

The duties of the Committee shall be:

- To consider the appointment of the external auditors, the audit fee, and any questions of resignation or dismissal
- To discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved
- To review the quarterly and annual financial statements before submission to the board, focusing particularly on:
 - any changes in accounting policies and practices
 - major judgmental areas
 - significant adjustments resulting from the audit
 - compliance with accounting standards
 - compliance with stock exchange and legal requirements
- to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary)
- to review the internal audit programme, consider the major findings of internal audit investigations and management's response, and ensure co-ordination between the internal and external auditors
- to keep under review the effectiveness of internal control systems, and in particular review the external auditor's management letter and management's response
- to consider other topics, as defined



Reporting procedures

The secretary shall circulate the minutes of meetings of the Committee to all members of the board.

Meetings and attendance in financial year 2002

During the financial year ended 31 December 2002, the committee held a total of four (4) meetings, respectively on 27 February 2002, 31 May 2002, 29 August 2002 and 28 November 2002.

Name	Attendance	%
Dato' Haji Mohd Sarit Bin Haji Yusoh	3/4	75
Haji Mohamed Amin Bin Haji Mohamed (Appointed on 31 May 2002)	3/4	100
Goh Tai He	4/4	100
Wan Shalihudin Bin Wan Ibrahim (Resigned on 31 May 2002)	1/4	100

Activities of the committee during the year

The principal activities of the Audit Committee, in line with the terms of reference of the committee, for the financial year are as follows:

- review the quarterly and year end financial statements
- review reports of the external auditors
- review the audit scope and plan of the external auditors
- review status of Employee Share Option Scheme (ESOS) and private placement proposals

The above meetings are attended by the Company Secretary and the Executive Directors and the committee have been provided with information and are explanation to discharge their duties as detailed in the above terms of reference.

Audit and control functions

The company does not have an internal audit department. The activities and operations of the Group is located principally in the area of Segambut, Kuala Lumpur and the management team of the Group is closely supervised in its day to day operations by the Executive Directors, who are present during committee meetings, to address all queries raised by the committee. It is the intention of the company to set up an internal audit unit during the course of the 2003 financial year.

The committee welcomes the Malaysian Code on Corporate Governance and the recommended "Best Practice in Corporate Governance", which was adopted by the Kuala Lumpur Stock Exchange Listing Requirements (KLSE Listing Requirements). It raise the need to review this function to strengthen the structure and framework of the existing internal controls, to serve the needs of the Group and to comply with the KLSE Listing Requirements.

Board of Directors

Goh Tai Seng - *Chairman*

Goh Tai He - *Group Managing Director*

Tan Ah Cheun - *Group General Manager*

Haji Mohamed Amin Bin Haji Mohamed - *Independent Non Executive Director*

Dato' Haji Mohd Sarit Bin Haji Yusoh - *Independent Non Executive Director*

Wan Shalihudin Bin Wan Ibrahim - *Non-Independent Non-Executive Director*

Brig Jen (Rtd) Dato' Mior Azam Bin Mior Safi - *Non-Independent Non-Executive Director*

Dato Haji Mohd Yusof Bin Haji Mohamed
(Alternate Director to Haji Mohamed Amin Bin Haji Mohamed)

Secretaries

Lim Phooi Kee (MIA 2759)

Ng Yim Kong (LS 0008343)

Registered Office and Principal Place of Business

238, Jalan Segambut, 51200 Kuala Lumpur

T 603 6258 1055

F 603 6257 0858

W www.gbhgroup.com.my

E enquiry@gbhgroup.com.my

Registrars

Malaysian Share Registration Services Sdn Bhd

7th Floor, Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur.

P.O.Box 13274, 50804 Kuala Lumpur

T 603 2068 099

F 603 2063 736

Auditors

Ernst & Young

Chartered Accountants

Level 23A, Menara Milenium, Jalan Damanlela,

Pusat Bandar Damansara, 50490 Kuala Lumpur.

Principal Bankers

Alliance Bank Malaysia Berhad

No 22, Wisma Sin Hoh Huat

Persiaran Segambut Tengah

51200 Kuala Lumpur

Alliance Bank Malaysia Berhad

Menara Multi-Purpose

Capital Square

8, Jalan Munshi Abdullah

50100 Kuala Lumpur

Citibank Berhad

Menara Citibank

165, Jalan Ampang

PO Box 10112

50450 Kuala Lumpur

HSBC Bank Malaysia Berhad

2, Lebuhr Ampang

50100 Kuala Lumpur

Malayan Banking Berhad

2nd Floor, Sentul Raya Trade Finance

Centre, No 12-14, Jalan 14/48A

50100 Kuala Lumpur

RHB Bank Berhad

75, Jalan Tun H.S.Lee Branch

50000 Kuala Lumpur

OCBC Bank (Malaysia) Berhad

Wisma Lee Rubber

Jalan Melaka

50100 Kuala Lumpur





Goh Tai Seng

59, a Malaysian, is a Non-Independent Executive Director and is the Chairman of Goh Ban Huat Berhad (GBH). He joined GBH in 1968 and have gained over 33 years of all round experience in ceramic manufacturing and management of GBH's affairs. He was appointed Chairman of GBH on 1 September 1987. He is also a director of GBH's subsidiaries and several other private companies including Ceramtec Sdn Bhd, a substantial shareholder of GBH. He is related to Mr. Goh Tai He, the Group Managing Director. He has no personal interest in any business arrangement involving the company, except, that he is deemed to derive to a benefit from supply of raw materials to subsidiary companies in GBH. He attended four (4) of four (4) Board Meetings held in the financial year ended 31 December 2002. He had no convictions for any offences within the past 10 years.

Mr Goh Tai He

56, a Malaysian, is a Non-Independent Executive Director and is the Group Managing Director of Goh Ban Huat Berhad (GBH). He holds a Bachelor of Science (Chemistry) degree from La Trobe University, Victoria, Australia and joined GBH in 1972. Since, he was actively involved in the management of GBH and was instrumental in setting up the highly mechanised ceramic pipe plant. He was appointed Group Managing Director on 1 September 1987. He is a member of the Audit Committee. He is also a director of GBH's subsidiaries and several other private companies. He is related to Mr. Goh Tai Seng, the Chairman of GBH and related to Directors of Ceramtec Sdn Bhd, a substantial shareholder of GBH. He has no personal interest in any business arrangement involving the company. He attended four (4) of four (4) Board Meetings held in the financial year ended 31 December 2002. He had no convictions for any offences within the past 10 years.

Mr Tan Ah Cheun

56, a Malaysian, is a Non-Independent Executive Director and the Group General Manager of Goh Ban Huat Berhad (GBH). He holds a Bachelor of Commerce (Honours) degree from University of Melbourne, Australia and joined GBH in 1988. He has twelve (12) years of local and international banking experience with one of the largest international banks in the world and has also worked in a merchant bank in Sydney, Australia. He was appointed Director on 9 December 1988. He is also a director of GBH's subsidiaries and several other private companies. He does not have any family relationship with any Director and/or major shareholder of GBH, nor personal interest in any business arrangement involving the company. He attended four (4) of four (4) Board Meetings held in the financial year ended 31 December 2002. He had no convictions for any offences within the past 10 years.

Dato' Haji Mohd. Sarit Bin Haji Yusoh

52, a Malaysian, is a Independent Non-Executive Director. He graduated from University of Malaya in 1975, with a Bachelor of Economics (Honours) degree and completed his Masters of Arts (Economics) from University of Philippines in 1977. He was with Petroliaam Nasional Berhad (Petronas) from 1977 to 1981 and joined Perbadanan Nasional Berhad (Pernas) in 1981. He was appointed Director on 28 February 1994. In addition he is also a Director of other public companies, namely, Kurnia Setia Berhad, Khee San Berhad and Kwantas Corporation Berhad and several other private companies. He does not have any family relationship with any Director and/or major shareholder of GBH, nor personal interest in any business arrangement involving the company. He attended two (2) of four (4) Board Meetings held in the financial year ended 31 December 2002. He had no convictions for any offences within the past 10 years.



Haji Mohamed Amin Bin Haji Mohamed

64, a Malaysian, is an Independent Non-Executive Director. He has more than 28 years of working experience with a leading finance and public share issuing house in Malaysia. He was appointed Director on 9 December 1988. He is also a director of two subsidiaries of GBH. He is related to Dato' Haji Mohd Yusof Bin Haji Mohamed (Alternate Director), notwithstanding that, he does not have any family relationship with any other Director and/or major shareholder of GBH, nor personal interest in any business arrangement involving the company. He attended four (4) of four (4) Board Meetings held in the financial year ended 31 December 2002. He had no convictions for any offences within the past 10 years.

Dato' Haji Mohd Yusof Bin Haji Mohamed (Alternate Director to Haji Mohamed Amin Bin Haji Mohamed)

61, a Malaysian, is an Independent Non-Executive Director. He graduated from University of Malaya in 1966, with a Bachelor of Arts (Economics and Islamic Studies) and completed his Masters of Science (Economics) from University of Kentucky in 1978. He was in Government service, holding various positions from 1966 until his retirement in 1977. Thereafter, he held the post of Controller of the Selangor Royal Household on contractual basis till 1999. He was appointed Director on 24 November 1999. He is also a director in several other private companies. He is related to Haji Mohamed Amin Bin Haji Mohamed, notwithstanding that, he does not have any family relationship with any other Director and/or major shareholder of GBH, nor personal interest in any business arrangement involving the company. He attended none (0) of four (4) Board Meetings held in the financial year ended 31 December 2002. He had no convictions for any offences within the past 10 years.

Wan Shalihudin Bin Wan Ibrahim

41, a Malaysian, is a Non-Independent Non-Executive Director. He has fifteen (15) years experience in automotive industries. He was involved in National Economic Action Committee (NEAC) forum in 1998 and his proposal on "Revitalisation of Automotive Industry" was accepted and implemented into policies by the Government. He was appointed Director on 28 November 2000. He is also a director in several other private companies. He is a substantial shareholder of the company, holding 5,629,00 shares or 9.09% of the existing paid up capital of the company. Notwithstanding, he does not have any family relationship with any Director of GBH, nor personal interest in any business arrangement involving the company. He attended four (4) of four (4) Board Meetings held in the financial year ended 31 December 2002. He had no convictions for any offences within the past 10 years.

Brig Jen (Rtd) Dato' Mior Azam Bin Mior Safi

58, a Malaysian, is a Non-Independent Non-Executive Director. He holds a Diploma in Management Science and held the position of Director of Defence Logistics Planning with Malaysian Armed Forces Headquarters, with a rank of Colonel, from 1996 to 1999. He retired in 2000, with the rank of Brig. Gen. as Assistant Chief of Staff, Defence Logistics at Malaysian Armed Forces Headquarters. He was appointed Director on 24 September 2001. He is also a director in several other private companies. He does not have any family relationship with any Director and/or major shareholder of GBH, nor personal interest in any business arrangement involving the company. He attended four (4) of four (4) Board Meetings held in the financial year ended 31 December 2002. He had no convictions for any offences within the past 10 years.

The Malaysian Code on Corporate Governance ("the Code"), issued by the Finance Committee on Corporate Governance in March 2000, sets out the principles and best practices for public listed companies for adoption to ensure that the fundamental discharge of the Board of Directors' responsibilities in protecting and enhancing shareholders' and stakeholders' interest and the financial performance of the companies. It is also mandatory under the Kuala Lumpur Stock Exchange Listing Requirement ("KLSE Listing Requirement") for companies to include a Statement on Corporate Governance in its Annual Report for financial year ending after 30 June 2002.



The Board of Directors of Goh Ban Huat Berhad is committed in ensuring these standards are practiced throughout the Group in its discharge of responsibilities and ensuring compliance with the KLSE Listing Requirements.

Board of Directors

The Board has seven (7) members plus one (1) alternate director representing a diverse range of experience and industry comprising of a Executive Chairman, two (2) Executive Directors, four (4) Non Executive Directors and an Alternate Director. The profiles of Directors are set out in Directors' Information, page 15 in this Annual Report.

A total of four (4) Board Meetings were held during the financial year ended 31 December 2002, details of which are as follows:

Date of Meeting	Time	Place
27 February 2002	4.15pm	Kuala Lumpur
31 May 2002	4.15pm	Kuala Lumpur
29 August 2002	3.35pm	Kuala Lumpur
28 November 2002	4.05pm	Kuala Lumpur

The attendance of the Board of Directors in these meetings is tabulated in the Statement Accompanying Notice of Annual General Meeting in page 9.

Supply of Information

Board meetings are structured around a preset agenda; all members are supplied with a set of board papers. The Board is briefed by the Executive Directors on the activities and performance of the group, facilitating informed decision making.

The Board also has access to the advice and services of the Company Secretary, and, where necessary, external consultants such as merchant bankers, valuers and financial advisers are engaged to advise the Board.

All Directors have attended and completed the Mandatory Accreditation Programme (MAP) conducted by Research Institute of Investment Analysis Malaysia (RIIAM), an approved institute to conduct such training.

Appointments to the Board

The Board of Directors deliberates new appointments to the Board, ensuring the mix of qualifications and industry experience will enhance the effectiveness of the Board in formulating policies and decision-making.

Re-election

The company's Articles of Association ("Articles") provides for re-election of new appointed Directors by the shareholders at the first Annual General Meeting after their appointments.

In accordance to the Articles, one-third of the existing Directors is required to retire by rotation at each Annual General Meeting and all Directors should retire from office at least once in three years but shall be eligible for re-election. The Directors standing for re-election are shown in the Notice of Annual General Meeting page 8 (Ordinary Resolutions 3 and 4).

Director’s Remuneration

The company pays its Non-Executive Directors annual fees approved annually by the shareholders of the company at its Annual General Meeting.

The total remuneration, paid or payable, by the company during the financial year is as follows:

(a) Aggregate remuneration of Directors, categorised into components.

In RM'000	Fees	Salaries	Bonus	Other Emoluments	Total
Executive Directors	-	517	22	42	581
Non Executive Directors	15	-	-	-	15

(b) Number of Directors whose remuneration falls in each successive bands of RM50,000.

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
RM200,001 to RM250,000		1
RM150,001 to RM200,000		2
Below RM50,000	5	

Shareholders

The Board of Directors endeavours full Board of Directors attendance at all Annual General Meetings with the presence of Auditors. Open communication between members of the Board and Ordinary shareholders is provided for during Annual General Meetings.

In addition, the Company makes various announcements, through the Kuala Lumpur Stock Exchange ("KLSE") and the timely release of quarterly results, two months from the close of a particular quarter. These are available at the KLSE website accessible to members of the public.

Financial Reporting

The Audit Committee reviews information to be disclosed to ensure its accuracy and adequacy and recommend to the Board, which takes the responsibility for presenting a reasonable review of the Group's operations and prospects each time it releases its quarterly and annual financial statements to the shareholders.

Internal Controls

The Directors recognises the need to constantly review the effectiveness of the internal controls that are in place in order to safeguard the Group's assets and the shareholders' interest in the company. This system, by its nature, can only provide reasonable but not absolute assurance against misstatement, frauds or loss.

The Board is in the view that the current system provides reasonable assurance and is sufficient to safeguard the Group's interest.

The Board and management are currently undertaking a formal approach towards risk assessment and are working in complying with the guidance as provided by the Code.

Relationship with the Auditors

The role of the Audit Committee in relation to the external auditors is enumerated in page 11 and 12.

Compliance with the Code

Save for the following, the Group has in all material aspect complied with the Principles and Best Practices of Corporate Governance.

- (a) Set-up Internal Audit Department to strengthen the structure and framework of existing internal controls.
- (b) Formation of a Nomination Committee and a Remuneration Committee within the Board of Directors.

STATEMENT ON DIRECTOR'S RESPONSIBILITIES



The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the Group at the end of the financial year and the profit or loss of the company and the Group for the financial year. As required by the Act and the Listing Requirements of Kuala Lumpur Stock Exchange, the financial statements have been prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Act.

The Directors consider that in preparing the financial statements for the year ended 31 December 2002 set out on pages 26 to 49, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates. The Directors have responsibility for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the company and the Group which enable them to ensure that the financial statements comply with the Act. The Directors have 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.

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DIRECTORS' REPORT

The Directors present their report together with 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 rental of properties.

The principal activities of the subsidiaries are manufacturing and sale of ceramic wares, ceramic formers, pipes and general trading.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

In RM	GROUP	COMPANY
(Loss)/profit before taxation	(14,721,416)	382,314
Taxation	(1,535,490)	(173,606)
Loss after taxation	(16,256,906)	208,708
Retained profits brought forward	8,644,887	4,248,228
(Accumulated losses)/retained profits carried forward	(7,612,019)	4,456,936

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

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIRECTORS

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Goh Tai Seng
Goh Tai He
Tan Ah Cheun
Haji Mohamed Amin Bin Haji Mohamed
Dato' Haji Mohd Sarit Bin Haji Yusoh
W Shalihudin Bin W Ibrahim
Brig Jen (Rtd) Dato' Mior Azam Bin Mior Safi
Dato Haji Mohd Yusof Bin Haji Mohamed
(Alternate Director to Haji Mohamed Amin Bin Haji Mohamed)

DIRECTORS' REPORT (CONT'D)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 7 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest required to be disclosed by Section 169(8) of the Companies Act, 1965, except as disclosed in Note 26 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of Directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM1 Each			31December 2002
	1 January 2002	Bought	Sold	
The Company				
Direct Interest				
Goh Tai Seng	315,322	—	—	315,322
Goh Tai Hee @ Goh Tai He	320,896	—	—	320,896
Tan Ah Cheun	1,176,125	—	—	1,176,125
Haji Mohamed Amin Bin Haji Mohamed	7,000	—	—	7,000
W Shalihudin Bin W Ibrahim	5,629,000	—	—	5,629,000
Deemed Interest				
Goh Tai Seng	21,293,068	—	—	21,293,068
Goh Tai He	21,293,068	—	—	21,293,068

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

Pursuant to the Scheme, which commenced on 15 December 2000, options to subscribe for 6,191,000 ordinary shares of RM1.00 each in the Company were granted to eligible executive employees and full-time Executive Directors of the Group. The Directors Mr. Goh Tai Seng, Mr. Goh Tai He and Mr. Tan Ah Cheun were offered in total and they have accepted options to subscribe for 1,500,000 ordinary shares of RM1.00 each at an option price of RM1.11 per share. No options have been exercised up to the date of this report.

DIRECTORS' REPORT (CONT'D)

EMPLOYEE SHARE OPTION SCHEME ("ESOS") (CONT'D)

The main features of the ESOS are as follows:

- (a) Eligible persons are executive employees and full-time Executive Directors of the Group who have been confirmed in the employment of the Group for at least one year before the offer date.
- (b) The total number of shares to be offered under the Scheme shall not exceed 10% of the issued share capital of the Company.
- (c) The maximum entitlement of eligible employees and full-time Directors under the ESOS ranges from 72,000 to 500,000 ordinary shares.
- (d) The price at which the Grantee is entitled to subscribe for the new shares shall be set based on five days weighted average market price preceding the offer date, subject to a discount of not more than 10% if any or the par value of the shares, whichever is higher.
- (e) The Scheme shall continue to be in force for a period of five years commencing from 15 December 2000.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render:
 - (i) the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) 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 will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

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

GOH TAI HE

TAN AH CHEUN

Kuala Lumpur, Malaysia
30 April 2003

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, GOH TAI HE and TAN AH CHEUN, being two of the Directors of GOH BAN HUAT BERHAD, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 26 to 47 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2002 and of the results and the cash flows of the Group and of the Company for the year then ended.

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

GOH TAI HE

TAN AH CHEUN

Kuala Lumpur, Malaysia
30 April 2003,

STATUTORY DECLARATION PURSUANT TO SECTION 169 (16) OF THE COMPANIES ACT, 1965

I, LOW KOK YUNG, being the Officer primarily responsible for the financial management of GOH BAN HUAT BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 26 to 47 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed LOW KOK YUNG
at Kuala Lumpur in the Federal Territory
on 30 April 2003

LOW KOK YUNG

Before me

REPORT OF THE AUDITORS TO THE MEMBERS OF GOH BAN HUAT BERHAD

We have audited the accompanying financial statements set out on pages 26 to 47. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2002 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

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

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

In forming our opinion on the financial statements of the Group and of the Company, we have considered the adequacy of the disclosure in Note 16 to the financial statements of the Group and of the Company concerning the recoverability of the trade debts. In view of the significance of this uncertainty in relation to provision for doubtful debts, we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

ERNST & YOUNG
AF : 0039
Chartered Accountants

Yeo Eng Seng
No. 1212/12/04 (J)
Partner

Kuala Lumpur, Malaysia
30 April 2003

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

In RM	Note	GROUP		COMPANY	
		2002	2001	2002	2001
REVENUE	3	57,512,171	53,131,089	1,746,621	3,175,432
COST OF SALES	4	(52,934,841)	(36,533,190)	–	–
GROSS PROFIT		4,577,330	16,597,899	1,746,621	3,175,432
OTHER OPERATING INCOME		82,247	56,862	4,357,484	4,350,105
DISTRIBUTION EXPENSES		(4,363,292)	(4,421,654)	–	–
ADMINISTRATIVE EXPENSES		(4,946,468)	(4,357,299)	(371,745)	(976,332)
OTHER OPERATING EXPENSES		(3,808,481)	(1,621,887)	(1,088,158)	(1,578,241)
(LOSS)/PROFIT FROM OPERATIONS	5	(8,458,664)	6,253,921	4,644,202	4,970,964
FINANCE COST	8	(6,262,752)	(6,397,864)	(4,261,888)	(4,339,921)
(LOSS)/PROFIT BEFORE TAXATION		(14,721,416)	(143,943)	382,314	631,043
TAXATION	9	(1,535,490)	(736,486)	(173,606)	(424,692)
(LOSS)/PROFIT AFTER TAXATION		(16,256,906)	(880,429)	208,708	206,351
LOSS PER SHARE (SEN)					
BASIC	10	26.26	1.42		
DILUTED	10	26.43	1.44		

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

BALANCE SHEETS AS AT 31 DECEMBER 2002

In RM	Note	GROUP		COMPANY	
		2002	2001	2002	2001
NON-CURRENT ASSETS					
Property, plant and equipment	11	110,494,374	112,779,499	34,123,775	34,755,534
Investments	12	2,068,330	2,084,930	1,205,213	1,205,213
Goodwill on consolidation		265,620	265,620	—	—
Investment in subsidiaries	13	—	—	30,848,115	30,848,115
Expenditure carried forward	14	60,999	80,999	—	—
		112,889,323	115,211,048	66,177,103	66,808,862
CURRENT ASSETS					
Inventories	15	36,375,317	52,631,207	—	—
Trade receivables	16	34,101,266	31,976,395	726,453	784,911
Other receivables	17	1,880,514	2,457,130	114,737,127	114,355,438
Cash and bank balances	18	1,165,198	353,540	3,777	3,777
		73,522,295	87,418,272	115,467,357	115,144,126
CURRENT LIABILITIES					
Short term borrowings	19	53,791,136	51,788,347	53,791,136	51,788,347
Trade payables	20	16,279,625	17,293,873	11,608	11,608
Other payables	21	8,221,144	6,063,358	8,874,186	8,403,372
Tax payable		2,017,046	2,889,724	952,176	778,570
		80,308,951	78,035,302	63,629,106	60,981,897
NET CURRENT (LIABILITIES)/ASSETS					
		(6,786,656)	9,382,970	51,838,251	54,162,229
		106,102,667	124,594,018	118,015,354	120,971,091
FINANCED BY:					
Share capital	22	61,919,011	61,919,011	61,919,011	61,919,011
Reserves		14,516,619	30,773,525	27,724,306	27,515,598
Shareholders' equity		76,435,630	92,692,536	89,643,317	89,434,609
Long term borrowings	19	28,372,037	31,536,482	28,372,037	31,536,482
Deferred taxation	23	1,295,000	365,000	—	—
		106,102,667	124,594,018	118,015,354	120,971,091

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2002

GROUP		(Accumulated Losses)/				
		Share Capital	Share Premium	Revaluation Reserves	Capital Reserves	Retained Profits
In RM						Total
At 1 January 2001		61,919,011	16,966,462	4,043,820	1,118,356	9,525,316
Net loss for the year		—	—	—	—	(880,429)
At 31 December 2001		61,919,011	16,966,462	4,043,820	1,118,356	8,644,887
At 1 January 2002		61,919,011	16,966,462	4,043,820	1,118,356	8,644,887
Net loss for the year		—	—	—	—	(16,256,906)
At 31 December 2002		61,919,011	16,966,462	4,043,820	1,118,356	(7,612,019)

COMPANY		Retained Profits				
		Share Capital	Share Premium	Revaluation Reserves	Capital Reserves	(Note 24)
In RM						Total
At 1 January 2001		61,919,011	16,966,462	4,043,820	2,257,088	4,041,877
Net profit for the year		—	—	—	—	206,351
At 31 December 2001		61,919,011	16,966,462	4,043,820	2,257,088	4,248,228
At 1 January 2002		61,919,011	16,966,462	4,043,820	2,257,088	4,248,228
Net profit for the year		—	—	—	—	208,708
At 31 December 2002		61,919,011	16,966,462	4,043,820	2,257,088	4,456,936

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

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

In RM	GROUP		COMPANY	
	2002	2001	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before taxation	(14,721,416)	(143,943)	382,314	631,043
Adjustment for:				
Amortisation of expenditure carried forward	20,000	20,001	—	—
Bad debts written off	70,718	—	—	—
Depreciation	4,819,664	5,105,057	631,759	630,937
Interest expense	6,262,752	6,397,864	4,261,888	4,339,921
Inventories written off	14,354,412	—	—	—
Loss on disposal of investment	14,700	—	—	—
Provision for doubtful debts	1,848,417	—	—	—
Property, plant and equipment written off	62	—	—	—
Write-down of inventories	773,096	—	—	—
Gain on disposal of property, plant and equipment	(12,999)	—	—	—
Operating profit before working capital changes	13,429,406	11,378,979	5,275,961	5,601,901
Inventories	1,128,382	(3,660,893)	—	—
Receivables	(3,467,390)	(4,011,588)	(323,231)	(4,398,724)
Payables	1,143,538	5,846,452	470,814	1,053,286
Cash generated from operations	12,233,936	9,552,950	5,423,544	2,256,463
Income tax paid	(1,478,168)	(147,058)	—	—
Interest paid	(6,262,752)	(6,397,864)	(4,261,888)	(4,339,921)
Net cash generated from/(used in) operating activities	4,493,016	3,008,028	1,161,656	(2,083,458)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	13,000	—	—	—
Proceeds from disposal of investment	1,900	—	—	—
Purchase of property, plant and equipment	(2,534,602)	(1,911,515)	—	—
Net cash used in investing activities	(2,519,702)	(1,911,515)	—	—
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown/(repayment) of revolving credits	(221,491)	1,990,289	(221,491)	1,990,289
Drawdown/(repayment) of term loans	250,000	(2,589,849)	250,000	(2,113,649)
Net cash generated from/(used in) financing activities	28,509	(599,560)	28,509	(123,360)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,001,823	496,953	1,190,165	(2,206,818)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	(47,444,518)	(47,941,471)	(47,794,281)	(45,587,463)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 18)	(45,442,695)	(47,444,518)	(46,604,116)	(47,794,281)

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2002

1. CORPORATE INFORMATION

The principal activity of the Company is rental of properties. The principal activities of the subsidiaries are manufacturing and sale of ceramic wares, ceramic formers, pipes and general trading. There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of the Kuala Lumpur Stock Exchange. The registered office of the Company is located at 238, Jalan Segambut, 51200 Kuala Lumpur.

The numbers of employees in the Group and in the Company at the end of the financial year were 490 (2001: 543) and Nil (2001: 30) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 April 2003.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention modified to include revaluation of certain assets. The financial statements comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia.

The Group and the Company have applied certain transitional provisions as allowed by MASB Standard No. 15, Property, Plant and Equipment, by virtue of which a reporting enterprise is allowed to retain revalued amounts on the basis of their previous revaluations (subject to continuity in depreciation policy and the requirement to write an asset down to its recoverable amount), if it does not further revalue its property, plant and equipment.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The differences between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is stated at cost. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet. Goodwill is not amortised unless in the opinion of the Directors that there is no continuing value, in which case the goodwill is written off to the consolidated income statement to the extent of the diminution in value.

(d) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(p).

Freehold land and buildings of the Company have not been revalued since they were revalued in 1989. The Directors have not adopted a policy on regular revaluations of such asset. These assets have continued to be stated on the basis of their 1989 valuations as allowed by the transitional provisions adopted by the Malaysian Accounting Standards Board (MASB) Standard No. 15, Property, Plant and Equipment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Freehold land is not depreciated. Leasehold land is depreciated over the remaining periods of the respective leases. Depreciation of other property, plant and equipment is provided for on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life at the following annual rates:

Freehold buildings	2% – 5%
Plant and machinery	5% – 10%
Factory equipment and fittings	10%
Furniture, fittings and equipment	10% – 20%
Motor vehicles	10% – 20%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement and the attributable portion of the revaluation surplus is taken directly to retained profits.

(e) Investments in Subsidiaries

The Company's investments in unquoted subsidiaries, which are eliminated on consolidation, are stated at cost. Impairment loss is recognised when the Directors are of the opinion that there is a permanent impairment in the value of the investments.

Dividends from subsidiaries are included in the income statement of the Company when declared or proposed.

(f) Other Non-Current Investments

Investment properties are those properties which are held on a long term basis for their investment potential and are stated at cost.

Non-current investments other than investments in subsidiaries and investment properties are stated at cost. Impairment loss for the investment properties and non-current investments is recognised when the Directors are of the opinion that there is a permanent impairment in the value of the investments.

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

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by using standard costing method.

Cost of raw material and work-in-progress is determined on specific identification per unit and includes the cost of materials and incidentals in bringing the raw material into store.

Cost of finished products include direct cost of materials, direct labour, fixed and variable factory overheads.

(h) Foreign Currencies

Transactions in foreign currencies are recorded in Ringgit Malaysia at rates of exchange approximating those ruling at transaction dates and where settlement had not taken place at the balance sheet date, at the approximate rates ruling at that date. All exchange differences are dealt with through the income statements.

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

In RM	2002	2001
Australian Dollar	2.15	1.94
Euro	3.98	3.37
Great Britain Pound	6.09	5.52
New Zealand Dollar	1.99	1.59
Singapore Dollar	2.19	2.05
United States Dollar	3.80	3.80

(i) Deferred Taxation

Deferred taxation is provided for by using the liability method for all timing differences except when there is reasonable evidence that these timing differences will not be reversed in the foreseeable future. Deferred tax benefits are recognised when there is a reasonable expectation of realisation in the near future.

(j) Expenditure Carried Forward

Expenditure carried forward are written off to the income statements as and when incurred except that development expenditure relating to specific projects with commercial viability and for which there is a clear indication of the marketability of the products being developed, is carried forward. Such expenditure is amortised over the period in which the benefits are expected to be derived commencing in the period in which the related sales are first made.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Trade Receivables

Trade receivables are carried at anticipated realisable value. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(l) Trade Payables

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(m) Cash and Cash Equivalents

The statement of cash flows, prepared by using the indirect method, classifies changes in cash and cash equivalents according to operating, investing and financing activities. For the purpose of cash flow statements, cash and cash equivalents comprise cash and bank balances, and short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

(n) Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are charged to the income statements on a straight-line basis over the term of the relevant lease.

(o) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Sale of goods

Revenue is recognised upon delivery of goods, net of discounts, allowances and applicable indirect taxes.

(ii) Rental income

Revenue from rental of properties are recognised on an accrual basis.

(p) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(q) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

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

(r) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs. Borrowing costs are charged to income statement as an expense in the period in which they are incurred.

3. REVENUE

Revenue of the Company comprise income from rental of properties.

Revenue of the Group includes the invoiced value of goods sold after allowing for sales discounts and returns. For consolidated financial statements, revenue excludes intra-group transactions.

Revenue of the Group and of the Company consists of the following:

In RM	GROUP		COMPANY	
	2002	2001	2002	2001
Rental income	1,450,941	2,399,752	1,746,621	3,175,432
Sale of goods	56,061,230	50,731,337	—	—
	57,512,171	53,131,089	1,746,621	3,175,432

4. COST OF SALES

Cost of sales represents cost of inventories manufactured and sold.

5. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations is stated after charging/(crediting):

In RM	GROUP		COMPANY	
	2002	2001	2002	2001
Staff costs	8,867,510	8,903,398	—	856,542
Non-executive directors' remuneration (Note 7)	15,000	15,000	15,000	15,000
Auditors' remuneration	72,000	72,000	15,000	15,000
Amortisation of expenditure carried forward	20,000	20,001	—	—
Bad debts written off	70,718	—	—	—
Depreciation (Note 11)	4,819,664	5,105,057	631,759	630,937
Inventories written off	14,354,412	—	—	—
Loss on disposal of investment	14,700	—	—	—
Property, plant and equipment written off	62	—	—	—
Provision for doubtful debts	1,848,417	—	—	—
Rental of equipment and machinery	311,472	240,437	—	—
Rental of forklifts	303,180	200,316	—	—
Rental of premises	30,000	25,100	—	—
Write-down of inventories	773,096	—	—	—
Gain on disposal of property, plant and equipment	(12,999)	—	—	—
Gain on foreign exchange	(36,036)	(28,409)	—	—

6. STAFF COSTS

Included in the staff costs of the Group and of the Company are executive directors' remuneration amounting to RM580,797 (2001: RM580,812) and RM NIL (2001: RM580,812) respectively as further disclosed in Note 7.

7. DIRECTORS' REMUNERATION

In RM	GROUP		COMPANY	
	2002	2001	2002	2001
Directors of the Company				
Executive: Salaries and other emoluments	580,797	580,812	–	580,812
Non-Executive: Fees	15,000	15,000	15,000	15,000
Total	595,797	595,812	15,000	595,812

The number of Directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

		Number of Directors	
		2002	2001
Executive Directors:	RM150,000 – RM200,000	2	2
	RM200,001 – RM250,000	1	1
Non-Executive Directors:	Below RM50,000	5	5

8. FINANCE COST

In RM	GROUP		COMPANY	
	2002	2001	2002	2001
Interest expenses:				
– bankers' acceptances	484,678	542,511	484,678	542,511
– bank overdrafts	3,029,945	2,824,503	1,926,949	1,875,140
– term loans	2,625,698	2,296,243	1,748,056	1,885,941
– revolving credits	102,205	687,209	102,205	36,329
– others	20,226	47,398	–	–
	6,262,752	6,397,864	4,261,888	4,339,921

9. TAXATION

In RM	GROUP		COMPANY	
	2002	2001	2002	2001
Malaysian taxation based on the results for the year:				
– current taxation	516,795	521,486	173,606	424,692
– under-provision in prior years	88,695	–	–	–
– deferred taxation (Note 23)	930,000	215,000	–	–
	1,535,490	736,486	173,606	424,692

The effective tax rate of the Group and of the Company are higher than the statutory tax rate principally due to certain expenses were not allowed for tax purposes and the absence of group tax relief.

9. TAXATION (CONT'D)

The estimated timing differences and incentives that were not dealt with in the group financial statements are as follows:

In RM	GROUP	
	2002	2001
Unabsorbed tax losses	27,782,397	13,207,515
Unutilised capital allowances	45,145,040	42,367,035
Unutilised reinvestment allowances	23,229,530	21,842,485

10. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the net loss for the year by the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2002	2001
Net loss for the year (RM)	16,256,906	880,429
Weighted average number of ordinary shares in issue	61,919,011	61,919,011
Basic loss per share (sen)	26.26	1.42

(b) Diluted

For the purpose of calculating diluted loss per share, the net loss for the year and the weighted average number of ordinary shares in issue during the financial year have been adjusted to assume conversion of all options on 1 January 2002 or the first date exercisable, whichever is later.

Diluted loss per share is calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of dilutive options on the assumption all options were exercised on the first day of the financial year, or on the date granted if later.

	GROUP	
	2002	2001
Net loss for the year (RM)	16,256,906	880,429
Weighted average number of ordinary shares in issue	61,919,011	61,919,011
Adjustment for share options	(416,702)	(893,546)
Adjusted weighted average number of ordinary shares in issue and issuable	61,502,309	61,025,465
Diluted loss per share (sen)	26.43	1.44

11. PROPERTY, PLANT AND EQUIPMENT

In RM	Freehold land and buildings	Long term leasehold land	Short term leasehold land	Plant and machinery	Factory equipment and fittings	Furniture, fittings and equipment	Motor vehicles	Total
GROUP								
Cost/Valuation								
At 1 January 2002	76,147,133	72,262	970,795	82,052,880	5,034,863	2,788,715	5,587,999	172,654,647
Additions	–	–	–	2,367,886	116,401	50,315	–	2,534,602
Disposals/written off	–	–	–	–	–	(95)	(32,751)	(32,846)
At 31 December 2002	76,147,133	72,262	970,795	84,420,766	5,151,264	2,838,935	5,555,248	175,156,403
Representing:								
At cost	17,756,214	72,262	970,795	84,420,766	5,151,264	2,838,935	5,555,248	116,765,484
At valuation	58,390,919	–	–	–	–	–	–	58,390,919
	76,147,133	72,262	970,795	84,420,766	5,151,264	2,838,935	5,555,248	175,156,403
Accumulated Depreciation								
At 1 January 2002	14,404,678	10,673	286,836	34,551,473	3,431,506	2,437,349	4,752,633	59,875,148
Charge for the year (Note 5)	927,336	1,642	22,064	3,259,493	276,451	108,792	223,886	4,819,664
Disposals/written off	–	–	–	–	–	(33)	(32,750)	(32,783)
At 31 December 2002	15,332,014	12,315	308,900	37,810,966	3,707,957	2,546,108	4,943,769	64,662,029
Net Book Value								
At 31 December 2002	60,815,119	59,947	661,895	46,609,800	1,443,307	292,827	611,479	110,494,374
At 31 December 2001	61,742,455	61,589	683,959	47,501,407	1,603,357	351,366	835,366	112,779,499
Depreciation charge for 2001 (Note 5)	927,331	821	22,064	3,433,436	311,891	164,219	245,295	5,105,057

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

In RM	Freehold land and buildings	Long term leasehold land	Short term leasehold land	Total
COMPANY				
Cost/Valuation				
At 1 January 2002	46,605,051	72,262	970,795	47,648,108
Additions	–	–	–	–
At 31 December 2002	46,605,051	72,262	970,795	47,648,108
Representing:				
At cost	1,614,132	72,262	970,795	2,657,189
At valuation	44,990,919	–	–	44,990,919
	46,605,051	72,262	970,795	47,648,108
Accumulated Depreciation				
At 1 January 2002	12,595,065	10,673	286,836	12,892,574
Charge for the year (Note 5)	608,053	1,642	22,064	631,759
At 31 December 2002	13,203,118	12,315	308,900	13,524,333
Net Book Value				
At 31 December 2002	33,401,933	59,947	661,895	34,123,775
At 31 December 2001	34,009,986	61,589	683,959	34,755,534
Depreciation charge for 2001 (Note 5)	608,052	821	22,064	630,937

- (a) Details of independent professional valuations of freehold land and buildings owned by the Company and a subsidiary at 31 December 2002 are as follows:

Date of Valuation	Description of Property	Valuation Amount RM	Basis of Valuation
1992	Freehold land in Segambut	13,400,000	Open market value
1989	Freehold land and buildings in Segambut	44,990,919	Open market value
		58,390,919	

- (b) The Group and the Company are unable to disclose the carrying amounts of the revalued property, plant and equipment, had they been carried at cost, due to the absence of historical records.
- (c) All assets of the Group and of the Company have been pledged to financial institutions for bank facilities granted to the Company.

12. INVESTMENTS

In RM	GROUP		COMPANY	
	2002	2001	2002	2001
At cost:				
Transferable club membership	202,995	219,595	170,000	170,000
Investment properties	1,804,413	1,804,413	1,032,993	1,032,993
Unquoted shares	55,002	55,002	–	–
Quoted shares	5,920	5,920	2,220	2,220
	2,068,330	2,084,930	1,205,213	1,205,213
Market value of quoted shares	3,640	2,560	2,500	1,480

13. INVESTMENT IN SUBSIDIARIES

In RM	COMPANY	
	2002	2001
Unquoted shares at cost	30,848,115	30,848,115

Details of the subsidiaries are as follows:

Name of the Subsidiaries	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2002	2001	
GBH Ceramics Sdn Bhd	Malaysia	100	100	Manufacture and trading of vitrified clay pipes
GBH Trading Sdn Bhd	Malaysia	100	100	General trading of ceramic wares, tap wares, pipes and general bathroom wares
GBH Bathroom Products Sdn. Bhd	Malaysia	100	100	Manufacture and trading of bathroom wares
GBH Porcelain Sdn Bhd	Malaysia	100	100	Manufacture and trading of ceramic formers

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of the Subsidiaries	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2002	2001	
GBH Crown Lynn Sdn Bhd	Malaysia	100	100	Manufacture and trading of ceramic tablewares
GBH Clay Pipes Sdn Bhd	Malaysia	100	100	Manufacture and trading of vitrified clay pipes
GBH Australia Pty. Ltd.	Australia	100	100	Dormant

14. EXPENDITURE CARRIED FORWARD

In RM	GROUP	
	2002	2001
At cost:		
Development expenditure	121,000	121,000
Less: Accumulated amortisation	(60,001)	(40,001)
	<u>60,999</u>	<u>80,999</u>

15. INVENTORIES

In RM	GROUP	
	2002	2001
At cost:		
Raw materials	1,078,356	991,939
Work-in-progress	983,485	1,399,977
Finished goods	21,255,070	48,609,483
Maintenance inventories	1,345,190	1,429,778
Consumables	205,184	200,030
	<u>24,867,285</u>	<u>52,631,207</u>
At net realisable value:		
Work-in-progress	201,309	—
Finished goods	11,306,723	—
	<u>11,508,032</u>	<u>—</u>
	<u>36,375,317</u>	<u>52,631,207</u>

15. INVENTORIES (CONT'D))

During the financial year, the Directors identified a total of RM24,010,633, being slow moving inventories. The Directors assessed that these inventories will not be able to realise above their cost and accordingly, an impairment loss of RM14,354,412 has been charged against the income statement to write down these inventories to their net realisable value.

16. TRADE RECEIVABLES

In RM	GROUP		COMPANY	
	2002	2001	2002	2001
Trade receivables	36,739,800	36,571,229	726,453	2,653,572
Less: Provision for doubtful debts	(2,638,534)	(4,594,834)	–	(1,868,661)
	34,101,266	31,976,395	726,453	784,911

Included in trade receivables of the Group are amounts totalling RM11,197,710 (2001: RM8,090,753), which have been outstanding for more than 3 years.

In determining the amount to provide for doubtful trade debts, the Directors have given due consideration to the current information available to assess the likelihood of bad debts arising. Although uncertainties exist with regard to the recovery of long overdue debts, the Directors deemed the existing provision as adequate.

17. OTHER RECEIVABLES

In RM	GROUP		COMPANY	
	2002	2001	2002	2001
Due from subsidiaries	–	–	114,237,483	113,850,698
Deposits	498,003	493,090	253,662	254,599
Prepayments	410,275	733,482	225,726	229,885
Sundry receivables	972,236	1,230,558	20,256	20,256
	1,880,514	2,457,130	114,737,127	114,355,438

The amounts due from subsidiaries are unsecured, have no fixed terms of repayment and bear interest at 6% to 8% (2001: 6% to 8%) per annum.

18. CASH AND CASH EQUIVALENTS

In RM	GROUP		COMPANY	
	2002	2001	2002	2001
Cash and bank balances	1,165,198	353,540	3,777	3,777
Less:				
Bank overdrafts (Note 19)	(36,730,459)	(36,738,058)	(36,730,459)	(36,738,058)
Bankers' acceptances (Note 19)	(9,877,434)	(11,060,000)	(9,877,434)	(11,060,000)
Cash and cash equivalents	(45,442,695)	(47,444,518)	(46,604,116)	(47,794,281)

19. BORROWINGS

In RM	GROUP		COMPANY	
	2002	2001	2002	2001
Short Term Borrowings				
Secured:				
Bank overdrafts	36,730,459	36,738,058	36,730,459	36,738,058
Bankers' acceptances	7,533,000	6,967,000	7,533,000	6,967,000
Term loans	3,414,445	—	3,414,445	—
	47,677,904	43,705,058	47,677,904	43,705,058
Unsecured:				
Bankers' acceptances	2,344,434	4,093,000	2,344,434	4,093,000
Revolving credits	3,768,798	3,990,289	3,768,798	3,990,289
	6,113,232	8,083,289	6,113,232	8,083,289
	53,791,136	51,788,347	53,791,136	51,788,347
Long Term Borrowings				
Secured:				
Term loans	28,372,037	31,536,482	28,372,037	31,536,482
Total Borrowings				
Bank overdrafts (Note 18)	36,730,459	36,738,058	36,730,459	36,738,058
Bankers' acceptances (Note 18)	9,877,434	11,060,000	9,877,434	11,060,000
Revolving credits	3,768,798	3,990,289	3,768,798	3,990,289
Term loans	31,786,482	31,536,482	31,786,482	31,536,482
	82,163,173	83,324,829	82,163,173	83,324,829
Maturity of borrowings:				
Within one year	53,791,136	51,788,347	53,791,136	51,788,347
More than 1 year and less than 2 years	5,853,334	3,414,445	5,853,334	3,414,445
More than 2 years and less than 5 years	17,560,002	17,560,002	17,560,002	17,560,002
5 years or more	4,958,701	10,562,035	4,958,701	10,562,035
	82,163,173	83,324,829	82,163,173	83,324,829

19. BORROWINGS (CONT'D)

The average effective interest rates during the financial year for borrowings were as follows:

%	GROUP		COMPANY	
	2002	2001	2002	2001
Bank overdrafts	7.90	8.10	7.90	8.10
Revolving credits	5.40	4.50	5.40	4.50
Bankers' acceptances	6.50	6.70	6.50	6.70
Term loans	7.90	8.10	7.90	8.10

The secured bank borrowings are secured by the following:

- (a) by way of fixed and floating charge over the assets, both present and future of the Group; and
- (b) by corporate guarantees amounting to RM9.14 million from two subsidiaries, GBH Bathroom Products Sdn Bhd and GBH Porcelain Sdn Bhd

During the previous financial year, the lending banks have approved two years deferment on the term loans principal repayment and now repayable over eight years commencing 1 September 2000.

20. TRADE PAYABLES

In RM	GROUP		COMPANY	
	2002	2001	2002	2001
Trade payables	16,279,625	17,293,873	11,608	11,608

The normal trade credit term granted to the Group ranges from 30 to 90 days.

21. OTHER PAYABLES

In RM	GROUP		COMPANY	
	2002	2001	2002	2001
Due to subsidiaries	—	—	6,510,642	6,454,219
Due to directors	17,000	17,000	15,000	15,000
Accruals	2,307,452	2,336,744	1,275,822	925,401
Sundry payables	5,896,692	3,709,614	1,072,722	1,008,752
	8,221,144	6,063,358	8,874,186	8,403,372

The amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment

22. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each		Amount	
	2002	2001	2002 RM	2001 RM
Authorised:				
At 31 December	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid:				
At 31 December	61,919,011	61,919,011	61,919,011	61,919,011

23. DEFERRED TAXATION

In RM	GROUP	
	2002	2001
At 1 January	365,000	150,000
Transfer from income statement (Note 9)	930,000	215,000
At 31 December	1,295,000	365,000
The deferred taxation arose as a result of:		
Excess of net book value over tax written down value of the property, plant and equipment	1,295,000	365,000

24. RETAINED PROFITS

Subject to the agreement of the Inland Revenue Board, the Company has sufficient tax credit to distribute all its retained profits by way of dividends without incurring additional tax liability. The Company can distribute tax exempt dividend from its estimated tax exempt account up to approximately RM2,400,000 (2001: RM2,400,000).

25. LEASE COMMITMENTS

Future minimum rentals under non-cancellable operating leases are as follows as of 31 December:

In RM	GROUP	
	2002	2001
Within one year	303,180	303,180
After one year but not more than five years	715,197	1,018,377

26. SIGNIFICANT RELATED PARTY TRANSACTIONS

In RM	2002	2001
GROUP		
Purchase of property, plant and equipment from Ceramtec Sdn Bhd, a corporate shareholder of the Company, in which certain Directors of the Company have substantial interest	<u>2,000,000</u>	–
COMPANY		
Interest income receivable from subsidiaries,		
– GBH Bathroom Products Sdn Bhd	2,434,528	2,463,781
– GBH Ceramics Sdn Bhd	1,853,737	1,788,772
– GBH Crown Lynn Sdn Bhd	61,218	61,552
Purchase from a subsidiary, GBH Crown Lynn Sdn Bhd	2,438	–
Rental income receivable from subsidiaries,		
– GBH Ceramics Sdn Bhd	–	480,000
– GBH Crown Lynn Sdn Bhd	147,840	147,840
– GBH Porcelain Sdn Bhd	<u>147,840</u>	<u>147,840</u>

The Directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

27. CONTINGENT LIABILITIES

At 31 December 2002, there were two pending claims amounting to a total of approximately RM3,300,000 which arose from the theft and other losses suffered by a tenant in a warehouse owned by the Company.

There have been no further developments on the claims arising from these two cases. Based on the available facts and documents, the solicitors of the Company are of the view that the Company's prospects of successfully defending against the claims are good.

28. COMPARATIVES

The presentation and classification of items in the segment information (Note 30) of the previous financial year have been changed to comply with the requirement of MASB 22: Segment Reporting which was adopted during the year.

Comparatives are not disclosed for certain information relating to financial instruments as permitted by MASB 24 – Financial Instruments: Disclosure and Presentation upon first application.

29. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and 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 interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is to not engage in speculative transactions.

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debt. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The information on effective interest rates of financial liabilities are disclosed in Note 19.

29. FINANCIAL INSTRUMENTS (CONT'D)

(c) Foreign Exchange Risk

The Group is exposed to various currencies, mainly Great Britain Pound, New Zealand Dollar, Singapore Dollar and United States Dollar. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures are not hedged as the Group does not have foreign exchange contract facilities with the financial institutions. However, the Group maintains a natural hedge by having both receivables and payables for Singapore Dollar and United States Dollar.

The net unhedged financial assets and financial liabilities of the Group companies as at 31 December 2002 that are not denominated in the functional currencies are as follows:

In RM Functional currency of Group companies	Great Britain Pound	New Zealand Dollar	Singapore Dollar	United States Dollar	Total
Trade Receivables					
Ringgit Malaysia	—	—	242,837	1,995,851	2,238,688
Trade Payables					
Ringgit Malaysia	27,361	305,740	29,503	1,411,997	1,774,601
	27,361	305,740	272,340	3,407,848	4,013,289

(d) Liquidity Risk

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 maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

(e) Credit Risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

29. FINANCIAL INSTRUMENTS (CONT'D)

(f) Fair Values

The aggregate net fair values of financial assets and financial liabilities which are not carried at fair value on the balance sheets of the Group and of the Company are represented as follows:

In RM	Note	GROUP		COMPANY	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets					
Non-current unquoted shares	12	55,002	*	—	—
Non-current quoted shares	12	5,920	3,640	2,220	2,500
Amounts due from subsidiaries	17	—	—	114,237,483	#
		60,922	3,640	114,239,703	2,500
Financial Liabilities					
Amounts due to subsidiaries	21	—	—	6,510,642	#
Term loans	19	31,786,482	31,786,482	31,786,482	31,786,482
		31,786,482	31,786,482	38,297,124	31,786,482

* 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 Group does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Cash and Cash Equivalents, Receivables, Payables and Short Term Borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

(ii) Non-Current Quoted Shares

The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

(iii) Term Loans

The carrying amounts of term loans approximate fair values as their interest rate are on floating rate basis.

30. SEGMENT INFORMATION

(a) Business Segments:

The Group operates predominantly in three business segments:

- (i) Manufacturing – manufacturing of ceramic wares, ceramic formers and pipes;
- (ii) Properties – rental of properties; and
- (iii) Trading – general trading of ceramic wares, pipes and related accessories.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

30. SEGMENT INFORMATION (CONT'D)

In RM	Manufacturing		Properties		Trading		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
REVENUE AND EXPENSES										
Revenue										
External sales	56,061,230	50,731,337	1,450,941	2,399,752	–	–	–	–	57,512,171	53,131,089
Inter-segment sales	60,767	119,535	295,680	775,680	3,146,282	3,252,473	(3,502,729)	(4,147,688)	–	–
Total revenue	56,121,997	50,850,872	1,746,621	3,175,432	3,146,282	3,252,473	(3,502,729)	(4,147,688)	57,512,171	53,131,089
Results										
(Loss)/profit from operations	(9,142,358)	5,543,151	4,644,202	4,970,964	362,870	71,949	(4,323,378)	(4,332,143)	(8,458,664)	6,253,921
Finance cost	(6,270,296)	(6,324,364)	(4,261,888)	(4,339,921)	(80,051)	(47,684)	4,349,483	4,314,105	(6,262,752)	(6,397,864)
Taxation	(1,273,467)	(305,000)	(173,606)	(424,692)	(88,417)	(6,794)	–	–	(1,535,490)	(736,486)
(Loss)/profit after taxation	(16,686,121)	(1,086,213)	208,708	206,351	194,402	17,471	26,105	(18,038)	(16,256,906)	(880,429)
ASSETS AND LIABILITIES										
Segment assets	110,826,633	128,067,066	67,672,597	68,367,910	7,912,388	6,194,344	–	–	186,411,618	202,629,320
Segment liabilities	18,735,619	19,646,398	85,490,501	86,064,160	5,749,868	4,226,226	–	–	109,975,988	109,936,784
OTHER INFORMATION										
Depreciation	4,187,905	4,474,120	631,759	630,937	–	–	–	–	4,819,664	5,105,057
Amortisation of expenditure carried forward	–	–	–	–	20,000	20,001	–	–	20,000	20,001
Non-cash expenses other than depreciation and amortisation	17,046,705	–	–	–	–	–	–	–	17,046,705	–

(b) Geographical Segments:

Information on the Group's operations by geographical segments is not presented as the Group predominantly operates in Malaysia.

FINANCIAL HIGHLIGHTS

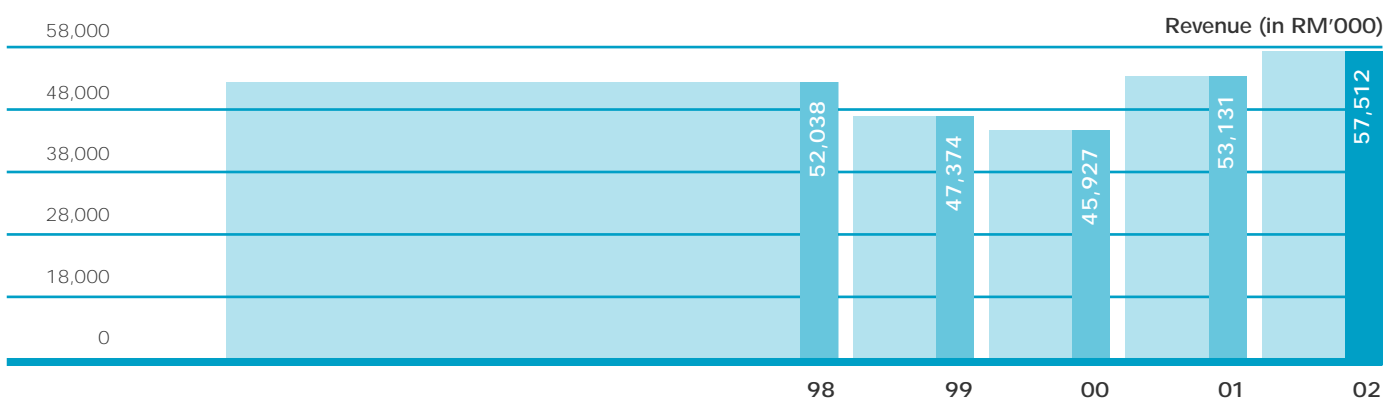
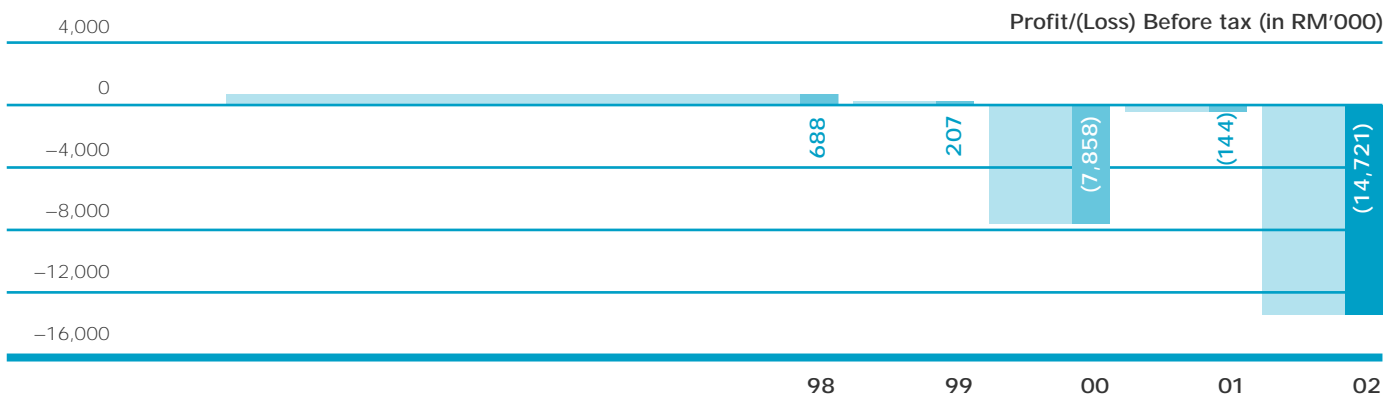
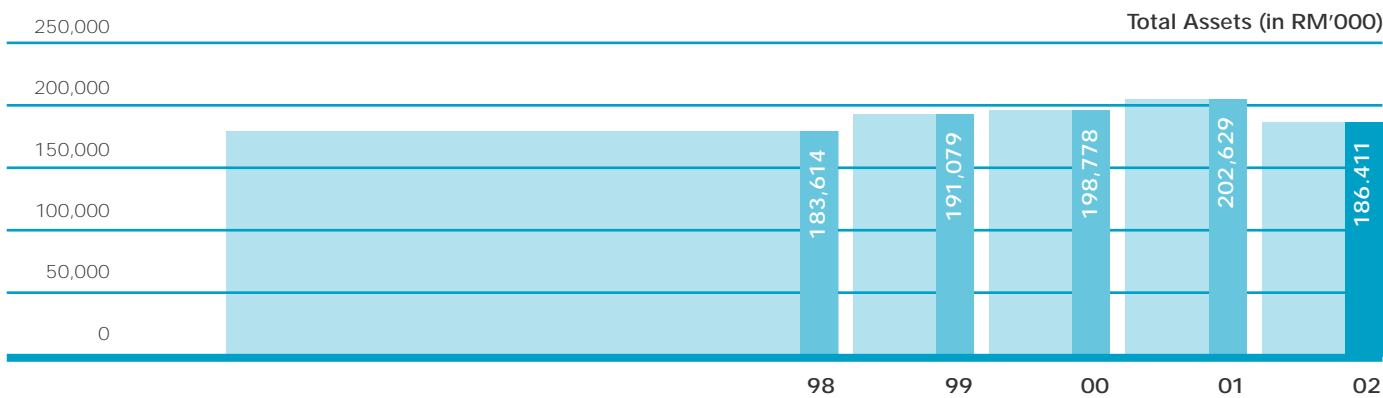
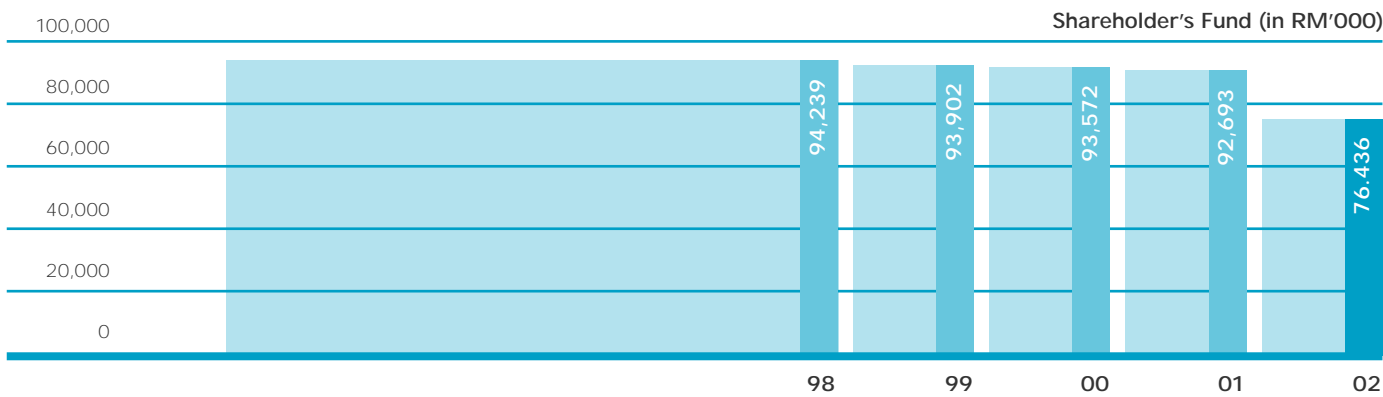
FOR THE YEAR ENDED 31 DECEMBER 1998 TO 31 DECEMBER 2002

In RM'000	1998	1999	2000	2001	2002
Group Turnover	52,038	47,374	45,927	53,131	57,512
Group Profit/(Loss) Before Tax	688	207	(7,858)	(144)	(14,721)
Taxation	21	266	(577)	(736)	(1,536)
Profit/(Loss) After Tax	709	473	(8,435)	(880)	(16,257)
Minority Interest	–	–	–	–	–
Profit/(Loss) Attributable To Shareholder	709	473	(8,435)	(880)	(16,257)
Net Dividend	811	811	–	–	–
Net Earning/(Loss) Per Share (Sen)	1.30	0.80	(13.80)	(1.42)	(26.26)
Gross Dividend Rate Per Share (%)	2.00	2.00	–	–	–

SUMMARISED BALANCE SHEETS AS AT 31 DECEMBER 1998 TO 31 DECEMBER 2002

In RM'000	1998	1999	2000	2001	2002
Property, Plant and Equipment	124,678	119,640	115,973	112,780	110,494
Other Investments	1,962	1,962	2,085	2,085	2,068
Goodwill On Consolidation	265	265	265	265	265
Net Current Assets/(Liabilities)	(28,636)	(27,339)	3,196	9,464	(6,724)
	98,269	94,528	121,519	124,594	106,103
Financed By:					
Share Capital	56,290	56,290	61,919	61,919	61,919
Share Premium	14,490	14,490	16,966	16,966	16,966
Reserves	23,459	23,122	14,687	13,808	(2,449)
	94,239	93,902	93,572	92,693	76,436
Deferred And Long Term Liabilities	4,030	626	27,947	31,901	29,667
	98,269	94,528	121,519	124,594	106,103
Share Capital	56,290	56,290	61,919	61,919	61,919
Shareholders' Fund	94,239	93,902	93,572	92,693	76,436
Net Tangible Assets Per Share(RM)	1.67	1.66	1.51	1.49	1.23

FIVE YEARS FINANCIAL HIGHLIGHTS



ANALYSIS OF SHAREHOLDINGS

The Company has 2,592 shareholders as at 30 April 2003. There are only one class of shares namely, ordinary shares of RM1.00 each and the voting rights for these share are one vote per ordinary share.

Distribution of Shareholders

Size of Shareholdings	No of Shareholders	%	No of Shares	%
Less than 1,000	249	9.61	83,052	0.13
1,000 – 10,000	2,127	82.06	5,657,956	9.14
10,001 – 100,000	178	6.87	5,206,024	8.41
100,001 to less than 5% of issued shares	34	1.31	13,821,911	22.32
5% and above of issued shares	4	0.15	37,150,068	60.00
Total	2,592	100.00	61,919,011	100.00

List of Thirty Largest Shareholders as at 30 April 2003

No	Shareholders' Name	No of Ordinary Shares of RM1.00 each	Percentage of Issued capital %
1	AllianceGroup Nominees (Tempatan) Sdn Bhd (Pledged Sec. Acc. For Ceramtec Sdn Bhd)	11,420,286	18.44
2	Lembaga Tabung Angkatan Tentera	11,260,000	18.19
3	Ceramtec Sdn Bhd	9,872,782	15.94
4	AllianceGroup Nominees (Tempatan) Sdn Bhd (Pledged Acc. For Wan Shalihudin Wan Ibrahim)	4,597,000	7.42
5	Goh Soon Eng	1,244,254	2.01
6	Tan Ah Cheun	1,176,125	1.90
7	Chew Boon Seng	1,120,000	1.81
8	Tan Guat Poh	1,087,250	1.76
9	Lim Siew Sooi	983,000	1.59
10	Lau Siew Kian	800,000	1.29
11	Goh Tye Nam	691,456	1.12
12	Mayban Securities Nominees (Tempatan) Sdn Bhd (Pledged Sec. Acc. For Ong Huey Peng)	666,000	1.08
13	Wong Hok Yim	563,000	0.91
14	Tan Lai Ming	500,000	0.81
15	Tan Han Chuan	440,000	0.71
16	Hong Leong Finance Berhad (Pledged Sec. Acc For Lee Teck Yuen)	385,000	0.62
17	Goh Tai Seng	315,322	0.51
18	Bank Simpanan Nasional	289,000	0.47
19	Cartaban Nominees (Asing) Sdn Bhd (Credit Agricole Indosuez Lausanne for Suckchai Nganthavee)	286,000	0.46
20	Goh Tai He	280,896	0.45
21	Goh Leong Chuan	280,000	0.45
22	Then Yen Sun	270,000	0.44
23	Chen Seong Fook	267,500	0.43
24	Aplha Dynamics Sdn Bhd	261,250	0.42
25	Chan Wan Moi	259,000	0.42
26	Ong Huey Peng	251,000	0.41
27	Mayban Securities Nominees (Asing) Sdn Bhd (UOB-Kay Hian Pte Ltd for Singatronics Investment Pte Ltd)	250,000	0.40
28	Chua Shiok Hoon	235,000	0.38
29	SJ Sec Nominees (Tempatan) Sdn Bhd (Pledged Sec. Acc. For Tan Saw Sim)	182,000	0.29
30	Tan Chong Pen	176,000	0.28
		50,409,121	81.41

ANALYSIS OF SHAREHOLDINGS (CONT'D)

Substantial Shareholdings as at 30 April 2003 (as per Register of Substantial Shareholders)

No	Shareholder's Name	Direct Interest	%	Indirect Interest	%
1	Lembaga Tabung Angkatan Tentera	11,260,000	18.19	—	—
2	Ceramtec Sdn Bhd	21,293,068	34.39	—	—
3	Goh Tai Seng	315,322	0.51	21,293,068	34.39*
4	Goh Tai He	280,896	0.51	21,293,068	34.39*
5	Wan Shalihudin Bin Wan Ibrahim	5,629,000	9.09	—	—
6	Goh Tye Nam	691,456	1.12	21,293,068	34.39*

Note : * Deemed interest by virtue of his shareholdings in Ceramtec Sdn Bhd under Section 6A(4) of the Companies Act, 1965

Directors' Shareholdings as at 30 April 2003 (as per Register of Director's Shareholdings)

No	Name	Direct Interest	%	Indirect Interest	%
1	Goh Tai Seng	315,322	0.51	21,293,068	34.39*
2	Goh Tai He	280,896	0.45	21,293,068	34.39*
3	Tan Ah Cheun	1,176,125	1.90	—	—
4	Dato' Haji Mohd Sarit Bin Haji Yusoh	—	—	—	—
5	Haji Mohamed Amin Bin Haji Mohamed	7,000	0.01	—	—
6	Wan Shalihudin Bin Wan Ibrahim	5,629,000	9.09	—	—
7	Dato' Haji Mohd Yusof Bin Haji Mohamed (Alternate Director to Haji Mohamed Amin Bin Haji Mohamed)	—	—	—	—
8	Brig Jen (Rtd) Dato' Mior Azam Bin Mior Safi	—	—	—	—

Note : * Deemed interest by virtue of his shareholdings in Ceramtec Sdn Bhd under Section 6A(4) of the Companies Act, 1965

PARTICULARS OF GROUP PROPERTIES

The Properties included in land and buildings at 31 December 2002 are indicated below.

Location/Address (All Mukim of Batu Federal Territory Kuala Lumpur	Land Area (Sq Meter)	Tenure	Existing Use	Approximate Age of Buildings (Years)	NBV of Properties In existing state (RM)
Lot 46260 (formerly known as Lot P.T. 555)	706	Leasehold (Expiring 05/09/2033)	Storage Yard	30	133,642
Lot 46261 (formerly known as Lot P.T. 556)	2,831	Leasehold (Expiring 05/09/2033)	Storage Yard	25	528,253
Lot 46262 (formerly known as Lot P.T. 6049)	260	Leasehold (Expiring 27/08/2077)	Storage Yard	30	59,947
Lot 1470	15,862	Freehold	Factory Land & Building	29	5,233,076
Lot 2983	4,044	Freehold	Factory Land & Building	54	1,421,259
Lot 3680	5,481	Freehold	Office Building & Resident Bungalow	54	1,926,125
Lot 2984	26,362	Freehold	Factory Land & Building & Warehouse for Rental	54	11,931,319
Lot 4397	545	Freehold	Factory Land & Building & Warehouse for Rental	54	162,846
Lot 38755	93	Freehold	Access Road	60	27,645
Lot 4722	1,898	Freehold	Warehouse for Rental	34	567,062
Lot 32661	38,307	Freehold	Warehouse for Rental	34	12,139,318
Lot P.T. 15519	23,446	Freehold	Factory Land & Building	9	27,406,469
					119,835
					61,536,961

NOTE

*I/*We
(Full Name in Capital Letters)
of
(Address)

being a *member/*members of **GOH BAN HUAT BERHAD**, hereby appoint

(Full Name)
NRIC No

of
(Address)

or failing him
(Full Name)
NRIC No:

of
(Address)

as *my/*our proxy to vote for *me/*us on *my/*our behalf at the Fifty-Sixth Annual General Meeting of the Company to be held at Bunga Kenanga, Level 3, Pan Pacific Hotel Kuala Lumpur, Jalan Putra, 50746 Kuala Lumpur on Tuesday, 24 June 2003 at 3.00 p.m. and at any adjournment thereof.

The proportion of *my/*our holding to be represented by *my/*our proxies are as follows:
(The next paragraph should be completed only when two proxies are appointed)

Number of shares held:

First proxy (1) % Second proxy (2) %

Resolutions	For	Against
Resolution 1		
Resolution 2		
Resolution 3		
Resolution 4		
Resolution 5		
Resolution 6		

(Please indicate with (x) how you wish your vote to be casted. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.)

Dated this day of 2003

Number of Ordinary Shares Held

Signature(s)/Common Seal of Shareholders
(*Delete if not applicable)

- Notes
- 1 A member of the Company entitled to attend and vote at the Fifty-Sixth Annual General Meeting is entitled to appoint a proxy/proxies, to attend and vote instead of him. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 need not complied with.

2 Where a member appoints two or more proxies, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.

3 The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

4 The instrument appointing a proxy must be deposited at No. 238 Jalan Segambut, 51200 Kuala Lumpur at least forty-eight (48) hours before the time set for holding the Meeting or any adjournment thereof.

Explanatory note on special business of the Agenda.

5 The Ordinary Resolution proposed under Item 5 is in line with the Company's expansion plan which may involve the issue of new shares. Under Section 132D of the Companies Act, 1965, the Directors would have to call for a general meeting to approve the issue of new shares even though the number of shares involved is less than 10% of the Issued share capital of the Company for the time being. In order to avoid any delay and costs involved in convening a general meeting, it is thus considered appropriate to seek the shareholders' approval for Directors of the Company to issue shares in the Company up to an aggregate amount of not exceeding 10% of the issued share capital of the Company for the time being for such purposes as they consider would be in the best interest of the Company and also to empower Directors to obtain approval from the Kuala Lumpur Stock Exchange for the listing of and quotation for additional shares issued. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

Fold along this line (1)

Stamp

The Company Secretary
GOH BAN HUAT BERHAD
238 Jalan Segambut
51200 Kuala Lumpur
Malaysia

Fold along this line (2)





238, Jalan Segambut,
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