Sales of Ceramic clay pipes experienced an increase of 14.0% compared to the previous year.

innovation
in products, services, and mindset

However, price levels for the product continued to be unsatisfactorily low as a result of the prevailing general overcapacity against a sluggish market. This made the division very vulnerable to the increased cost of piped natural gas and the division suffered a loss before tax of RM6.28 million. Costs of natural gas as a component of total manufacturing cost shot up from being 20.0% of production cost to almost 35.0% to become the largest cost component for the manufacture of this product. When prevailing costs of natural gas available in competitor countries are factored into our costs, this component would amount to some 12%-15% of total manufacturing costs, indicating that our plant is globally competitive excepting the extraordinary pricing mechanism for Malaysian natural gas.

GBH Crown Lynn, the Company's tableware division, recorded a 32.0% increase in turnover and showed potential in the near future of being a contributor to the Group's performance. The Company's policy of focusing on producing 5-star quality products enabled it to venture out of the shadow cast by notable imports and the Company is proud that its wares are now proudly used in many 5-star locations in the market place.

Additional up-to-date machinery had been added into this division to balance the capacity of this division and further improve the quality of the wares.

The Ceramic Formers division suffered a reduction in turnover as rubber glove manufacturers were hit by a general over-supply position. Turnover decreased by about 20.0% compared to the previous year. Despite the lower sales however, this division maintained its profit performance with a contribution of profit before tax of RM0.99 million as compared to RM1.05 million in 1999. To combat effects of the recession in the rubber glove industry, the Company embarked on a drastic program to reduce costs and to substantially increase the measurable qualities of its ceramic formers, with a view of gaining market share.

During the Year, the Company also wrote-off RM0.75 million in bad debts and expensed off a non-recurring amount of RM1.25 million representing capital raising and bank facility restructuring expenses. Total losses suffered by the Group amounted RM7.86 million before tax.

OTHER MATTERS:

During the year, your Company issued 5,629,000 new Ordinary Shares at an issue price of RM1.44 per share pursuant to Section 132D of the Companies Act, 1965 through private placement.

The new Shares were issued on a fully-paid basis and gross proceeds amounting to RM8,105,760 were received on 8 March 2000. Total issued capital of the Company now stands at 61,919,011 Ordinary Shares of RM1.00 each. In addition, the Company also applied for and obtained the approvals of all relevant authorities, including the approvals of the Securities Commission on 14 December 2000 and the Kuala Lumpur Stock Exchange on 9 November 2000 for the issue of 6,191,000 new Ordinary Shares

quality
our commitment,
every day

of RM1.00 each pursuant to the Employee Share Option Scheme (ESOS) entitling allotment of such Options to eligible employees of the Group to subscribe for Ordinary Shares of the Company. On 4 January 2001, the Option Committee has issued options to subscribe a total of 6,051,000 new Ordinary Shares of RM1.00 each in the company, pursuant to ESOS, to eligible employees at a subscription price of RM1.11 per share.

FUTURE PROSPECTS:

The Group looks forward to the current year with cautious optimism. With the Government working hard to revitalise the economy with increased expenditure particularly in the construction industry, your Group is hopeful that it will be able to position itself to successfully market its building material products to a Government-led revitalisation of the building and construction sector. Additionally, with the success of substantially increasing the measurable qualities of our ceramic formers, the Group is hopeful that it might meaningfully increase its market share in this particular industry.

With the many innovations pioneered by the Group in the recent past, particularly in the toilet-ware industry, the Group is also hopeful of being able to increase its market share in this particular segment of our business. Increasingly, the Group needs to source out value-added accessories related to its core-businesses to generate higher values for its products. Continued representations will be made to the relevant authorities to revise the extraordinary pricing formula for piped natural gas to industrial consumers like ourselves Fundamentally, the Group hopes to reprove its fundamental viability in the light of the adverse performance suffered in financial year ended December 31, 2000.

CONCLUSION:

Mr Loh Siew Cheang resigned from the Board of Directors on 24 July 2000 and we wish to record our thanks and appreciation for his valuable contributions to your Group. At the same time, we wish to welcome the appointment of Encik Wan Shalihudin Bin Wan Ibrahim to the Board of Directors on 28 November 2000. With regret, we were advised of the sudden demise of our Director Mejar Jeneral (B) Datuk Jelani Bin Haji Asmawi, on 20 April 2001. Finally, we would like to thank the Group's shareholders, bankers, suppliers, valued customers, and last, but not least, dedicated and committed staff for your continued support to the Group.

Alex Goh Tai Seng

Chairman of the Board