



Annual Report 2001



RALCO CORPORATION BERHAD
(333101-V)

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of the Company will be held at the East VIP Lounge, Kuala Lumpur Golf & Country Club, No.10 Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Tuesday, 11 June 2002 at 10.00a.m. for the transaction of the following business:-

AGENDA

- 1) To receive and adopt the Directors' Report and Accounts for the year ended 31 December 2001 together with the Auditors report thereon. (Resolution 1)
- 2) To declare a first and final dividend of 5% (Tax-exempt) for the year ended 31 December 2001. (Resolution 2)
- 3) To approve the payment of Directors' Fees amounting to RM56,000.00 for the year ended 31 December 2001. (Resolution 3)
- 4) To consider and if thought fit, to pass the following resolutions.
 - 4.1 That Mr. Tan Kie Lu retires by rotation pursuant to Article 64 of the Company's Articles of Association be and is hereby re-elected as Directors of the Company. (Resolution 4)
 - 4.2 That Mr. Heng Chee Wei retires pursuant to Article 69 of the Company's Articles of Association be and is hereby re-elected as Director of the Company. (Resolution 5)
- 5) To re-appoint Messrs Moores Rowland as auditors and authorise the directors to fix their remuneration. (Resolution 6)
- 6) To consider and, if thought fit, pass with or without modifications, the following resolutions as **special resolutions** :-

Proposed Amendments to the Articles of Association

- 6.1 "THAT in order to comply with the provisions of Chapter 7 of the Listing Requirements of the Kuala Lumpur Stock Exchange the Articles of Association of the Company be amended accordingly in such manner as shown in Appendix I annexed herewith be and is hereby approved." (Resolution 7)
- 6.2 "THAT the Articles and Association of the Company be also amended to give authority to the Company to purchase its own shares pursuant to Section 67A Companies Act by adding a new article as 'Article 40A' the exact wording of which are as shown in Appendix I be and is hereby approved." (Resolution 8)

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

7) Special Business

To consider and if thought fit, pass the following resolution as an **ordinary resolution** :- **(Resolution 9)**

"That pursuant to Section 132D of the Companies Act, 1965, and subject to the approval of all relevant authorities being obtained, the directors be and are hereby authorised to 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 issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of quotation for the additional shares to be 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."

8) To transact any other business of which due notice shall have been received.

NOTICE IS HEREBY GIVEN that the First and Final Tax Exempt Dividend of 5% for the year ended 31 December 2001, if approved, will be paid on 30 July 2002. The entitlement date for the dividend payment is 3 July 2002.

A depositor shall qualify for entitlement only in respect of:

- (a) Shares transferred into the Depositor's Securities Account before 12.30pm on 3 July 2002 in respect of ordinary transfers, and;
- (b) Shares bought on The Kuala Lumpur Stock Exchange on cum entitlement basis according to the Rules of The Kuala Lumpur Stock Exchange.

By Order of The Board,

SUI DIONG HOE
Secretary

21 May 2002
Kuala Lumpur

NOTES:

- 1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll, to vote instead of him. A proxy may but need not be a member of the Company.
- 2. The instrument appointing a proxy shall be deposited at the Registered Office No. 7.19, 7th Floor, Wisma Central, Jalan Ampang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting.
- 3. A Proxy Form is enclosed.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Heng Hong Chai (*Chairman*)
Mr Yong Ng Gah @ Yong Wee Sing
Mr Tan Kie Lu
Mr Heng Chee Wei

COMPANY SECRETARIES

Mr Sui Diong Hoe (MIA 3663)
Ms Margaret Joseph (LS 01683)

REGISTERED OFFICE

No. 7.19, 7th Floor, Wisma Central
Jalan Ampang, 50450 Kuala Lumpur
Tel: 603-2163 4133
Fax: 603-2162 4217
e-mail: scanasia@tm.net.my

PRINCIPAL PLACE OF BUSINESS

No. 11, Jalan PJS 11/28B, Bandar Sunway
46150 Petaling Jaya, Selangor Darul Ehsan
Tel: 603-5635 1999
Fax: 603-5632 8023
e-mail: ralco@tm.net.my
website: www.ralco.net

REGISTRAR

Systems & Securities Sdn Bhd
Wisma Selangor Dredging, 6th Floor, South Block
142-A, Jalan Ampang, 50450 Kuala Lumpur
e-mail: systems@po.jaring.my

AUDITORS

Moores Rowland
Chartered Accountants
Wisma Selangor Dredging, 7th Floor, South Block
142-A, Jalan Ampang, 50450 Kuala Lumpur
e-mail: consult@mooresrowland.com.my

PRINCIPAL BANKERS

HSBC Bank Malaysia Berhad
Malayan Banking Berhad
The Bank of Nova Scotia Berhad
United Overseas Bank (Malaysia) Bhd

STOCK EXCHANGE LISTING

Second Board of the Kuala Lumpur Stock Exchange
Stock Code: 7498

LEGAL FORM AND PLACE OF INCORPORATION

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

DOMICILE

Malaysia

CORPORATE STRUCTURE



100%

Ralco Holdings
Sdn Bhd

50%

Ralco Properties
Sdn Bhd

100%

Ralco Plastic
Sdn Bhd

100%

Ralco E.U.T.
Properties
Sdn Bhd

100%

Ralco Coolers
Sdn Bhd



PROFILE OF THE DIRECTORS

DETAILS OF DIRECTORS

| DETAILS | HENG HONG CHAI | YONG NG GAH @ YONG WEE SING | TAN KIE LU | HENG CHEE WEI |
|---|---|---|--|--|
| Directorship | Non-Independent Executive Director | Independent Non-Executive Director | Non-Independent Non-Executive Director | Independent Non-Executive Director |
| Age | 49 years old | 60 years old | 51 years old | 31 years old |
| Nationality & Race | Malaysian/Chinese | Malaysian/Chinese | Malaysian/Chinese | Malaysian/Chinese |
| Qualification | | Bachelor of Engineering Degree in Chemical Engineering | | Member of The Malaysian Institute of Accountants |
| Working experience & occupation for the past 5 years | 1996 – Present Executive Chairman, Ralco Corporation Bhd He has been actively involved in the plastic industry for more than 19 years, having his earlier training in Mapo Industries Sdn Bhd which is involved in the manufacturing of plastic containers and Kemplex Plastic Industries Sdn Bhd which is involved in the manufacturing of plastic drums | 1994 – Present Director of Cybron Holdings Bhd, which is principally involved in the manufacture of precision plastic and metal components for the electronics industry 1984 – 1993 Managing Director, Ancom Bhd | 1987 – Present Director and shareholder of KJ Engineering Sdn Bhd It is part of the multinational Vivendi Group which is involved in energy, water, waste management and hospital maintenance | 2000 – Present Operations Manager, Import Division, Federal Express Services (M) Sdn Bhd 1999 – 2000 Finance Manager, Sis Distribution (M) Sdn Bhd 1996 – 1999 Senior Associate, Pricewaterhouse Coopers |
| Other directorships of public companies | Nil | Nil | Nil | Nil |
| Securities holdings in RALCO and its subsidiaries | 6,110,690 ordinary shares of RALCO | 1,000 ordinary shares of RALCO | 1,571,710 ordinary shares of RALCO | Nil |
| Family relationship with any director and/ or major shareholder of RALCO | Nil | Nil | Nil | Nil |
| Any conflict of interest with the listed issuer | Nil | Nil | Nil | Nil |
| List of convictions for offences within the past 10 years other than traffic offences, if any | Nil | Nil | Nil | Nil |

PROFILE OF THE DIRECTORS

DETAILS OF DIRECTORS (cont'd)

HENG HONG CHAI

Malaysian, Age 49

Non-Independent Executive Director

Mr. Heng was appointed to the board on 25 May 1996 and assumed his current position as Chairman/ Managing Director since then. He is the founder member of Ralco Plastic Sdn Bhd, a wholly owned subsidiary company. He attended all five board meetings held in the financial year. Mr. Heng has been actively involved in the plastic industry for more than 19 years having his earlier training in Mapo Industries Sdn Bhd which is involved in the manufacturing of plastic containers and Kemplex Plastic Industries Sdn Bhd which is involved in the manufacturing of plastic drums. Over the years he has acquired wide experience in plastic blow and injection moulding process and techniques. In addition, he had attended numerous training programmes in Taiwan, Thailand, Europe and Germany in the latest plastic blow and injection moulding technology. Mr. Heng holds 6,110,690 ordinary shares in the Company. He does not hold any directorship in any other public-listed company. He has no conflict of interest with the Group and has no family relationship with any other directors or major shareholders of the Group. He has not been convicted for offences within the past ten years other than for traffic offences, if any.

YONG NG GAH @ YONG WEE SING

Malaysian, Age 60

Independent Non-Executive Director

Mr. Yong was appointed to the Board on 25 May 1996. He attended all five board meetings held in the financial year. He holds a Bachelor of Engineering Degree in Chemical Engineering from Sydney University. Presently, he is serving as a Director in Cybron Holdings Berhad, which is principally involved in the manufacturing of precision plastic and metal components for electronics industry. He was the Managing Director of Ancom Berhad from 1984-1993. He has wide experience and knowledge in all aspect of manufacturing, property development management, business management, finance, taxation, legal and handling of Government contracts. Mr. Yong holds 1,000 ordinary shares in the Company. He does not hold any directorship in any other public-listed company. He has no conflict of interest with the Group and has no family relationship with any other directors or major shareholders of the Group. He has not been convicted for offences within the past ten years other than for traffic offences, if any.

TAN KIE LU

Malaysian, Age 51

Non-Independent & Non-Executive Director

Mr Tan was appointed to the Board on 23 September 1997. He attended all five board meetings held in the financial year. Currently, he is a Shareholder and Director of KJ Engineering Sdn Bhd, a subsidiary of the multinational Vivendi Group which is principally involved in energy, water, waste management and hospital maintenance. Mr Tan holds 1,571,710 ordinary shares in the Company. He does not hold any directorship in any other public-listed company. He has no conflict of interest with the Group and has no family relationship with any other directors or major shareholders of the Group. He has not been convicted for offences within the past ten years other than for traffic offences, if any.

HENG CHEE WEI

Malaysian, Age 31

Independent Non-Executive Director

Mr. Heng was appointed to the Board on 8 August 2001 and he attended two board meetings held subsequent to his appointment during the financial year. Mr Heng is a member of the Malaysian Institute of Accountants. He is currently the Operations Manager-Import Division of Federal Express Services (M) Sdn Bhd and was the Finance Manager of Sis Distribution (M) Sdn Bhd from 1999-2000. He also worked as a Senior Associate in PricewaterhouseCoopers from 1996-1999. He does not hold any directorship in any other public-listed company. He has no conflict of interest with the Group and has no family relationship with any other directors or major shareholders of the Group. He has not been convicted for offences within the past ten years other than for traffic offences, if any.

CORPORATE GOVERNANCE

The Board of Directors fully supports the recommendations in the Malaysian Code on Corporate Governance ("the Code") and to that end is committed to ensuring the high standards of corporate governance to be practised both by the Company and its subsidiaries ("the Group").

The Board will evaluate on a ongoing process the status of the Group's corporate governance practices and procedures and will adopt and implement the best practices as recommended in the Code in the best interest of all shareholders of the Company.

Set out below is a statement of how the Group has applied the principles set out in the Code during the financial period. Any areas where the Company has as yet to comply with the Code are shown and explanations for non-compliance have also been given.

BOARD COMPOSITION

The Board of Directors has 4 members : 1 executive director (managing director) and 3 non-executive directors, 2 of which also function as senior independent non-executive directors where concerns of shareholders, management and others may be conveyed to. The Board members believe that no individual or small group of individuals can dominate the Board's decision making process.

The executive and non-executive directors with their different backgrounds and specializations bring a wide range of skills, finance and technical expertise. This allows each of them to bring their independent judgement to bear on the issues of strategy, performance, resources, including key appointments and standards of conduct. This is necessary to ensure that the Group is effectively led and controlled. The profile of the directors is presented at pages 6 to 7.

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

The position of the Chairman and the Managing Director are currently not separated. The Managing Director is primarily responsible for the orderly conduct and the working of the Board, day-to-day running of the business and implementation of Board policies and decisions. The presence of independent non-executive directors has provided unbiased and independent views, advice and judgement as well to safeguard the interest of other parties such as minority shareholders. However, the Board did not exclude a review of this composition in the future.

CORPORATE GOVERNANCE (cont'd)

BOARD MEETINGS

The Board of Directors meet regularly and all the proceedings at the Board meetings are properly minuted and signed by the chairman. The Board follows formal schedules for meetings and members are adequately provided with status report and Board papers to assist them to made the best decisions in the interest of the Company at all times.

During the financial period, 5 Board meetings were held. The following is the record of attendance of the directors:-

| Executive Director | Total |
|--|-------|
| 1. Heng Hong Chai | 5 / 5 |
| | |
| Non-Executive Director | Total |
| 1. Tan Kie Lu | 5 / 5 |
| 2. Yong Ng Gah @ Yong Wee Sing | 5 / 5 |
| 3. Heng Chee Wei (appointed on 8 Aug '01) | 2 / 2 |
| 4. Syed Annuar Bin Syed Amir Baftim (resigned on 12 May '01) | 2 / 2 |
| 5. Chang Sieh Joo (resigned on 28 April '01) | 0 / 2 |
| 6. Lee Yoke Fong (appointed on 18 May '01 and resigned on 8 Aug '01) | - |

In addition to the above formal Board meetings, there were many informal meetings of the Board and decisions and approvals were also made by the Board through circular resolutions of the directors.

SUPPLY OF INFORMATION

Prior to any Board meeting, every director is given an agenda and a set of Board papers for each agenda item to be deliberated. The Managing Director will lead the presentation of Board papers and provide explanation of pertinent issues. All directors are entitled to call for additional clarification and information to assist them in matters that require their decision making.

All directors have unrestricted access to and advice and services of the Company secretaries and are entitled to seek independent professional advice at their discretion.

REMUNERATION AND NOMINATION COMMITTEE

In accordance with the best practice recommended by the Code the Board will establish in due course a Remuneration and Nomination Committee to recommend to the Board the remuneration and review performance of the executive directors in all its forms. The Board is of the view that the present remuneration structure of the executive directors is conservative and fair and needed no urgent review or establishment of a Remuneration and Nomination Committee. The Remuneration and Nomination Committee when established will be responsible for making recommendations to the Board on all new Board appointments. The Board is of the view that the present Board members have the required mix of skills and experience as envisaged by the Code.

RE-ELECTION

Every director will be required by the Company's Articles of Association to be amended to retire by rotation at intervals of not less than three years at each Annual General Meeting ("AGM"). The directors to retire in each year are the directors who have been longest in office since their appointment or re-appointment. A retiring director is eligible for re-appointment.

AUDIT COMMITTEE

The Audit Committee has revised its terms of reference in conformity to the KLSE Listing Requirements. The report of Audit Committee is presented on pages 13 to 17.

DIRECTORS' TRAINING

During the financial period all directors have completed the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysis Malaysia. All directors are encouraged to attend professionally conducted seminars relevant to the Company's business.

REMUNERATION OF DIRECTORS

The remuneration of Executive Directors is determined and based on market rates commensurate with the experience, knowledge and professional skill of Executive Directors. The overriding principle in setting the remuneration packages for the Executive Directors is to ensure that the Company attracts and retains the right calibre personnel needed to run the respective business units successfully. Directors' fees are recommended by the Board and these are subject to approval by shareholders at the AGM. The remuneration of all directors for the financial year ended 31 December 2001, in aggregation and analysed into bands of RM50,000.00, is as follows:-

CORPORATE GOVERNANCE (cont'd)

| | Executive Director | Non-Executive Director |
|----------------|--------------------|------------------------|
| | RM'000 | RM'000 |
| Salaries & EPF | 202 | – |
| Fees | 10 | 46 |
| Total | 212 | 46 |

| | Number of Directors | |
|------------------------|---------------------|---------------|
| Range of remuneration | Executive | Non-Executive |
| Less than RM50,000 | | 5 |
| RM200,001 to RM250,000 | 1 | |

SHAREHOLDER COMMUNICATION AND INVESTOR RELATIONSHIP POLICY

The Board believes in clear communication and recognises that timely and equal dissemination of relevant information be provided to its shareholders. The annual reports and the quarterly announcements are employed to report on the Group's business, activities and financial performance to all its shareholders.

The AGM is the principal forum of dialogue with the shareholders. Shareholders are notified of the meeting and provided with a copy of the Company's Annual Report before the meeting. At each AGM, the Board presents the progress and performance of the Company as contained in the Annual Report and shareholders are encouraged to participate and are given the opportunity to raise questions or to seek for more information. During the meeting, the Chairman and Board members are available to respond to all shareholders' queries. The Board will provide a written answer to any question that cannot readily be answered at the meeting. However, any information that may be regarded as undisclosed material information about the Group will not be given.

FINANCIAL REPORTING

The Board aims to provide and present a balanced and understandable assessment of the Group's financial performance, review of operations and prospects of the financial year, primarily through the annual financial statements and quarterly announcement of results to shareholders as well as the chairman's statement in the annual report.

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The directors are required by the Companies Act, 1965 to prepare the financial statements so as to give a true and fair view of the state of affairs of the Company and the Group at the financial year end and of the results and cashflows of the Company and the Group for the financial year.

The directors have used suitable accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable, and applied applicable accounting standards during the preparation of the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act, 1965.

In addition, the directors are also responsible for taking reasonable steps to safeguard the assets of the Group and to detect and prevent any fraud as well as any other irregularities being committed .

INTERNAL CONTROL

In relation to the system of internal controls of the Company, the Board acknowledges its responsibility for maintaining a sound system of internal controls. This shall include financial controls, operational and compliance controls and risk management to safeguard shareholders' investment and the Company's assets. While acknowledging its responsibility for the system of internal controls the Board is aware that such a system cannot totally eliminate risks and thus there can never be an absolute assurance against the Group failing to achieve its objectives or a material loss arising.

RELATIONSHIP WITH THE AUDITORS

The Board through the Audit Committee has established a transparent and appropriate relationship with the Company auditors.

AUDIT COMMITTEE REPORT

OBJECTIVES

The objectives of the Audit Committee of the Board of Directors is to assist the Board in fulfilling its fiduciary responsibilities relating to internal control, corporate accounting and reporting practices of the Company and its subsidiaries ("the Group"). The Audit Committee will endeavour to adopt various practices aimed at maintaining appropriate standards of responsibility, integrity and accountability to the Company's shareholders.

TERMS OF REFERENCE

During the year, the terms of reference of the Audit Committee has been revised to conform to the revised Listing Requirements of the KLSE.

COMPOSITION

The Audit Committee members during the financial period consist of the following directors:

As Chairman

Yong Ng Gah @ Yong Wee Sing – Independent Non-Executive

As Members

Heng Chee Wei – Independent Non-Executive (since 8 Aug '01)

Heng Hong Chai – Non-Independent Executive

Syed Annuar Bin Syed Amir Baftim – Independent Non-Executive
(Resigned on 12 May '01)

MEMBERSHIP RULES

The Audit Committee shall be appointed by the Board of Directors from amongst its Directors and shall consist of not less than 3 Directors, a majority of whom shall be Independent Non-Executive Directors.

At least one member of the Audit Committee shall be a member of the Malaysian Institute of Accountants or otherwise a person approved under Section 15.10(1)(c)(ii) of the KLSE Listing Requirements. An alternate Director does not qualify and cannot be a member of the Audit Committee.

The Chairman of the Audit Committee must be an Independent Non-Executive director and shall be appointed by its members.

If a member of the committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below 3, the Board shall, within three months of happening of that event, appoint such number of new members as may be required to make up the short for.

Each and every members of the Audit Committee including the Chairman shall hold office until otherwise determined by the Board or unless they cease to be a director of the Company.

The term of office of Committee members shall continue to run and be reviewed by the Board at least once in every three years.

The Company Secretary shall also act as Secretary to the Audit Committee. Minutes of each meeting shall be distributed to each member of the Board. The Chairman of the Committee shall report on each meeting to the Board.

RIGHTS AND AUTHORITY

An Audit Committee in accordance with the procedure previously determined by the Board and at the cost of the Company shall:-

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Group;
- (d) have direct communication channels with the Company's external auditors and person(s) carrying out internal audit function or activity of the Company;
- (e) be able to obtain independent and professional advice whenever it deems fit and be able to secure the attendance of outsiders with relevant experience and expertise for consultation if it considers necessary;
- (f) be also able by itself or by any manner to convene meetings and dialogue and with the Company's external auditors independently.

FUNCTIONS

An Audit Committee shall, amongst others, discharge the following functions:-

- (1) review the following and report the same to the Board:-
 - (a) with the external auditors, the audit plan;
 - (b) with the external auditors, their evaluation of the system of internal controls;
 - (c) with the external auditors, their audit report;
 - (d) the adequacy of the assistance given by the employees of the Group to the external auditors;
 - (e) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
 - (f) the adequacy of the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - (g) the quarterly results and year end financial statements, prior to the consideration and approval by the Board and particularly on:-
 - i) changes in or implementation of major accounting policy ;
 - ii) significant and unusual events; and
 - iii) compliance with accounting standards and other legal requirements and the on-going concern assumptions.
 - (h) any related party transaction and conflict of interest situation that may arise within the Group and with any related parties outside the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
 - (i) any resignation from the external auditors of the Group,
 - (j) whether there exist any grounds supported by evidence to believe that the Group's external auditors are not suitable for re-appointment.
- (2) to make recommendation for the nomination of person or persons as external auditors.
- (3) any other matters as may be directed by the Board from time to time.

AUDIT COMMITTEE REPORT (cont'd)

MEETING AND MINUTES

Meeting of the Audit Committee shall be held not less than four (4) times a year. Further meetings may be called at any time at the request of any member or of the external auditors or of the internal auditors.

The Audit Committee may invite others like the directors and employees of the Group to attend any meeting as it deems fit.

Minutes of each meeting shall be prepare and kept by the company secretary and shall be signed by the Chairman as correct record and be distributed to all members of the Board.

During the financial period, 5 Audit Committee meetings were held. The details of attendance by its members are as follows:

| Name | Total |
|---|-------|
| Yong Ng Gah @ Yong Wee Sing | 5 / 5 |
| Heng Hong Chai | 5 / 5 |
| Heng Chee Wei (appointed on 8 Aug '01) | 2 / 2 |
| Syed Annuar Bin Syed Smir Baftim (resigned on 12 May '01) | 3 / 3 |

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL PERIOD

- i) The internal accountants of the Company attended all 5 meetings of Audit Committee and briefed the Audit Committee on specific issues raised by them.
- ii) The reviews by the Audit Committee of the Group's quarterly and annual financial statements were tabled before the Board meetings for the financial statements to be considered and approved.
- iii) During the review by the Audit Committee of the financial period of the Group's twelve month's financial results, representatives of the external Auditors, Messrs Moores Rowland briefed the Audit Committee on the Group accounts for the year ended 31 December 2000.
- iv) The Audit Committee was briefed by the External Auditors on their report submitted to the Audit Committee. The Audit Committee was satisfied with the report about the state of the Group's internal control system during the financial year. The External Auditors' remuneration for the financial year was approved by the Audit Committee.

INTERNAL AUDIT FUNCTIONS

During the financial period under review, the Group did not as yet implement any specific internal audit function. The Audit Committee relied as in the past on the reviews of the quarterly financial performance and discussions with the external auditors, the management and executive directors in discharging its functions.

The Audit Committee has since recommended to the Board of Directors to implement an internal audit function of the Group after taking into account the size of the Group and its resources. The Group is now having an effective internal audit function in place.

The responsibilities of the Internal Auditors include the following:

- (1) to assist in reviewing the adequacy, integrity and effectiveness of the Group's internal control system for the Board to make an accurate Internal Control Statement in the annual reports;
- (2) to support the Audit Committee in identifying and evaluating the existing internal control system and consequently to determine the future requirements for internal control system and co-develop a prioritised action plan;
- (3) to perform a risk assessment of the Group to identify the business processes within the Group that internal audit should focus on;
- (4) to allocate audit resources to areas within the Group that provide the management and the Audit Committee with an efficient and effective level of audit coverage.

CHAIRMAN'S STATEMENT

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

FINANCIAL HIGHLIGHTS

This is a year of recovery as the Group recorded a commendable performance, from a pre-tax loss of RM2.4 million in the previous year to a pre-tax profit of RM529,000 for the year ended 31 December 2001. The impressive results were attributed to the lower material and operational costs.

For the year under review, the Group's turnover increased from RM41.2 million in the previous year to RM43.6 million, reflecting an increase of 5.8%.

OUTLOOK AND PROSPECTS

The business of the Group and the regional economies are faced with the challenges of globalisation and the impact of the new economy driven by AFTA. The Group is gearing itself to these developments and will continue to implement its policies of controlling expenses and launching of additional products of different designs.

However, the prospect for the Group should remain good based on continued and increasing demand for plastic based products.

Barring any unforeseen circumstances and taking into consideration the increasing competition which the Group is facing, the Board is optimistic that the Group will be able to perform satisfactorily in the ensuing financial year.

DIVIDEND

The Board is recommending a first and final tax-exempt dividend of 5% for the financial year ended 31 December 2001 for approval of the shareholders at the forthcoming Annual General Meeting.

CHAIRMAN'S STATEMENT (cont'd)

DIRECTORATE

Tuan Syed Annuar bin Syed Amir Baftim and Ms Lee Yoke Fong resigned as directors of the Company on 12 May 2001 and 8 August 2001 respectively. On behalf of the Board, I would like to record our appreciation for their valuable contribution.

Mr Heng Chee Wei was appointed to the Board on 8 August 2001 to replace Ms. Lee Yoke Fong.

APPRECIATION

On behalf of the Board, I would like to record my thanks and appreciation to all our employees for their dedication, commitment and contribution thus ensuring the continued growth and success of the Group.

I wish to also extend my deepest appreciation to all our valued customers, relevant Government authorities, bankers, suppliers and business associates for their continue support and co-operation and lastly to our shareholders for their confidence in us

HENG HONG CHAI
Chairman

26 April 2002

GROUP FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER 2001

| | 2001 RM'000 | 2000 RM'000 | 1999 RM'000 | 1998 RM'000 | 1997 RM'000 |
|--------------------------|----------------|----------------|----------------|----------------|----------------|
| INCOME STATEMENT | | | | | |
| Turnover | 43,555 | 41,158 | 38,501 | 32,239 | 29,522 |
| Profit/(Loss) Before Tax | 529 | (2,427) | 2,246 | 5,571 | 5,976 |
| Profit/(Loss) After Tax | 449 | (1,465) | 2,140 | 5,945 | 5,654 |

BALANCE SHEET

| | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Fixed Assets | 46,687 | 44,786 | 43,110 | 45,493 | 39,126 |
| Net Current (Liabilities)/Assets | (2,183) | 975 | 8,751 | 8,454 | 6,272 |
| Total Assets Employed | 44,504 | 45,761 | 51,861 | 53,947 | 45,398 |
| Shareholders' Fund | 43,470 | 43,081 | 44,595 | 43,610 | 38,500 |
| Minority Interest | 698 | 637 | 588 | 481 | 401 |
| Deferred Liabilities | 336 | 2,043 | 6,678 | 9,856 | 6,497 |
| Total Funds Employed | 44,504 | 45,761 | 51,861 | 53,947 | 45,398 |

PER RM 1 ORDINARY SHARE

| | | | | | |
|-----------------------------------|------|--------|------|-------|-------|
| Earnings/(Loss) Per Share(sen) | 1.85 | (7.20) | 9.70 | 28.00 | 27.40 |
| Gross Dividend Per Share(sen) | 5.00 | – | 5.00 | 3.60 | 4.32 |
| Net Tangible Assets Per Share(RM) | 2.07 | 2.05 | 2.13 | 2.08 | 1.84 |

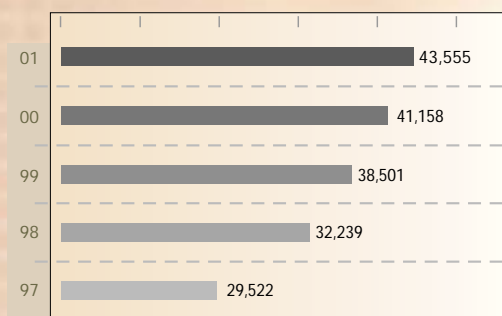
FINANCIAL CALENDAR

| | |
|--|--------------------|
| Financial Year End | : 31 December 2001 |
| Announcement of Quarterly Result | |
| - 1st Quarter Performance Unaudited | : 24 May 2001 |
| - 2nd Quarter Performance Unaudited | : 28 August 2001 |
| - 3rd Quarter Performance Unaudited | : 27 November 2001 |
| - 4th Quarter Performance Unaudited | : 26 February 2002 |
| Announcement of Annual Audited Results | : 19 April 2002 |
| Issue of Annual Report | : 21 May 2002 |
| 2001 Annual General Meeting | : 11 June 2002 |

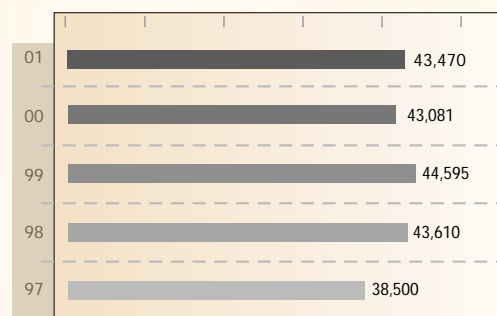
GROUP FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER 2001 (cont'd)

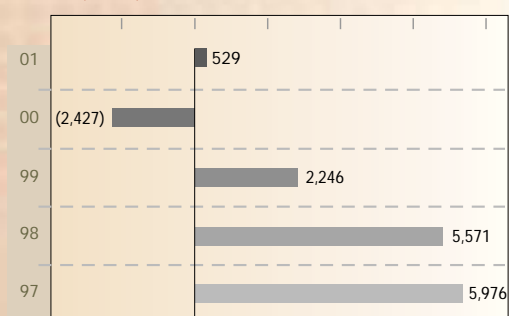
Turnover (RM'000)



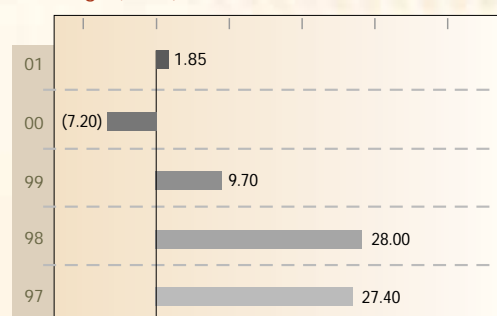
Shareholders' Fund (RM'000)



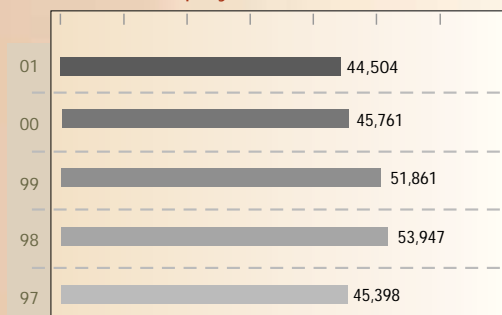
Profit/(Loss) Before Tax (RM'000)



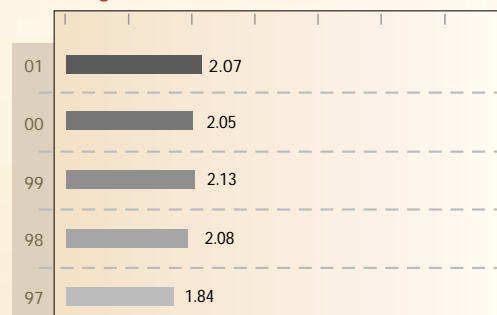
Earnings/(Loss) Per Share (sen)



Total Assets Employed (RM'000)



Net Tangible Assets Per Share (RM)



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FINANCIAL statements

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2001

The directors have pleasure in submitting their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiary companies consist of manufacturing of and trading in plastic bottles, containers, boxes, crates and related materials and also water dispensers.

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

RESULTS

| | Group RM | Company RM |
|---------------------------------------|-------------|---------------|
| Profit/(Loss) after taxation | 449,301 | (11,517) |
| Minority interest | (60,895) | — |
| Net profit/(loss) for the year | 388,406 | (11,517) |
| Unappropriated profit brought forward | 11,275,090 | 2,676,565 |
| Unappropriated profit carried forward | 11,663,496 | 2,665,048 |

DIVIDEND

The directors recommend the payment of a first and final dividend of 5% tax exempt amounting to RM1,049,000 for the year ended 31 December 2001, subject to the approval of the shareholders at the forthcoming annual general meeting.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any shares or debentures during the financial year.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2001 (cont'd)

DIRECTORS

The directors in office since the date of the last report are:

| | |
|---------------------------------------|---|
| Mr Heng Hong Chai | |
| Mr Yong Ng Gah @ Yong Wee Sing | |
| Mr Tan Kie Lu | |
| Mr Heng Chee Wei | (appointed on 8-8-2001) |
| Ms Lee Yoke Fong | (appointed on 18-5-2001 and resigned on 8-8-2001) |
| Mr Chang Sieh Joo | (resigned on 28-4-2001) |
| Tuan Syed Annuar bin Syed Amir Baftim | (resigned on 12-5-2001) |

In accordance with the Company's Articles of Association, Mr Heng Chee Wei who was appointed to the board subsequent to the date of the last annual general meeting, retires at the forthcoming annual general meeting together with Mr Tan Kie Lu who retires by rotation. Both the retiring directors, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN SHARES

Directors' interests in shares in the Company were as follows:

| | ----- Number of Ordinary shares of RM1 each ----- | | | |
|--------------------------------|---|--------|------|------------------|
| | At 1-1-2001 | Bought | Sold | At 31-12-2001 |
| Mr Heng Hong Chai | | | | |
| - direct interest | 6,110,690 | — | — | 6,110,690 |
| Mr Yong Ng Gah @ Yong Wee Sing | | | | |
| - direct interest | 1,000 | — | — | 1,000 |
| Mr Tan Kie Lu | | | | |
| - direct interest | 1,571,710 | — | — | 1,571,710 |
| Mr Heng Chee Wei | | | | |
| - direct interest | — | — | — | — |

None of the directors held any shares or had any interest in shares in the related corporations except for Mr Heng Hong Chai, who by virtue of his interests in shares in the Company, is deemed to have interests in shares in all the subsidiary companies to the extent the Company has an interest.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2001 (cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in 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 the 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.

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

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Company and of the Group were made out, the directors took reasonable steps:
 - (i) to ascertain the action taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts but that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Company and of the Group 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:
 - (i) which would render it necessary to write off any debt or the amount of the allowance for doubtful debts in the financial statements of the Company and of the Group inadequate to any substantial extent, or
 - (ii) which would render the values attributed to the current assets in the financial statements of the Company and of the Group misleading, or
 - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company and of the Group misleading or inappropriate.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2001 (cont'd)

- (c) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Company or its subsidiary companies 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 Company or its subsidiary companies which has arisen since the end of the financial year.
- (d) No contingent or other liability of the Company or its subsidiary companies has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company or its subsidiary companies to meet their obligations as and when they fall due.
- (e) At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company and of the Group which would render any amount stated in the respective financial statements misleading.
- (f) In the opinion of the directors:
 - (i) the results of the operations of the Company and of the Group for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company and of the Group for the financial year in which this report is made.

AUDITORS

The auditors, Moores Rowland, Chartered Accountants, have expressed their willingness to continue in office.

On behalf of the Directors

HENG HONG CHAI
Director

TAN KIE LU
Director

19 April 2002

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements set out on pages 29 to 48. The preparation of the financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved auditing standards issued by the Malaysian Institute of Accountants. These 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 an assessment of the accounting principles used and significant estimates made by the directors as well as an evaluation of the overall presentation of the financial statements. We believe our audit has provided us with a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up:
 - (i) so as to give a true and fair view of the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company and of the Group;
 - (ii) in accordance with the provisions of the Act so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2001 and of their results and cash flows for the year ended on that date; and
 - (iii) in accordance with applicable approved accounting standards; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies have been properly kept in accordance with the provisions of the Act.

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

Our audit reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Section 174 (3) of the Act.

MOORES ROWLAND
No. AF: 0539
Chartered Accountants

GAN MORN GHUAT
No. 1499/5/03(J)
Partner

19 April 2002

BALANCE SHEETS

31 DECEMBER 2001

| | Note | Group | | Company | |
|--|------|-------------|------------|------------|------------|
| | | 2001 RM | 2000 RM | 2001 RM | 2000 RM |
| PROPERTY, PLANT AND EQUIPMENT | 2 | 46,686,693 | 44,785,907 | 181,344 | 300,563 |
| SUBSIDIARY COMPANIES | 3 | — | — | 23,227,733 | 23,227,733 |
| CURRENT ASSETS | | | | | |
| Inventories | 4 | 5,781,906 | 5,573,527 | — | — |
| Trade debtors | 5 | 15,462,498 | 16,391,215 | — | — |
| Other debtors, deposits and prepayments | | 933,798 | 4,451,111 | 47,150 | 6,000 |
| Tax recoverable | | 241,272 | 104,403 | 40,942 | 22,722 |
| Amount owing by subsidiary companies | 3 | — | — | 5,746,739 | 5,612,941 |
| Cash and bank balances | | 834,052 | 955,023 | 172,260 | 75,935 |
| | | 23,253,526 | 27,475,279 | 6,007,091 | 5,717,598 |
| Less: | | | | | |
| CURRENT LIABILITIES | | | | | |
| Trade creditors | | 5,400,348 | 4,971,704 | — | — |
| Other creditors and accruals | | 1,884,829 | 1,848,550 | 93,824 | 112,033 |
| Amount owing to a subsidiary company | 3 | — | — | 200,000 | — |
| Hire purchase liabilities | 6 | 150,012 | 150,012 | — | — |
| Bank borrowings | 7 | 17,993,421 | 19,442,893 | — | — |
| Taxation | | 7,823 | 87,188 | — | — |
| | | 25,436,433 | 26,500,347 | 293,824 | 112,033 |
| NET CURRENT (LIABILITIES)/ASSETS | | (2,182,907) | 974,932 | 5,713,267 | 5,605,565 |
| | | 44,503,786 | 45,760,839 | 29,122,344 | 29,133,861 |

BALANCE SHEETS

31 DECEMBER 2001 (cont'd)

| | Note | Group 2001 RM | Group 2000 RM | Company 2001 RM | Company 2000 RM |
|---------------------------------------|------|---------------------|---------------------|-----------------------|-----------------------|
| Financed by : | | | | | |
| SHARE CAPITAL | 8 | 20,980,000 | 20,980,000 | 20,980,000 | 20,980,000 |
| SHARE PREMIUM, NON-DISTRIBUTABLE | | 5,477,296 | 5,477,296 | 5,477,296 | 5,477,296 |
| UNAPPROPRIATED PROFIT | | 11,663,496 | 11,275,090 | 2,665,048 | 2,676,565 |
| SHAREHOLDERS' EQUITY | | 38,120,792 | 37,732,386 | 29,122,344 | 29,133,861 |
| MINORITY INTEREST | | 697,872 | 636,977 | – | – |
| NEGATIVE GOODWILL ON CONSOLIDATION | 1(d) | 5,348,889 | 5,348,889 | – | – |
| TERM LOANS | 9 | 263,468 | 1,821,608 | – | – |
| HIRE PURCHASE LIABILITIES | 6 | 37,465 | 187,479 | – | – |
| DEFERRED TAXATION | 10 | 35,300 | 33,500 | – | – |
| | | <u>44,503,786</u> | <u>45,760,839</u> | <u>29,122,344</u> | <u>29,133,861</u> |

Notes to and forming part of the financial statements are set out on pages 35 to 48

Auditors' Report - Page 28

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

| | Note | Group 2001 RM | 2000 RM | Company 2001 RM | 2000 RM |
|-------------------------------------|------|---------------------|--------------|-----------------------|-------------|
| Gross revenue | 11 | 43,554,647 | 41,157,665 | 936,000 | 936,000 |
| Cost of sales | | (36,076,934) | (34,925,869) | – | – |
| Gross profit | | 7,477,713 | 6,231,796 | 936,000 | 936,000 |
| Other operating income | | 217,779 | 36,274 | – | – |
| Selling and distribution costs | | (2,213,355) | (2,162,614) | – | – |
| Administrative and general expenses | | (3,839,655) | (5,243,105) | (947,517) | (1,008,171) |
| Profit/(Loss) from operations | | 1,642,482 | (1,137,649) | (11,517) | (72,171) |
| Finance costs | | (1,113,804) | (1,289,634) | – | – |
| Profit/(Loss) before taxation | 12 | 528,678 | (2,427,283) | (11,517) | (72,171) |
| Tax expense | 13 | (79,377) | 962,500 | – | – |
| Profit/(Loss) after taxation | | 449,301 | (1,464,783) | (11,517) | (72,171) |
| Minority interest | | (60,895) | (49,130) | – | – |
| Net profit/(loss) for the year | | 388,406 | (1,513,913) | (11,517) | (72,171) |
| Net dividend per share (sen) | | 5 | – | | |
| Earnings/(Loss) per share (sen) | 14 | 1.85 | (7.2) | | |

Notes to and forming part of the financial statements are set out on pages 35 to 48

Auditors' Report - Page 28

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2001

| Group | Share capital RM | Share premium RM | Unappropriated profit | | | | |
|--|---------------------|---------------------|-----------------------|-------------------------|-----------------|-------------|-------------|
| | | | Undistributed RM | Proposed dividend RM | Sub-total RM | Total RM | |
| At 1 January 2000 | 20,980,000 | 5,477,296 | 12,789,003 | | – | 12,789,003 | 39,246,299 |
| Net loss for the year | – | – | (1,513,913) | | – | (1,513,913) | (1,513,913) |
| At 31 December 2000 | 20,980,000 | 5,477,296 | 11,275,090 | | – | 11,275,090 | 37,732,386 |
| Net profit for the year | – | – | 388,406 | | – | 388,406 | 388,406 |
| Proposed first and final dividend of 5% tax exempt | – | – | (1,049,000) | 1,049,000 | | – | – |
| At 31 December 2001 | 20,980,000 | 5,477,296 | 10,614,496 | 1,049,000 | 11,663,496 | 38,120,792 | |
| Company | | | | | | | |
| At 1 January 2000 | 20,980,000 | 5,477,296 | 2,748,736 | | – | 2,748,736 | 29,206,032 |
| Net loss for the year | – | – | (72,171) | | – | (72,171) | (72,171) |
| At 31 December 2000 | 20,980,000 | 5,477,296 | 2,676,565 | | – | 2,676,565 | 29,133,861 |
| Net loss for the year | – | – | (11,517) | | – | (11,517) | (11,517) |
| Proposed first and final dividend of 5% tax exempt | – | – | (1,049,000) | 1,049,000 | | – | – |
| At 31 December 2001 | 20,980,000 | 5,477,296 | 1,616,048 | 1,049,000 | 2,665,048 | 29,122,344 | |

Notes to and forming part of the financial statements are set out on pages 35 to 48

Auditors' Report - Page 28

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

| | Group | | Company | |
|---|-------------|-------------|------------|------------|
| | 2001 RM | 2000 RM | 2001 RM | 2000 RM |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit/(Loss) before taxation | 528,678 | (2,427,283) | (11,517) | (72,171) |
| Adjustments for: | | | | |
| Depreciation | 5,405,779 | 4,710,866 | 119,219 | 119,219 |
| Gain on disposal of property, plant and equipment | (34,675) | (36,033) | – | – |
| Inventories written down | 4,403 | – | – | – |
| Allowance for doubtful debts | 16,748 | 738,574 | – | – |
| Allowance for doubtful debts written back | (150,000) | – | – | – |
| Bad debts written off | – | 4,938 | – | – |
| Interest income | (728) | – | – | – |
| Interest expenses | 1,087,454 | 1,268,796 | – | – |
| Hire purchase term charges | 26,350 | 20,838 | – | – |
| Unrealised gain on foreign exchange | (8,960) | – | – | – |
| Operating profit before working capital changes | 6,874,689 | 4,280,696 | 107,702 | 47,048 |
| Changes in inventories | (212,422) | (724,715) | – | – |
| Changes in debtors | 4,588,242 | 1,596,395 | (41,150) | 6,050 |
| Changes in creditors | 2,045,923 | 6,384,306 | (18,209) | (138,049) |
| Cash generated from operations | 13,296,432 | 11,536,682 | 48,343 | (84,951) |
| Interest received | 728 | – | – | – |
| Interest paid | (1,087,454) | (1,268,796) | – | – |
| Taxation paid | (293,811) | (415,448) | (18,220) | (1,895) |
| Net cash from operating activities | 11,915,895 | 9,852,438 | 30,123 | (86,846) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of property, plant and equipment | (7,395,890) | (5,963,102) | – | – |
| Proceeds from disposal of property, plant and equipment | 124,000 | 62,700 | – | – |
| (Advances to)/Repayment from subsidiary companies | – | – | (133,798) | 1,037,306 |
| Net cash used in investing activities | (7,271,890) | (5,900,402) | (133,798) | 1,037,306 |

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001 (cont'd)

| | Group | | Company | |
|---|-------------|-------------|---------|-------------|
| | 2001 | 2000 | 2001 | 2000 |
| | RM | RM | RM | RM |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Repayment of term loans | (3,709,197) | (5,298,644) | – | – |
| Payment of hire purchase instalments | (150,014) | (117,643) | – | – |
| Hire purchase term charges paid | (26,350) | (20,838) | – | – |
| Advances from a subsidiary company | – | – | 200,000 | – |
| Dividend paid | – | (1,049,000) | – | (1,049,000) |
| Net cash (used in)/from financing activities | (3,885,561) | (6,486,125) | 200,000 | (1,049,000) |
| NET CHANGES IN CASH AND CASH EQUIVALENTS | 758,444 | (2,534,089) | 96,325 | (98,540) |
| CASH AND CASH EQUIVALENTS BROUGHT FORWARD | (2,711,552) | (177,463) | 75,935 | 174,475 |
| CASH AND CASH EQUIVALENTS CARRIED FORWARD | (1,953,108) | (2,711,552) | 172,260 | 75,935 |
| Represented by: | | | | |
| CASH AND BANK BALANCES | 834,052 | 955,023 | 172,260 | 75,935 |
| BANK OVERDRAFTS | (2,787,160) | (3,666,575) | – | – |
| | (1,953,108) | (2,711,552) | 172,260 | 75,935 |

In the previous financial year, the Group purchased property, plant and equipment amounting to RM6,413,102 of which RM450,000 was financed under hire purchase and the balance of RM5,963,102 was paid by internally generated funds.

Notes to and forming part of the financial statements are set out on pages 35 to 48

Auditors' Report - Page 28

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements are prepared under the historical cost convention, unless otherwise indicated in the accounting policies set out below and comply with applicable approved accounting standards issued or adopted by the Malaysian Accounting Standards Board ("MASB").

The Company has also applied MASB 19 : Events After the Balance Sheet Date before its effective date in relation to proposed dividend. The Company has not recognised proposed dividend for the year as a liability in the balance sheets but has disclosed it within the components of equity. Such dividend, if approved by the shareholders will be accounted for in the shareholders' equity as an appropriation of unappropriated profit in the next financial year ended 31 December 2002.

(b) Subsidiary companies

A subsidiary company is a company in which the Company has the power to control the financial and operating policies so as to obtain benefits from its activities.

The Company's interests in subsidiary companies are stated at cost, and are written down when the directors consider that there is an impairment loss that is other than temporary on the value of such investments. The impairment loss is charged to the income statement.

(c) Basis of consolidation

The consolidated financial statements include the audited financial statements of the Company and all its subsidiary companies made up to the end of the financial year. All material inter-company transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only. The financial statements of the subsidiary companies are consolidated on the acquisition method of accounting and the results of the subsidiary companies acquired or disposed of are included in the consolidated financial statements from the date of acquisition or up to the date of disposal.

(d) Goodwill or negative goodwill on consolidation

The difference, if any, between the acquisition cost and the fair values of attributable net assets is reflected as goodwill or negative goodwill on consolidation as appropriate. Negative goodwill on consolidation is retained in the consolidated balance sheet and will be credited to the income statement over a suitable period decided in relation to the particular circumstances which give rise to it. Where goodwill is considered to be capable of generating future economic benefits, it is capitalised in the financial statements and amortised on the straight line basis over its estimated useful life or 25 years, whichever is shorter; otherwise it is written off in the income statement in the year of acquisition. The carrying amount and amortisation period is reviewed annually and goodwill is written down when, in the opinion of the directors, its value has deteriorated or when it ceases to have a useful life.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001 (cont'd)

(e) Property, plant and equipment

(i) Measurement basis

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the income statement. Any subsequent increase in recoverable amount is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred.

Property, plant and equipment under hire purchase are capitalised in the financial statements and the corresponding obligations are treated as liabilities.

(ii) Depreciation

Freehold land is not amortised.

Depreciation is calculated to write off the cost of other property, plant and equipment on the straight line basis over their expected useful lives at the following annual rates:

| | |
|-------------------------------------|--|
| Leasehold land | over the remaining lease period of 89 to 99 years |
| Buildings | 2% |
| Plant and machinery | 10% |
| Furniture, fittings and renovations | 10% - 20% |
| Office equipment | 10% - 20% |
| Motor vehicles | 20% |

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is principally determined on the first-in first-out basis and in the case of finished goods and work-in-progress comprises materials, direct labour, other direct charges and an appropriate proportion of factory overheads.

(g) Debtors

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001 (cont'd)

(h) Foreign currencies

Transactions in foreign currencies during the financial year are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the closing rates. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions.

The closing rates used in translation are as follows:

| | | 2001 RM | 2000 RM |
|-------|---|------------|------------|
| USD 1 | = | 3.80 | 3.80 |
| SGD 1 | = | 2.03 | 2.20 |
| HKD 1 | = | 0.47 | 0.49 |

(i) Income recognition

Income is recognised when it is probable that the economic benefits will flow to the Group and the Company and when the income can be measured reliably, on the following bases:

(i) Sale of goods

Sale of goods is recognised when significant risks and rewards of ownership have been transferred to the customers.

(ii) Management fees

Management fees are recognised on an accrual basis when services are rendered.

(iii) Rental income

Rental income is recognised on a time proportion basis over the lease term.

(iv) Interest income

Interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001 (cont'd)

(j) Tax expense

The tax expense in the income statement represents taxation at current tax rate based on profit earned during the year.

Deferred taxation is provided on the liability method for taxation deferred in respect of all material timing differences except where it is thought reasonably probable that the tax effects of such deferrals will continue in the foreseeable future. Deferred tax benefits are only recognised where there is a reasonable expectation of realisation in the near future.

(k) Finance costs

Finance costs comprise interest paid and payable on borrowings. All interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance costs. The interest component of hire purchase payments is recognised in the income statement over the hire purchase periods so as to give a constant periodic rate of interest on the remaining hire purchase liabilities.

(l) Cash equivalents

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001 (cont'd)

2. PROPERTY, PLANT AND EQUIPMENT

Group

| | Freehold land & buildings RM | Long term leasehold land & buildings RM | Plant & machinery RM | Furniture, fittings, renovation, office equipment & motor vehicles RM | Total RM |
|----------------|---------------------------------------|---|----------------------------|--|-------------|
| 2001 | | | | | |
| Cost | | | | | |
| At 1 January | 348,290 | 19,899,131 | 41,758,355 | 5,285,883 | 67,291,659 |
| Additions | – | 41,260 | 7,046,007 | 308,623 | 7,395,890 |
| Disposals | – | – | (53,900) | (258,390) | (312,290) |
| At 31 December | 348,290 | 19,940,391 | 48,750,462 | 5,336,116 | 74,375,259 |

Accumulated depreciation

| | | | | | |
|---------------------|--------|-----------|------------|-----------|------------|
| At 1 January | 43,493 | 1,301,562 | 18,462,273 | 2,698,424 | 22,505,752 |
| Charge for the year | 6,966 | 370,480 | 4,290,758 | 737,575 | 5,405,779 |
| Disposals | – | – | (9,616) | (213,349) | (222,965) |
| At 31 December | 50,459 | 1,672,042 | 22,743,415 | 3,222,650 | 27,688,566 |

Net book value

| | | | | | |
|----------------|---------|------------|------------|-----------|------------|
| at 31 December | 297,831 | 18,268,349 | 26,007,047 | 2,113,466 | 46,686,693 |
|----------------|---------|------------|------------|-----------|------------|

2000

Net book value

| | | | | | |
|----------------------------------|---------|------------|------------|-----------|------------|
| at 31 December | 304,797 | 18,597,569 | 23,296,082 | 2,587,459 | 44,785,907 |
| Depreciation charge for the year | 6,966 | 363,702 | 3,608,312 | 731,886 | 4,710,866 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001 (cont'd)

| Company | 2001 RM | 2000 RM |
|---|------------|------------|
| Furniture, fittings and renovation | | |
| Cost | | |
| At 1 January | 711,897 | 711,897 |
| Addition/Disposal | — | — |
| At 31 December | 711,897 | 711,897 |
| Accumulated depreciation | | |
| At 1 January | 411,334 | 292,115 |
| Charge for the year | 119,219 | 119,219 |
| At 31 December | 530,553 | 411,334 |
| Net book value | | |
| at 31 December | 181,344 | 300,563 |

A leasehold property of a subsidiary company with net book value of RM2,646,473 (2000 : RM2,678,344) is charged to a bank as security for banking facilities granted to the said subsidiary company.

The title deed relating to a leasehold property of a subsidiary company with net book value of RM1,752,543 (2000 : RM1,771,959) has yet to be issued by the relevant authority.

Included in property, plant and equipment of the Group are motor vehicles with net book values amounting to RM386,580 (2000 : RM523,385) which were acquired under hire purchase.

Included in property, plant and equipment of the Group is a motor vehicle with net book value of RM308,827 (2000 : RM408,987) which is registered in the name of a director of the Company who is holding it in trust for the Group.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001 (cont'd)

3. SUBSIDIARY COMPANIES

| | 2001 RM | 2000 RM |
|--------------------------|-------------------|-------------------|
| Unquoted shares, at cost | <u>23,227,733</u> | <u>23,227,733</u> |

The subsidiary companies which are all incorporated in Malaysia are as follows:

| | Effective equity interest | | Principal activities |
|---|------------------------------|------|--|
| | 2001 | 2000 | |
| | % | % | |
| Ralco Plastic Sdn Bhd | 100 | 100 | Manufacturing of and trading in plastic bottles, containers, boxes, crates and related materials |
| * Ralco E.U.T. Properties Sdn Bhd | 100 | 100 | Property holding |
| * Ralco Properties Sdn Bhd | 50 | 50 | Property holding |
| Ralco Holdings Sdn Bhd | 100 | 100 | Assembly of water dispensers |
| Ralco Coolers Sdn Bhd | 100 | 100 | Distribution and trading in water dispensers and filters |
| * <i>Held through Ralco Plastic Sdn Bhd</i> | | | |

The amount owing by/to the subsidiary companies represents unsecured advances which are interest free and have no fixed terms of repayment.

4. INVENTORIES

| | Group | |
|---------------------------|------------------|------------------|
| | 2001 RM | 2000 RM |
| Raw materials, at cost | 2,659,138 | 2,243,124 |
| Finished goods | | |
| - at cost | 3,096,468 | 3,330,403 |
| - at net realisable value | 26,300 | — |
| | <u>3,122,768</u> | <u>3,330,403</u> |
| | <u>5,781,906</u> | <u>5,573,527</u> |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001 (cont'd)

5. TRADE DEBTORS

| | Group | |
|------------------------------------|-------------------|-------------------|
| | 2001 | 2000 |
| | RM | RM |
| Gross receivables | 16,329,273 | 17,391,242 |
| Less: Allowance for doubtful debts | 866,775 | 1,000,027 |
| | <u>15,462,498</u> | <u>16,391,215</u> |

6. HIRE PURCHASE LIABILITIES

| | Group | |
|--|----------------|----------------|
| | 2001 | 2000 |
| | RM | RM |
| Outstanding hire purchase instalments due: | | |
| - not later than one year | 176,364 | 176,364 |
| - later than one year and not later than five years | 44,067 | 220,431 |
| | <u>220,431</u> | <u>396,795</u> |
| Less: Unexpired term charges | 32,954 | 59,304 |
| | <u>187,477</u> | <u>337,491</u> |
| Outstanding principal amount due | | |
| Less: Outstanding principal amount due not later than one year (included in current liabilities) | 150,012 | 150,012 |
| | <u>37,465</u> | <u>187,479</u> |

7. BANK BORROWINGS

| | Group | |
|--|-------------------|-------------------|
| | 2001 | 2000 |
| | RM | RM |
| Bills payable, unsecured | 13,702,000 | 12,121,000 |
| Bank overdrafts | | |
| - secured | 909,310 | 835,751 |
| - unsecured | 1,877,850 | 2,830,824 |
| Current portion of term loans (Note 9) | 1,504,261 | 3,655,318 |
| | <u>17,993,421</u> | <u>19,442,893</u> |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001 (cont'd)

The above bills payable and bank overdrafts bear interests at rates which vary according to the base lending rates of the respective banks.

The bills payable and bank overdrafts of a subsidiary company are unsecured but guaranteed by the Company while a bank overdraft of another subsidiary company is secured by way of a supplementary loan agreement cum assignment over the leasehold property of the said subsidiary company referred to in Note 2 and is also guaranteed by the Company.

8. SHARE CAPITAL

| | 2001 RM | 2000 RM |
|---|-------------------|-------------------|
| Authorised 25,000,000 shares of RM1 each | <u>25,000,000</u> | <u>25,000,000</u> |
| Issued and fully paid 20,980,000 ordinary shares of RM1 each | <u>20,980,000</u> | <u>20,980,000</u> |

9. TERM LOANS

| | Group | |
|--|------------------|------------------|
| | 2001 RM | 2000 RM |
| Term loans from finance companies bearing interests at 6.5% to 9.75% (2000 : 6.5% to 9.75%) per annum, repayable by equal quarterly instalments commencing 1995 and 1997 | – | 786,120 |
| Bank term loans bearing interests at 1% and 1.5% (2000 : 1% and 1.5%) per annum above base lending rate, repayable by equal monthly instalments commencing 1994 and 1999 | <u>1,767,729</u> | <u>4,690,806</u> |
| | <u>1,767,729</u> | <u>5,476,926</u> |
| Less: Repayments due within 12 months (included in current liabilities, Note 7) | <u>1,504,261</u> | <u>3,655,318</u> |
| Repayments due after 12 months | <u>263,468</u> | <u>1,821,608</u> |

A bank term loan of RM392,426 (2000 : RM513,767) of a subsidiary company is secured by a loan agreement cum assignment over the leasehold property of the said subsidiary company. The other term loans of another subsidiary company are unsecured but have negative pledges on all the unencumbered assets of the said subsidiary company. All the term loans are also guaranteed by the Company.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001 (cont'd)

10. DEFERRED TAXATION

| | Group | | Company | |
|-------------------------------------|------------|-------------|------------|------------|
| | 2001 RM | 2000 RM | 2001 RM | 2000 RM |
| At 1 January | 33,500 | 1,058,000 | – | – |
| Transfer from/(to) income statement | 1,800 | (1,024,500) | – | – |
| At 31 December | 35,300 | 33,500 | – | – |

The deferred tax liability represents timing differences between depreciation and corresponding capital allowance.

Subject to agreement with the Inland Revenue Board, the Group and the Company have potential deferred tax benefits of approximately RM1,727,000 and RM16,000 respectively at year end (2000 : RM702,000 and RM42,000 respectively), the effects of which are not included in the financial statements as there is no assurance beyond any reasonable doubt that future taxable income will be sufficient to allow the benefits to be realised.

The tax effects of potential deferred tax benefits not accounted for in the financial statements are as follows:

| | Group | | Company | |
|--|-------------|-------------|------------|------------|
| | 2001 RM | 2000 RM | 2001 RM | 2000 RM |
| Unutilised tax losses | 122,000 | 140,000 | 21,000 | 27,000 |
| Unabsorbed capital allowances | 1,994,000 | 1,280,000 | – | 23,000 |
| Unabsorbed reinvestment allowances | 3,870,000 | 2,658,000 | – | – |
| Timing difference between net book value and tax written down value of property, plant and equipment | (4,396,000) | (3,515,000) | (5,000) | (8,000) |
| Other timing differences | 137,000 | 139,000 | – | – |
| | 1,727,000 | 702,000 | 16,000 | 42,000 |

11. GROSS REVENUE

| | Group | | Company | |
|-----------------|------------|------------|------------|------------|
| | 2001 RM | 2000 RM | 2001 RM | 2000 RM |
| Sale of goods | 43,338,947 | 41,021,965 | – | – |
| Rental income | 215,700 | 135,700 | – | – |
| Management fees | – | – | 936,000 | 936,000 |
| | 43,554,647 | 41,157,665 | 936,000 | 936,000 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001 (cont'd)

12. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is stated
after charging:

| | Group | | Company | |
|--------------------------------|-----------|-----------|---------|---------|
| | 2001 | 2000 | 2001 | 2000 |
| | RM | RM | RM | RM |
| Allowance for doubtful debts | 16,748 | 738,574 | — | — |
| Auditors' remuneration | | | | |
| - current year | 59,000 | 53,500 | 8,500 | 8,000 |
| - underestimated in prior year | 5,500 | — | 500 | — |
| Bad debts written off | — | 4,938 | — | — |
| Depreciation | 5,405,779 | 4,710,866 | 119,219 | 119,219 |
| Directors' remuneration | | | | |
| - fees | 56,000 | 30,000 | 56,000 | 30,000 |
| - other emoluments | 201,600 | 201,600 | — | — |
| Finance costs | | | | |
| - hire purchase term charges | 26,350 | 20,838 | — | — |
| - interest expenses | 1,087,454 | 1,268,796 | — | — |
| Inventories written down | 4,043 | — | — | — |
| Loss on foreign exchange | | | | |
| - realised | 14,979 | 108,526 | — | — |
| Rental of equipment | 6,600 | 6,600 | 6,600 | 6,600 |
| Rental of premises | 168,860 | 92,530 | 162,000 | 162,000 |

and crediting:

| | | | | |
|--|---------|---------|---|---|
| Allowance for doubtful debts written back | 150,000 | — | — | — |
| Gain on disposal of property, plant and equipment | 34,675 | 36,033 | — | — |
| Gain on foreign exchange | | | | |
| - unrealised | 8,960 | — | — | — |
| Interest income | 728 | — | — | — |
| Rental income | 215,700 | 135,700 | — | — |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001 (cont'd)

13. TAX EXPENSE

| | Group | | Company | |
|------------------------------------|----------|-----------|---------|------|
| | 2001 | 2000 | 2001 | 2000 |
| | RM | RM | RM | RM |
| Current tax expense | | | | |
| - current year | (77,000) | (71,000) | — | — |
| - underestimated in prior year | (577) | — | — | — |
| | (77,577) | (71,000) | — | — |
| Deferred tax (expense)/ | | | | |
| income relating to: | | | | |
| - origination of timing difference | (1,800) | (1,500) | — | — |
| - reversal of timing difference | — | 1,035,000 | — | — |
| | (79,377) | 962,500 | — | — |

The effective tax rate for the Group is low compared to the statutory rate because of the availability of current year's capital allowances as well as unabsorbed capital allowances brought forward in the subsidiary companies of which approximately RM5,567,000 (2000 : RM2,800,000) has been utilised to set-off against the adjusted profits for the year.

There is no tax expense for the Company because of the availability of current year's capital allowances as well as unabsorbed capital allowances and unutilised tax losses brought forward of which approximately RM138,000 (2000 : RM84,000) have been utilised to set-off against the adjusted profit for the year.

Based on estimated tax credits and tax exempt income available and the prevailing tax rate applicable to dividends, the entire unappropriated profit of the Company is available for distribution without incurring additional tax liability.

14. EARNINGS/(LOSS) PER SHARE

Earnings per share is calculated based on Group profit after taxation and minority interest of RM388,406 (2000 : loss after taxation and minority interest of RM1,513,913) and on 20,980,000 (2000 : 20,980,000) shares in issue during the financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001 (cont'd)

15. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Company has a controlling related party relationship with its subsidiary companies.

Transactions with subsidiary companies during the year are as follows:

| | Company | |
|-----------------------------------|---------|---------|
| | 2001 | 2000 |
| | RM | RM |
| Management fees charged to | | |
| - Ralco Plastic Sdn Bhd | 900,000 | 900,000 |
| - Ralco Coolers Sdn Bhd | 9,600 | 9,600 |
| - Ralco Holdings Sdn Bhd | 2,400 | 2,400 |
| - Ralco E.U.T. Properties Sdn Bhd | 12,000 | 12,000 |
| - Ralco Properties Sdn Bhd | 12,000 | 12,000 |
| Rental of premises charged by | | |
| - Ralco Properties Sdn Bhd | 162,000 | 162,000 |

The directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business.

Non-trade balances with related parties are as follows:

| | Company | |
|-----------------------------------|-----------|-----------|
| | 2001 | 2000 |
| | RM | RM |
| Outstanding advances owing by | | |
| - Ralco Plastic Sdn Bhd | 4,890,624 | 4,726,826 |
| - Ralco Properties Sdn Bhd | 747,000 | 747,000 |
| - Ralco E.U.T. Properties Sdn Bhd | 109,115 | 139,115 |
| Outstanding advances owing to | | |
| - Ralco Coolers Sdn Bhd | 200,000 | — |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001 (cont'd)

16. EMPLOYEES INFORMATION

| | Group | | Company | |
|---------------------------------|-----------|-----------|---------|---------|
| | 2001 | 2000 | 2001 | 2000 |
| | RM | RM | RM | RM |
| Staff costs | 6,159,660 | 5,826,755 | 519,137 | 600,981 |
| Number of employees at year end | 308 | 327 | 16 | 18 |

17. CONTINGENT LIABILITIES

| | Group | | Company | |
|--|-------|------|------------|------------|
| | 2001 | 2000 | 2001 | 2000 |
| | RM | RM | RM | RM |
| Unsecured corporate guarantees in respect of | | | | |
| - banking facilities granted to subsidiary companies | — | — | 37,100,000 | 50,450,000 |
| - trade facilities granted to a subsidiary company | — | — | 4,822,000 | 4,700,000 |
| | — | — | 41,922,000 | 55,150,000 |

18. SEGMENT ANALYSIS

No segment analysis is prepared as the Group is involved in a single industry segment relating to the manufacturing of plastic products in Malaysia.

STATEMENT BY DIRECTORS

In the opinion of the directors, the financial statements set out on pages 29 to 48 are drawn up:

- (a) so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2001 and of their results and cash flows for the year then ended; and
- (b) in accordance with applicable approved accounting standards.

On behalf of the Directors

HENG HONG CHAI
Director

TAN KIE LU
Director

19 April 2002

STATUTORY DECLARATION

I, **Heng Hong Chai**, being the director primarily responsible for the financial management of **Ralco Corporation Berhad**, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 29 to 48 are 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 at
Kuala Lumpur in the Federal Territory

this 19 April 2002

)
)
) **HENG HONG CHAI**
)
)
)

Before me:

WO92

ROBERT LIM HOCK KEE
Commissioner for Oaths

LIST OF GROUP'S PROPERTIES

AS AT YEAR 2001

| Location | Type (Existing Use) | Tenure (Expiring Date) | Land Area (Built-up Area) | Net Book Value (RM) | Approximate Age of Property (No. of Years) |
|---|--|---------------------------|------------------------------|---------------------------|--|
| Lot 1476 Kawasan Perusahaan Nilai 71800 Nilai Negeri Sembilan | Land and Building (Factory) | Leasehold (20/08/2089) | 18,200 sq. meters | 12,171,281 | 9 |
| Lot 1478 Kawasan Perusahaan Nilai 71800 Nilai Negeri Sembilan | Land and Building (Factory) | Leasehold (20/08/2089) | 4,464 sq. meters | 2,722,185 | 9 |
| No. 11, Jalan PJS 11/28B Bandar Sunway 46150 Petaling Jaya Selangor | Land and Building (Headoffice) | Leasehold (11/03/2095) | (1,418 sq. meters) | 2,646,473 | 6 |
| No. 14, Jalan PJS 11/18 Bandar Sunway 46150 Petaling Jaya Selangor | Land and Building (Rental) | Leasehold (28/12/2096) | (501.7 sq. meters) | 618,502 | 8 |
| PT. 5001,5536,5490, 5491,5535 Mukim Labu 71800 Nilai Negeri Sembilan | Freehold Land and Building 5 One-Storey Terrace House (Workers Hostel) | Freehold | (95 sq. meters each) | 297,830 | 7 |

SHAREHOLDING STRUCTURE

ANALYSIS OF SHAREHOLDINGS As At 8 April 2002

| | |
|--------------------------|---------------------------------|
| Authorised Share Capital | : RM25,000,000 |
| Paid-up Share Capital | : RM20,980,000 |
| Class of Share | : Ordinary Share of RM1.00 each |
| Voting Rights | : 1 Vote per Ordinary Share |

SIZE OF SHAREHOLDINGS

| Range | No. of Shareholders | % of Shareholders | No. of Shares | % of Shares |
|-------------------------|---------------------|-------------------|---------------|-------------|
| 1 – 1,000 | 15 | 0.74 | 4,334 | 0.02 |
| 1,001 – 10,000 | 1,882 | 93.68 | 4,168,315 | 19.87 |
| 10,001 – 100,000 | 96 | 4.78 | 2,641,157 | 12.59 |
| 100,001 to less than 5% | 12 | 0.60 | 4,953,794 | 23.61 |
| 5% and above | 4 | 0.20 | 9,212,400 | 43.91 |
| Total | 2,009 | 100.00 | 20,980,000 | 100.00 |

LIST OF SUBSTANTIAL SHAREHOLDERS (5% Above)

| No. Shareholders | No. of Shares | % of Shares |
|----------------------------|---------------|-------------|
| 1. Heng Hong Chai | 6,110,690 | 29.13 |
| 2. Tan Kie Lu | 1,571,710 | 7.49 |
| 3. Distinct Master Sdn Bhd | 1,500,000 | 7.15 |

SHAREHOLDING STRUCTURE (cont'd)

THIRTY (30) LARGEST SHAREHOLDERS

| No. | Shareholders | No. of Share | % of Shares |
|-------|---|--------------|-------------|
| 1. | Mercsec Nominees (Tempatan) Sdn Bhd <i>Account for Heng Hong Chai</i> | 4,841,077 | 23.07 |
| 2. | Tan Kie Lu | 1,571,710 | 7.49 |
| 3. | Distinct Master Sdn Bhd | 1,500,000 | 7.15 |
| 4. | Heng Hong Chai | 1,299,613 | 6.19 |
| 5. | Chie Kuai Leong | 1,040,207 | 4.96 |
| 6. | Tan Ching Ching | 1,018,000 | 4.85 |
| 7. | Duclos Sdn Bhd | 918,000 | 4.38 |
| 8. | Kenanga Nominees (Asing) Sdn Bhd <i>Account for International Scientific (Private) Limited</i> | 643,297 | 3.07 |
| 9. | Tan Han Chuan | 423,000 | 2.02 |
| 10. | Sharifah Asiah Binti Syed Aziz Baftin | 254,000 | 1.21 |
| 11. | DB (Malaysia) Nominee (Asing) Sdn Bhd <i>Account for Contend Investments Limited</i> | 250,000 | 1.19 |
| 12. | Chan Wan Moi | 230,000 | 1.10 |
| 13. | Ong Har Hong | 169,000 | 0.81 |
| 14. | JB Nominees (Asing) Sdn Bhd <i>Account for Paramesweran S/O K Velayutham</i> | 145,000 | 0.69 |
| 15. | Chee Chee Pin | 120,000 | 0.57 |
| 16. | Leong Khai Cheong | 108,000 | 0.51 |
| 17. | Ng Yee Hoon @ Ng Yam Hoon | 100,000 | 0.48 |
| 18. | Mayban Securities Nominees (Tempatan) Sdn Bhd <i>Account for Ong Huey Peng</i> | 100,000 | 0.48 |
| 19. | Chan Moy @ Chan Maw | 97,000 | 0.46 |
| 20. | Wong How Sim | 90,014 | 0.43 |
| 21. | Cheng Yock Ngo | 80,000 | 0.38 |
| 22. | MIDF SISMA Holdings Sdn Bhd | 75,000 | 0.36 |
| 23. | Tiong Kwing Hee | 71,000 | 0.34 |
| 24. | Hong Leong Finance Berhad <i>Account for Chan Wai Pun</i> | 70,000 | 0.33 |
| 25. | Tiong King Ting | 50,000 | 0.24 |
| 26. | Mayban Securities Nominees (Tempatan) Sdn Bhd <i>Account for Lai Siew Yoong</i> | 41,000 | 0.20 |
| 27. | Tay Lay Kee | 41,000 | 0.20 |
| 28. | Yeoh Lip Hee | 40,000 | 0.19 |
| 29. | JB Securities Sdn Bhd <i>Account for IVT (C11)</i> | 38,000 | 0.18 |
| 30. | JB Nominees (Tempatan) Sdn Bhd <i>Account for Kwong Wai Ling</i> | 37,000 | 0.18 |
| Total | | 15,460,918 | 73.71 |

■ **PROPOSED
AMENDMENTS
TO THE
Articles of
Association**

RALCO CORPORATION BERHAD

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Articles of Association of the Company are proposed to be amended in the following manner:-

1. That the following new words and meanings be inserted into the existing article 2:-

| | |
|--------------------------------|---|
| “Listing Requirements” | The Listing Requirements of the Kuala Lumpur Stock Exchange including any amendments to the Listing Requirements that may be made from time to time. |
| “Approved Market Place” | A stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) (Exemption) (No 2) Order 1998. |
| “Authorised Nominee” | A person who is authorised to act as nominee as specified under the Rules. |
| “Security” | Debenture, note, stock and share in a public company or corporation, or bond of any government or of any body, corporate or unincorporated, and includes any right or option in respect thereof, an interest as defined in Section 84 of the Act and any interest in a unit trust scheme as “Securities” shall mean more than one “Security”. |

2. That the existing Article 4 (2)(c) be amended :-

- (a) by substituting the words “balance sheets” in line 2 with the words “audited accounts”;
- (b) by inserting the words “Company’s share” between the words “the” and “capital” in line 5;
- (c) the substituting the words “sale of the” in line 6 with the words “disposal of the whole of the Company’s property, business and” ;
- (d) by substituting the words “their rights and privileges” in line 7 with the words “the rights attached to the share”
- (e) by inserting the words “or part of the dividend” between the words “dividend” and “on” in line 7; and
- (f) by inserting the words “or during the winding up of the Company” in line 8.

and that the amended Article 4(2)(c) shall read as follows:-

“Preference shareholders shall have the same rights as ordinary shareholders as regards receiving notices, reports and **audited accounts** and attending general meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purposes of reducing the **Company’s share** capital, or winding up, or sanctioning a **disposal of the whole of the Company’s property, business and** undertaking, or where any resolution to be submitted to the meeting directly affects **the rights attached to the share**, or when the dividend **or part of the dividend** on the preference shares is in arrears for more than six (6) months **or during the winding up of the Company.**”

3. By incorporating a new Article 4(2)(d) as follows:-

“The holder of a preference share must be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up.”

4. By incorporating a new Article 4(2)(e) as follows:-

“Subject to the Act, the Company shall have the power to issue further preference capital ranking equally with or in priority to preference shares already issued.”

5. That the existing Article 4(4) be amended :-

- (a) by inserting the words “or other convertible securities” between the words “shares” and “shall” in line 2;
- (b) by substituting the words “the holders of the shares of the same class” in line 3 with the words “entitled to receive notices from the Company of general meeting”;
- (c) by substituting the words “of the same class that they hold” in line 4 with the words “or securities to which they are entitled”;
- (d) by inserting the words “or securities” in the following places:-
 - (i) between the words “shares” and “offered” in line 6;
 - (ii) between the words “shares” and “offered” in line 9;
 - (iii) between the words “shares” and “in” in line 10;
 - (iv) between the words “shares” and “which” in line 11;
 - (v) between the words “shares” and “bear” in line 12;
 - (vi) between the words “shares” and “held” in line 12;
 - (vii) between the words “shares” and “cannot” in line 13; and
 - (viii) between the words “shares” and “other” in line 17.

and that the amended Article 4(4) shall read as follows:-

“Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meeting in proportion as nearly as the circumstances admit, to the number of existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The directors may likewise also dispose of any new shares or securities which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the directors, be conveniently offered under the provisions of this sub-article. Notwithstanding the provision herein before set out, the Company may apply to the Exchange to waive the convening of an extraordinary general meeting to obtain shareholders’ approval for further issue of shares or securities (other than bonus or rights issue) where:

- (a) in accordance with the provisions of Section 132D of the Act, there is still in effect a resolution approving the issuance of shares by the Company; and
- (b) the aggregate of the shares issued in any one financial year do not exceed ten percent (10%) of the issued share capital of the Company.”

6. That the existing Article 9 be amended by :-

- (a) cancelling the last sentence appearing in the article and to replace with the following sentence:- “The Company’s lien on shares and dividends from time to time declared in respect of such shares, shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay and has paid in respect of the shares of the member or deceased member”

and the amended Article 9 shall read as follows:-

“The Company shall have a first and paramount lien on every share (not being a fully paid share) for all money (whether presently payable or not) called or payable at a fixed time together with interest, if any, thereon at a rate not higher than the overdraft rate charged for the time being by the Company’s principal bankers in respect of that share, and the Company shall also have a first and paramount lien on all shares (other than fully paid shares) registered in the name of a single person for all money presently payable by him or his estate in respect of a deceased Member to the Company; but the Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article. **The Company’s lien on shares and dividends from time to time declared in respect of such shares, shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay and has paid in respect of the shares of the member or deceased member.**”

7. That the existing Article 21 be amended by cancelling the article in its entirety and to replace with the following new article:-

“The transfer of any listed security or class of listed security of the Company shall be by way of book entry by the Central Depository in accordance with the Rules and, notwithstanding sections 103 and 104 of the Act, but subject to the subsection 107C(2) of the Act and any exemption that may be made from compliance with subsection 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the listed securities.”

8. That the existing Article 22 be cancelled in its entirety and to replace with the following new article:-

“Subject to the provisions of the Central Depositories Act and the Rules, there shall be no restriction on the transfer of fully paid up shares except where required by law. The Central Depository may refuse to register any transfer of Deposited Security that does not comply with the Central Depositories Act and the Rules.”

9. That the existing Article 23 be amended:-

- (a) By inserting the words “in their discretion” between the words “may” and “decline” in line 1;
- (b) By inserting the words “and which are not Deposited Security” after the word “lien” in line 3.

And the amended Article 23 shall read as follows:-

“The Directors may **in their discretion** decline to register any transfer of shares not being fully paid shares and may also decline to register any transfer of shares on which the Company has a lien **and which are not Deposited Security**. Any such refusal shall be notified to the lodging broker and the transferee in writing and with the precise reason(s) of the refusal within three (3) Market Days after the date the transfer is lodged for registration in accordance with Section 105 of the Act.”

10. The existing Article 24 be amended:-

- (a) by inserting the words “of share which is not a Deposited Security” immediately after the word “transfer” in line 4.

And the amend Article 24 shall read as follows:-

“The Company shall be entitled to charge a fee not exceeding Ringgit Malaysia three (RM3-00) or such other sum as may from time to time be permitted by the Exchange together with the stamp duty (if any) payable on the registration of every transfer **of share which is not a Deposited Security**.

11. By inserting a new Article 26A as follows:-

(1) **“Where :**

- (a) **the securities of a company are listed on an Approved Market Place ; and**
- (b) **such company is exempted from compliance with section 14 of the Securities Industry (Central Depositories) Act 1991 or section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules of the Central Depository in respect of such securities;**

such company shall, upon request of a securities holder, permit a transmission of the securities held by such securities holder from the register of holder maintained by the registrar of the company in the jurisdiction of the Approved Market Place (hereinafter referred to as “the Foreign Register”), to the register of holders maintained by the registrar of the company in Malaysia (hereinafter referred to as “the Malaysian Register”) provided that there shall be no change in the ownership of such securities.

- (2) **For the avoidance of doubt, no company which fulfils the requirements of subparagraph (1)(a) and (b) above shall allow any transmission of securities from the Malaysian Register into the Foreign Register.**

12. By inserting a new Article 36A as follows:-

“If any share is forfeited and sold, any residue after the satisfaction of the unpaid calls and accrued interest and expenses, shall be paid to the person whose shares have been forfeited, or his executors, administrators or assignees or as he directs.”

13. By inserting a new Article 40A as follows:-

“Share buy back 40A: The Company may by ordinary resolution in accordance with the Act and the Listing Requirements, purchase its own shares and may apply its share premium account to provide the consideration for the purchase of its own shares and deal with the same in any manner permitted by the Act including cancelling the shares so purchased.”

14. The existing Article 44(1) be amended :-

- (a) by inserting the words “and where it is the annual general meeting” between the words “notice,” and “fourteen” in line 2;

and the amended Article 44(1) shall read as follows:-

“Subject to the provisions of the Act relating to Special Resolutions and agreements for shorter notice, **and where it is the annual general meeting**, fourteen (14) days’ notice at the least to such persons as are under the provisions of these Articles entitled to receive notices of general meetings from the Company shall be given by advertisement in the daily press and in writing to the Exchange, specifying the place, the day and the hour of meeting, but with the consent of all persons for the time being entitled as aforesaid, a meeting may be convened upon a shorter notice, and in such manner as such persons may approve. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. The accidental omission to give such notice to, or the non-receipt of such notice by, any person shall not invalidate the proceedings of any resolution passed at any such meeting.”

15. The existing Article 44(2) be amended :-

- (a) by inserting the words “or where it is the annual general meeting” between the words “Resolutions” and “shall” in line 2;

and the amended Article 44(2) shall read as follows:-

“Notice of any meeting being convened to consider Special Resolutions **or where it is the annual general meeting** shall be given by advertisement in at least two daily newspapers published in Malaysia twenty one (21) days before the date for which the meeting is to take place, and such notice shall similarly be served on the Exchange at least twenty one (21) days before the date of the meeting. All other notices shall be served on the said exchange at least fourteen (14) days before the date of the meeting.”

16. The existing Article 44(3) be amended :-

- (a) by inserting the words “and in accordance with the Rules” between the words “form” and “request” in line 2; and
- (b) by substituting the word “prepare” in line 4 with the word “issue”.

and the amended Article 44(3) shall read as follows:-

“ The Company shall, by written request made in duplicate in the prescribed form **and in accordance with the Rules**, request the Central Depository at least three (3) market days prior to and not including the date of the notice of the general meeting, to **issue** the Record of Depositors to whom the notices of general meetings shall be given by the Company.”

17. The existing Article 44(4) be amended :-

- (a) by inserting the words “and in accordance with the Rules” between the words “form” and “request” in line 3; and
- (b) by substituting the word “prepare” in line 5 with the word “issue”.
- (c) By inserting the words “(hereinafter referred to as “the General Meeting Record of Depositors”)” immediately after the word “Depositors” in line 5.

And the amended Article 44(4) shall read as follows:-

“The Company shall inform the Central Depository of the dates of general meetings and shall in written request made in duplicate in the prescribed form **and in accordance with the Rules**, request the Central Depository at least three (3) market days prior to and not including the date of the general meeting, to **issue** the Record of Depositors **(hereinafter referred to as “the General Meeting Record of Depositors”)**. The General Meeting Record of Depositors shall be the final record of all depositors who shall be deemed to be the registered holders of ordinary shares of the company eligible to be present and vote at such meetings.”

18. By inserting a new Article 44(5) as follows:-

“Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 (where applicable), a depositor shall not be regarded as a member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors.”

19. The existing Article 54 be amended:-

- (a) by inserting the words “and to Article 44 above” between the words “shares” and “at” in line 2;

and the amended Article 54 shall read as follows:-

“Subject to any rights or restrictions for the time being attaching to any class or classes of shares **and to Article 44 above** at meetings of Members or of classes of Members each Member shall be entitled to be present and to vote in respect of any share or shares upon which all calls due to the Company have been paid and may vote in person or by proxy or by attorney. On a show of hands every person present who is a Member or a representative of a Member shall have one vote, and on a poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one vote for every such share he holds. If the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such manner that each unit of capital in each class, when reduced to a common denomination shall carry the same voting power when such right is exercisable.”

20. By cancelling the existing Article 55 in its entirety and to replace with the following new article:-

“Where the member of the Company is an authorised nominee as defined under the Central Despositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account .”

21. The existing Article 64 be amended:-

- (a) inserting the sentence “An election of directors shall take place every year” at the end of the paragraph.

And the amended Article 64 shall read as follows:

“At the first annual general meeting of the Company all the Directors shall retire from office, and at the annual general meeting in every subsequent year one-third the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest one-third shall retire from office. **An election of directors shall take place every year.**”

22. The existing Article 65 be amended by inserting the sentence “All directors shall retire from office one at least in each three years” at the beginning of the paragraph.

And the amended Article 65 shall read as follows:-

“All directors shall retire from office one at least in each three years. A retiring director shall be eligible for re-election.”

23. By inserting a new Article 73 (h) as follows:-

“is absent from more than 50% of the total board of directors meeting held during a financial year.”

24. The existing Article 82 be amended:-

- (a) by substituting the word “continuing” in line 1 and 4 with the word “remaining” ;
- (b) by substituting the word “regulations” in line 3 with the word “Articles”;

and the amended Article 82 shall read as follows:

“The **remaining** Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the number fixed by or pursuant to the **Articles** of the Company as the necessary quorum of Directors, the **remaining** Directors or director may except in an emergency act for the purpose of increasing the number of Directors to that number or of summoning a general meeting of the Company, but for no other purpose.”

25. The existing Article 98 (a) be amended.

- (a) by deleting the last sentence appearing in the paragraph and to replace with the following sentence:- “The interval between the close of a financial year of the Company and the issue of the audited accounts, the directors’ report and the auditors’ report shall not exceed four (4) months.”

And the amended Article 98(a) shall read as follows:

“The Directors shall cause proper accounting and other records to be kept and shall distribute copies of balance sheets and other documents as required by the Act and shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounting and other records of the Company or any of them shall be opened to the inspection of Members not being Directors and no Member (not being a director) shall have any right of inspecting any account or book or paper of the Company except as conferred by statute or authorised by the Directors or by the Company in general meeting. **The interval between the close of a financial year of the Company and the issue of the audited accounts, the directors’ report and the auditors’ report shall not exceed four (4) months.**”

26. The existing Article 116 be amended.

- (a) by inserting the words “to consider such commission or fee” immediately after the word “held” in line 15;

and the amended Article 116 shall read as follows:

“If the Company is wound up the liquidator may, with the sanction of a Special Resolution of the Company divide amongst the Member in kind the whole or any part of the assets of the Company (whether they consist of property of the same kind or not) and may for that purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of any such assets in trustees upon trusts for the benefit of the contributories as the liquidator, with the like sanction, thinks fit, but so that no Member shall be compelled to accept any shares or other securities whereon there is any liability. If the Company be wound up voluntarily, any fee or commission payable to the liquidator shall be subject to the approval of the shareholders in general meeting. Notice of the percentage of such commission or the amount of such fee shall be given to shareholders at least seven (7) days before such general meeting is held **to consider such commission or fee.**”

27. By inserting a new Article 119.

“EFFECT OF THE LISTING REQUIREMENTS”

- (1) **Notwithstanding anything contained in these Articles, if the Listing Requirements prohibit an act being done, the act shall not be done.**
- (2) **Nothing contained in these Articles prevents an act being done that the Listing Requirements require to be done.**
- (3) **If the Listing Requirements require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).**
- (4) **If the Listing Requirements require these Articles to contain a provision and they do not contain such a provision, these Articles are deemed to contain that provision.**
- (5) **If the Listing Requirements require these Articles not to contain a provision and they contain such a provision, these Articles are deemed not to contain that provision.**
- (6) **If any provision of these Articles is or becomes inconsistent with the Listing Requirements, these Articles are deemed not to contain that provision to the extent of the inconsistency.**
- (7) **For the purpose of this Article, unless the context otherwise requires, “Listing Requirements” means the Listing Requirements of Kuala Lumpur Stock Exchange including any amendment to the Listing Requirements that may be made from time to time.”**



Ralco Corporation Berhad
Incorporation in Malaysia

FORM OF PROXY

I/We, _____
(PLEASE USE BLOCK LETTERS)

of _____

being a member/members of Ralco Corporation Berhad, hereby appoint _____

_____ of _____

or failing him _____

of _____

or failing him, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the
Seventh Annual General Meeting of the Company will be held at the **East VIP Lounge, Kuala Lumpur
Golf & Country Club, No.10 Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur** on **Tuesday,
11 June 2002 at 10.00a.m.** or at any adjournment thereof.

*My/Our proxy is to vote as indicated below:

| No. | RESOLUTIONS | FOR | AGAINST |
|-----|---|-----|---------|
| 1. | Reports and Audited Financial Statements RESOLUTION 1 | | |
| 2. | Declaration of dividend RESOLUTION 2 | | |
| 3. | Directors' fees RESOLUTION 3 | | |
| 4. | Re-appointment of Mr. Tan Kie Lu as Director RESOLUTION 4 | | |
| 5. | Re-appointment of Mr. Heng Chee Wei as Director RESOLUTION 5 | | |
| 6. | Re-appointment of Messrs Moores Rowland as auditor RESOLUTION 6 | | |
| 7. | Amendment to the Articles of Association - provisions of Chapter 7 of Listing Requirements RESOLUTION 7 | | |
| 8. | Amendment to the Articles of Association - adding a new articles as 'Article 40A' RESOLUTION 8 | | |
| 9. | Approval pursuant to Section 132D RESOLUTION 9 | | |

Please indicate with an 'X' how you wish your vote to be cast. In the absence of specific instruction, your Proxy will vote or abstain as he/she thinks fit.

* Strike out whichever not applicable.

Date this _____ day of _____ 2002

NUMBER OF SHARES

Signature(s) of Member(s)

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one (1) or more proxies to attend and vote in his stead. A proxy may but does not need to be a member of the Company and the provisions of Section 149 (1)(a), (b), (c) and (d) of the Companies Act, 1965 need not be complied with. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
2. In the case of a corporate member, the instrument appointing a proxy must be either under its common seal or under the hand of its officer or attorney duly authorised.
3. The instrument appointing a proxy must be deposited at the Company's Registered Office, No. 7.19, 7th Floor, Wisma Central, Jalan Ampang, 50450 Kuala Lumpur not less than 48 hours before the time for holding the meeting or any adjournment thereof.

Please Fold Along This Line

STAMP
HERE

RALCO CORPORATION BERHAD (333101-V)
c/o CS SECRETARIAL SERVICES SDN BHD (264827-K)

NO.7.19, 7TH FLOOR
WISMA CENTRAL
JALAN AMPANG
50450 KUALA LUMPUR

Fold This Flap For Sealing (Stapler or Glue)

Fold This Flap For Sealing (Stapler or Glue)

