



**RALCO**

**RALCO CORPORATION BERHAD**

(Company No.333101-V)

Annual  
Report  
**2002**



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## notice of *Annual General Meeting*

**NOTICE IS HEREBY GIVEN that the Eighth 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 Wednesday, 25 June 2003 at 10.00am for the transaction of the following business:-**

### **AGENDA**

- 1) To receive and adopt the Directors' Report and Accounts for the year ended 31 December 2002 together with the Auditors report thereon. **(Resolution 1)**
- 2) To approve the payment of Directors' Fees amounting to RM54,000.00 for the year ended 31 December 2002. **(Resolution 2)**
- 3) That Mr. Yong Ng Gah @ Yong Wee Sing 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 3)**
- 4) To re-appoint Messrs Moores Rowland as auditors and authorise the directors to fix their remuneration. **(Resolution 4)**
- 5) **Special Business**  
  
To consider and if thought fit, pass the following resolution as an **ordinary resolution:-** **(Resolution 5)**  
  
"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."
- 6) To transact any other business of which due notice shall have been received.

By Order of The Board,

**SUI DIONG HOE**  
Secretary

3 June 2003  
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, 7<sup>th</sup> 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.

**EXPLANATORY NOTES ON SPECIAL BUSINESS:**

4. The proposed Ordinary Resolution 5, if passed, will give authority to the Board to issue and allot ordinary shares from the unissued capital of the Company at any time in their absolute discretion and that such authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.

## corporate *Information*

<b>BOARD OF DIRECTORS</b>	Mr Heng Hong Chai (Chairman) Mr Yong Ng Gah @ Yong Wee Sing Mr Tan Kie Lu Mr Heng Chee Wei
<b>COMPANY SECRETARIES</b>	Mr Sui Diong Hoe (MIA 3663) Ms Margaret Joseph (LS 01683)
<b>REGISTERED OFFICE</b>	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
<b>PRINCIPAL PLACE OF BUSINESS</b>	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
<b>REGISTRAR</b>	Systems & Securities Sdn Bhd Wisma Selangor Dredging, 6th Floor, South Block 142-A, Jalan Ampang, 50450 Kuala Lumpur e-mail: systems@po.jaring.my
<b>AUDITORS</b>	Moore's Rowland Chartered Accountants Wisma Selangor Dredging, 7th Floor, South Block 142-A, Jalan Ampang, 50450 Kuala Lumpur e-mail: consult@mooresrowland.com.my
<b>PRINCIPAL BANKERS</b>	HSBC Bank Malaysia Berhad Malayan Banking Berhad The Bank of Nova Scotia Berhad United Overseas Bank (Malaysia) Bhd
<b>STOCK EXCHANGE LISTING</b>	Second Board of the Kuala Lumpur Stock Exchange Stock Code: 7498
<b>LEGAL FORM AND PLACE OF INCORPORATION</b>	A public listed company incorporated in Malaysia under the Companies Act, 1965 and limited by shares
<b>DOMICILE</b>	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 *Directors*

### Details Of Directors

Details	HENG HONG CHAI	YONG NG GAH @ YONG WEE SING	TAN KIE LU	HENG CHEE WEI
<b>Directorship</b>	Non-Independent Executive Director	Independent Non-Executive Director	Non-Independent Non-Executive Director	Independent Non-Executive Director
<b>Age</b>	50 years old	61 years old	52 years old	32 years old
<b>Nationality &amp; Race</b>	Malaysian/Chinese	Malaysian/Chinese	Malaysian/Chinese	Malaysian/Chinese
<b>Qualification</b>		Bachelor of Engineering Degree in Chemical Engineering		Member of The Malaysian Institute of Accountants
<b>Working experience &amp; occupation for the past 5 years</b>	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 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
<b>Other directorships of public companies</b>	Nil	Nil	Nil	Nil
<b>Securities holdings in RALCO and its subsidiaries</b>	6,110,690 ordinary shares of RALCO	1,000 ordinary shares of RALCO	1,571,710 ordinary shares of RALCO	Nil
<b>Family relationship with any director and/or major shareholder of RALCO</b>	Nil	Nil	Nil	Nil
<b>Any conflict of interest with the listed issuer</b>	Nil	Nil	Nil	Nil
<b>List of convictions for offences within the past 10 years other than traffic offences, if any</b>	Nil	Nil	Nil	Nil

### **HENG HONG CHAI**

Malaysian, Age 50

*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 six 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 61

*Independent, Non-Executive Director*

Mr. Yong was appointed to the Board on 25 May 1996. He attended all six 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 52

*Non-Independent, Non-Executive Director*

Mr. Tan was appointed to the Board on 23 September 1997. He attended all six 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 32

*Independent, Non-Executive Director*

Mr. Heng was appointed to the Board on 8 August 2001. He attended all six board meetings held in 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 Pricewaterhouse Coopers 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 standard of corporate governance to be practised both by the Company and its subsidiaries ("together as the Group").

The Board will evaluate on an 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 year. 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 are independent directors. 1 of these 2 directors also functions as senior independent non-executive director 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 specialisations 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 on pages 6 to 7 herein.

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.

### **BOARD MEETINGS**

The Board of Directors meets regularly and all the proceedings at the Board meetings are properly minuted and signed by the chairman. The Board follows formal schedules for meeting 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, 6 board meetings were held. The following is the record of attendance of the directors:

Executive Director	Total
1. Heng Hong Chai	6 / 6
Non-Executive Director	Total
1. Yong Ng Gah @ Yong Wee Sing	6 / 6
2. Tan Kie Lu	6 / 6
3. Heng Chee Wei	6 / 6

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, advice from and services of the Company secretaries and are entitled to seek at their discretion independent professional advice at Company's expense.

#### APPOINTMENT TO THE BOARD

The Board has set up a Nomination Committee pursuant to the best practice under the Code on 28 April 2003. The Committee comprises 3 non-executive directors, two of which are independent. The Members are:

##### As Chairman

Heng Chee Wei – Director : Non-Executive, Independent

##### As Members

Yong Ng Gah @ Yong Wee Sing – Director : Non-Executive, Senior Independent

Tan Kie Lu – Director : Non-Executive, Non-Independent

The Committee meets at least once a year and more when necessary to consider review and assess the following:

- to identify skills, expertise and/or experience strategic and fundamental to the effective functioning of the Board as a whole.
- to review the required mix of skills, experience and other qualities including core competencies, which non-executive directors could bring to the Board.
- to assess the suitability of any individual for appointment to the Board by taking into account his/her skill, expertise and/or experience as well as other commitments, resources, time and effectiveness of the Board as a whole on an ongoing basis.

**Corporate Governance (cont'd)**

- to assess the contribution of all members of the Board and the effectiveness of the Board as a whole to recommend candidates to fill vacancies of the Board.
- to recommend candidates to fill vacancies of the Board.
- to recommend to the Board for reelection of directors due for retirement by rotation.
- to examine the size of the Board to determine the impact upon its effectiveness.
- to recommend directors to seat on various Board Committees and to review their performance and effectiveness.

**DIRECTORS' TRAINING**

All directors have duly 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.

**RE-ELECTION**

Every director will be required by the Company's Articles of Association 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.

**DIRECTORS' REMUNERATION**

The Board has set up a Remuneration Committee on 28 April 2003. The Committee comprises 3 non-executive directors, a majority of whom are independent directors. The Committee consists of the following members:

**As Chairman**

Tan Kie Lu – Director : Non-Executive, Non-Independent

**As Members**

Yong Ng Gah @ Yong Wee Sing – Director : Non-Executive, Senior Independent

Heng Chee Wei – Director : Non-Executive, Independent

The objective of the Remuneration Policy is to attract and retain suitable directors to lead and control the Group effectively. Generally, the remuneration of directors reflect the level of responsibility and commitment that goes with the Board's membership. In the case of executive directors, the component parts of the remuneration are structured so as to link rewards to the individual and the Group's performance. For non-executive directors, the level of remuneration is reflective of their individual experience and level of responsibilities.

The Committee is to recommend to the Board the framework of the executive directors' remuneration and the remuneration package for each executive director. The Committee also reviews and recommends for Board approval of all other director fees/attendance fees.

The Committee meets at least once a year and more when necessary to consider all aspects of the executive directors' performance and employment for recommendation of remuneration and incentives, drawing from outside advice if necessary. The Members concerns abstained from discussion of their own remuneration.

The remuneration of Directors, in aggregation and analysed into bands of RM50,000 is as follows:

	<b>Salary (RM)</b>	<b>Bonus (RM)</b>	<b>Fee (RM)</b>	<b>EPF (RM)</b>	<b>Total (RM)</b>
Executive Director	180,000	45,000	10,000	27,000	262,000
Non-Executive Directors	–	–	44,000	–	44,000
	<b>Number of Directors</b>				
<b>Range of remuneration</b>	<b>Executive</b>		<b>Non-Executive</b>		
Less than RM50,000	–		3		
RM250,001 to RM300,000	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 of the Group at the financial year end and of the results and cash flows of the Company and of the Group for the financial year.

The directors have adopted 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 of 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.

Corporate Governance (cont'd)

## INTERNAL CONTROL

A Statement on Internal Control to safeguard shareholder's interest and the Company's assets is set out on pages 17 to 18 of the Annual Report herein.

## RELATIONSHIP WITH THE AUDITORS

The Board has established a formal and transparent arrangement with the Company's external and internal auditors through the Audit Committee. The Audit Committee communicated directly and independently with the auditors.

The Audit Committee Report is set out on pages 13 to 16 of the Annual Report herein.

## ADDITIONAL COMPLIANCE INFORMATION

The following is provided in compliance with the KLSE Listing Requirements:

- 1. Non-audit fees**  
The amount of non-audit fees paid by the Group to the external auditors during the financial year amounted to RM9,000.
- 2. Material contracts**  
There were no material contracts entered into by the Company and/or its subsidiaries that involve directors' or major shareholders' interests either still subsisting at the end of the financial year ended 31 December 2002 or entered into since the end of the previous financial year.
- 3. Sanctions/ penalties**  
There were no sanctions and/or penalties imposed on the Company or its subsidiaries, directors or management by any relevant regulatory bodies during the financial year.
- 4. Revaluation of landed properties**  
The Company and the Group did not have a policy on regular revaluation of land and buildings.
- 5. American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR") programme**  
During the financial year, the Company did not sponsor any ADR or GDR programme.
- 6. Variation in results**  
There was no variance of more than 10% between the results for the financial year and the unaudited results previously announced. The Company did not make any release on the profit estimate, forecast or projections for the financial year.
- 7. Profit guarantee**  
No profit guarantee was given by the Company in respect of the financial year.
- 8. Share buybacks**  
During the financial year, there were no share buybacks by the Company.
- 9. Options, warrants or convertible securities**  
During the financial year, there were no options, warrants or convertible securities exercised.



## **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 ("together as 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.

### **COMPOSITION**

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

#### **As Chairman**

Yong Ng Gah @ Yong Wee Sing – Director : Non-Executive, Senior Independent

#### **As Members**

Heng Chee Wei – Director : Non-Executive, Independent

Heng Hong Chai – Director : Executive, Non-Independent

### **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.

**Audit Committee Report (cont'd)**

**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; and
- (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; and
  - (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.

#### 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, 6 Audit Committee meetings were held. The details of attendance by its members are as follows:

Name	Total
1. Yong Ng Gah @ Yong Wee Sing	6 / 6
2. Heng Chee Wei	6 / 6
3. Heng Hong Chai	6 / 6

**Audit Committee Report (cont'd)**

**SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL PERIOD**

- i) Reviewed the unaudited quarterly financial results of the Group with the management team prior to the Board of Directors' approval and subsequent announcements.
- ii) Reviewed with the External Auditors the audited accounts for the financial year end 31 December 2001, the results of the audit, audit report and recommendation prior to the Board of Directors' approval and subsequent announcements.
- iii) Reviewed and approved the audit charter and respective audit plans of the internal auditors.
- iv) Discussed and reviewed updates of new development on accounting standards issued by the Malaysian Accounting Standards Board.

**INTERNAL AUDIT FUNCTIONS**

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; and
- (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.

## **statement on *Internal Control***

### **INTRODUCTION**

In accordance with Paragraph 15.27 (b) of the KLSE Listing Requirements and Statement on Internal Control: Guidance For Directors of Public Listed Companies, the Board is pleased to outline the state of internal controls of the Group for the financial year ended 31 December 2002 which has been prepared in accordance with the Guidance.

### **BOARD RESPONSIBILITY**

The Board acknowledges the importance of maintaining a sound system of internal controls to safeguard the Group's assets and shareholders' investment. Accordingly, the Board affirms its overall responsibility for the Group's system of internal controls and for reviewing its effectiveness, adequacy and integrity. Due to the limitations that are inherent in any system of internal controls, the Board is aware that such system is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

### **RISK MANAGEMENT FRAMEWORK**

The Group has in place an ongoing process for identifying, evaluating and managing the significant risks faced by the Group throughout the financial year under review and up to the date of this report. The process is regularly reviewed by the Board via the Audit Committee.

During the financial year, the internal audit function has conducted various structured interviews and risk assessment workshops with the management of the Group for identifying business risks of the key processes. The risks identified were weighted and prioritised after taking into consideration their impact and likelihood of the business risks occurring.

The risk profile prepared was later incorporated into the internal audit plan for the purposes of assessing and monitoring the effectiveness and adequacy of the controls in managing the business risks identified. This provides assurance regarding the adequacy and the integrity of the internal control system. Any significant weaknesses identified during the reviews together with the improvement measures to strengthen the controls were reported to the Audit Committee.



**Statement On Internal Control (cont'd)**

**OTHER KEY ELEMENTS OF INTERNAL CONTROL**

Other key elements of the Group's system of internal controls are as follows:

- The Group has an appropriate organisational structure which enables adequate monitoring of the activities and ensures effective flow of information across the Group. In addition, lines of responsibility and delegations of authority are clearly defined.
- The Managing Director is actively participating in day-to-day running of the Group's operations. This enables material issues to be effectively resolved on a timely basis.
- Key processes of the Group are governed by written policies and procedures.
- The Group's manufacturing activities are accredited with ISO 9002 international quality system standard and such quality management system provides the Group with improved control of key processes and a foundation for improving quality and customer satisfaction.
- The Management monitors the Group's performance via key performance indicators and prepares quarterly management reports.
- The Board receives and reviews information on the Company's financial status and performance.
- Key functions of the Group such as purchasing and payments are centralised to enhance internal control.
- The Audit Committee meets at least four times a year and reviews the effectiveness of the Group's system of internal controls. The Committee receives periodic management reports.

**CONTROLS WEAKNESSES**

The management continues to take measures to strengthen the controls environment. During the financial year, there were no major internal control weaknesses which resulted in material losses, contingencies or uncertainties that would require disclosure in the Company's Annual Report.

## 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 2002.**

### **FINANCIAL RESULTS**

Notwithstanding the Malaysian economy has undergone a difficult period during the financial year, the Group revenue registered a commendable 19% increase from RM44.1 million in the previous financial year to RM52.6 million for the current financial year.

The Group achieved a profit before tax of RM6.6 million compared to RM0.5 million recorded in the previous financial year which is mainly attributable to the amortisation of the entire negative goodwill of RM5.3 million.

### **OUTLOOK AND PROSPECT**

The prospect for the Group remains sound based on continued and increasing demand for plastic based products. We emphasise on selling our products to lubricant, paint and edible oil industries.

More concerted marketing efforts will be implemented to gain a larger marketing share for the Group's core products.

The Group has also undertaken pro-active measures to increase operational efficiency and to meet ultimate customers' requirements and product specifications for the coming financial year.

Barring unforeseen circumstances, the Board is optimistic that the Group should perform satisfactorily in the coming financial year.

### **CHARITABLE DONATIONS**

The Group continues to support community services and charitable causes, covering a wide range of sectors and organisations including medical care, social welfare and education.

### **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 continued support and co-operation and lastly to our shareholders for their confidence in us.

**HENG HONG CHAI**  
Chairman

**5 May 2003**

## group *Financial Highlights*

For The Year Ended 31 December 2002

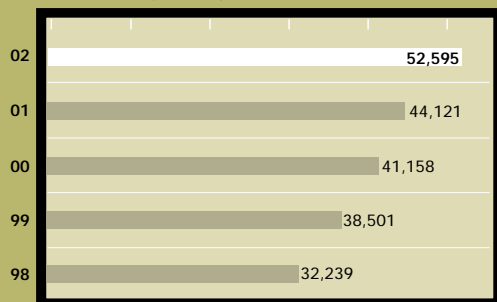
	2002 RM'000	2001 RM'000	2000 RM'000	1999 RM'000	1998 RM'000
<b>INCOME STATEMENT</b>					
Turnover	52,595	44,121	41,158	38,501	32,239
Profit/(Loss) Before Tax	6,581	529	(2,427)	2,246	5,571
Profit/(Loss) After Tax	6,491	449	(1,465)	2,140	5,945
<b>BALANCE SHEET</b>					
Fixed Assets	47,107	46,687	44,786	43,110	45,493
Net Current (Liabilities)/Assets	(2,692)	(2,183)	975	8,751	8,454
<b>Total Assets Employed</b>	<b>44,415</b>	<b>44,504</b>	<b>45,761</b>	<b>51,861</b>	<b>53,947</b>
Shareholders' Equity	43,513	43,470	43,081	44,595	43,610
Minority Interest	748	698	637	588	481
Deferred Liabilities	154	336	2,043	6,678	9,856
<b>Total Funds Employed</b>	<b>44,415</b>	<b>44,504</b>	<b>45,761</b>	<b>51,861</b>	<b>53,947</b>
<b>PER RM 1 ORDINARY SHARE</b>					
Earnings/(Loss) Per Share(sen)	30.70	1.85	(7.20)	9.70	28.00
Gross Dividend Per Share(sen)	-	5.00	-	5.00	3.60
Net Tangible Assets Per Share(RM)	2.07	1.82	2.05	2.13	2.08

### FINANCIAL CALENDAR

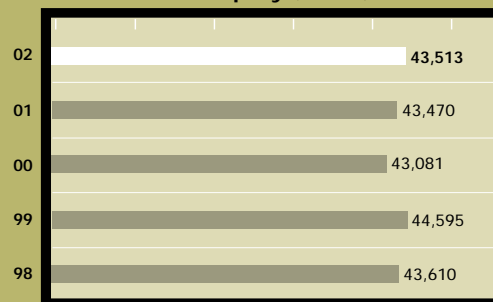
Financial Year End	: 31 December 2002
Announcement of Quarterly Result	
- 1st Quarter Performance Unaudited	: 24 May 2002
- 2nd Quarter Performance Unaudited	: 27 August 2002
- 3rd Quarter Performance Unaudited	: 28 November 2002
- 4th Quarter Performance Unaudited	: 27 February 2003
Announcement of Annual Audited Results	: 28 April 2003
Issue of Annual Report	: 3 June 2003
2002 Annual General Meeting	: 25 June 2003

**Group Financial Highlights**  
**For The Year Ended 31 December 2002 (cont'd)**

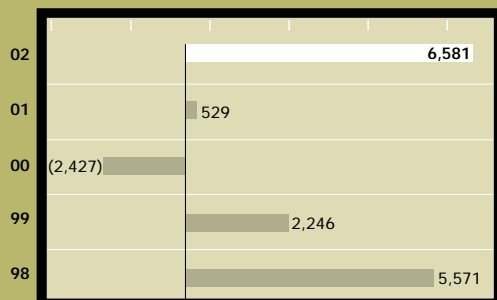
**Turnover (RM'000)**



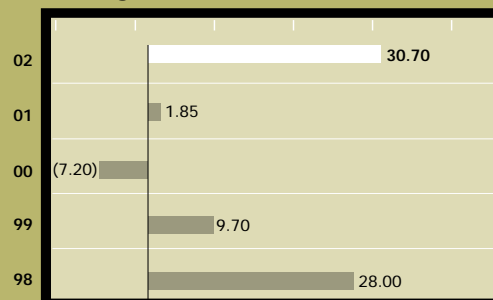
**Shareholders' Equity (RM'000)**



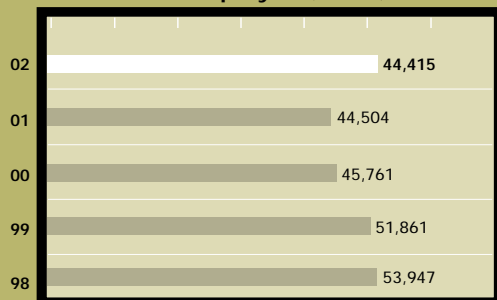
**Profit/(Loss) Before Tax (RM'000)**



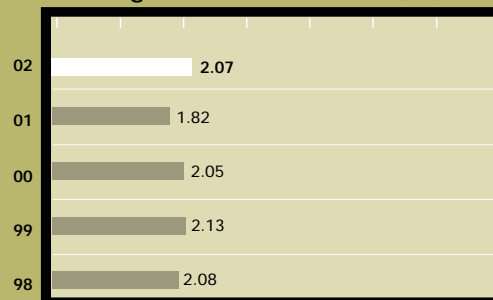
**Earnings/(Loss) Per Share (sen)**



**Total Assets Employed (RM'000)**



**Net Tangible Assets Per Share (RM)**



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## FINANCIAL STATEMENTS

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35 – 54	<b>Notes To The Financial Statements</b>
55	<b>Statement By Directors</b>
55	<b>Statutory Declaration</b>

## **directors' Report**

For The Year Ended 31 December 2002

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 2002.

### **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.

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

### **RESULTS**

	Group RM	Company RM
Net profit/(loss) for the year	6,441,663	(155,280)

### **DIVIDEND**

Dividend paid or declared by the Company since the end of the previous financial year was as follows:

In respect of the financial year ended 31 December 2001  
as disclosed in the directors' report of that financial year -

First and final dividend of 5% tax exempt paid on 30 July 2002	RM 1,049,000
---	-----------------

The directors do not propose to recommend any dividend for the current financial year.

### **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

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

In accordance with the Company's Articles of Association, Mr Yong Ng Gah @ Yong Wee Sing retires from the board at the forthcoming annual general meeting and, being eligible, offers himself 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 1-1-2002	Bought	Sold	At 31-12-2002
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 2002 (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 all known bad debts had been written off and 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 the amount written off for bad debts 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.

- (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 Board of Directors

HENG HONG CHAI  
Director

TAN KIE LU  
Director

28 April 2003



## report of *The Auditors To The Members*

We have audited the financial statements set out on pages 29 to 54. 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 2002 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

28 April 2003

## balance *Sheets*

31 December 2002

		Group		Company	
	Note	2002 RM	2001 RM	2002 RM	2001 RM
PROPERTY, PLANT AND EQUIPMENT	3	47,107,304	46,686,693	113,314	181,344
SUBSIDIARY COMPANIES	4	–	–	23,227,733	23,227,733
CURRENT ASSETS					
Inventories	5	6,939,699	5,781,906	–	–
Trade and other receivables	6	19,039,613	16,396,296	4,650	47,150
Tax recoverable		349,311	241,272	40,942	40,942
Amount owing by subsidiary companies	4	–	–	4,710,198	5,746,739
Cash and bank balances	7	740,242	834,052	171,513	172,260
		27,068,865	23,253,526	4,927,303	6,007,091
Less:					
CURRENT LIABILITIES					
Trade and other payables	8	10,939,418	7,285,177	94,286	93,824
Amount owing to a subsidiary company	4	–	–	256,000	200,000
Hire purchase liabilities	9	37,463	150,012	–	–
Bank borrowings	10	18,769,743	17,993,421	–	–
Tax payable		15,000	7,823	–	–
		29,761,624	25,436,433	350,286	293,824
NET CURRENT (LIABILITIES)/ASSETS		(2,692,759)	(2,182,907)	4,577,017	5,713,267
		44,414,545	44,503,786	27,918,064	29,122,344

**Balance Sheets**  
**31 December 2002 (cont'd)**

		Group		Company	
	Note	2002	2001	2002	2001
		RM	RM	RM	RM
Financed by :					
SHARE CAPITAL	11	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		17,056,159	11,663,496	1,460,768	2,665,048
SHAREHOLDERS' EQUITY		43,513,455	38,120,792	27,918,064	29,122,344
MINORITY INTEREST		747,463	697,872	-	-
NEGATIVE GOODWILL ON ACQUISITION	1(d)	-	5,348,889	-	-
BANK TERM LOANS	12	120,627	263,468	-	-
HIRE PURCHASE LIABILITIES	9	-	37,465	-	-
DEFERRED TAX LIABILITY	13	33,000	35,300	-	-
		44,414,545	44,503,786	27,918,064	29,122,344

Notes to and forming part of the financial statements are set out on pages 35 to 54  
Auditors' Report - Page 28

## income *Statements*

For The Year Ended 31 December 2002

	Note	Group		Company	
		2002 RM	2001 RM	2002 RM	2001 RM
Gross revenue	14	52,594,620	44,120,862	927,000	936,000
Cost of sales	15	(44,493,065)	(36,643,149)	-	-
Gross profit		8,101,555	7,477,713	927,000	936,000
Other operating income		279,644	67,779	-	-
Selling and distribution costs		(2,610,701)	(2,213,355)	-	-
Administrative and general expenses		(4,205,375)	(3,966,870)	(1,082,280)	(947,517)
Allowance for doubtful debts		(167,532)	(16,748)	-	-
Allowance for doubtful debts written back		542,771	150,000	-	-
Profit/(Loss) from operations		1,940,362	1,498,519	(155,280)	(11,517)
Finance costs		(707,923)	(969,841)	-	-
Amortisation of negative goodwill		5,348,889	-	-	-
Profit/(Loss) before tax	16	6,581,328	528,678	(155,280)	(11,517)
Tax expense	17	(90,074)	(79,377)	-	-
Profit/(Loss) after tax		6,491,254	449,301	(155,280)	(11,517)
Minority interest		(49,591)	(60,895)	-	-
Net profit/(loss) for the year		6,441,663	388,406	(155,280)	(11,517)
Net dividend per share (sen)		-	5	-	5
Earnings per share (sen)	18	30.70	1.85		

Notes to and forming part of the financial statements are set out on pages 35 to 54  
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## statements of *Changes In Equity*

For The Year Ended 31 December 2002

Group	Share capital RM	Share premium RM	———Unappropriated profit———			Total RM
			Undistributed RM	Proposed dividend RM	Sub-total RM	
At 1 January 2001	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
Net profit for the year	—	—	6,441,663	—	6,441,663	6,441,663
Dividend paid - balance brought forward	—	—	—	(1,049,000)	(1,049,000)	(1,049,000)
At 31 December 2002	<b>20,980,000</b>	<b>5,477,296</b>	<b>17,056,159</b>	<b>—</b>	<b>17,056,159</b>	<b>43,513,455</b>
<b>Company</b>						
At 1 January 2001	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
Net loss for the year	—	—	(155,280)	—	(155,280)	(155,280)
Dividend paid - balance brought forward	—	—	—	(1,049,000)	(1,049,000)	(1,049,000)
At 31 December 2002	<b>20,980,000</b>	<b>5,477,296</b>	<b>1,460,768</b>	<b>—</b>	<b>1,460,768</b>	<b>27,918,064</b>

Notes to and forming part of the financial statements are set out on pages 35 to 54

Auditors' Report - Page 28

## **cash flow *Statements***

**For The Year Ended 31 December 2002**

	<b>Group</b>		<b>Company</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/(Loss) before tax	6,581,328	528,678	(155,280)	(11,517)
Adjustments for:				
Amortisation of negative goodwill	(5,348,889)	-	-	-
Depreciation	5,612,440	5,405,779	76,100	119,219
Gain on disposal of property, plant and equipment	(39,285)	(34,675)	-	-
Property, plant and equipment written off	295,020	-	-	-
Inventories written off	53,471	-	-	-
Inventories written down	-	4,043	-	-
Allowance for doubtful debts	167,532	16,748	-	-
Allowance for doubtful debts written back	(542,771)	(150,000)	-	-
Bad debts written off	8,259	-	-	-
Interest income	-	(728)	-	-
Interest expenses	681,573	943,491	-	-
Hire purchase term charges	26,350	26,350	-	-
Unrealised gain on foreign exchange	(67,566)	(8,960)	-	-
Operating profit/(loss) before working capital changes	7,427,462	6,730,726	(79,180)	107,702
Changes in inventories	(1,211,264)	(212,422)	-	-
Changes in receivables	(2,208,771)	4,588,242	42,500	(41,150)
Changes in payables	4,630,241	2,045,923	462	(18,209)
Cash generated from/(utilised in) operations	8,637,668	13,152,469	(36,218)	48,343
Interest received	-	728	-	-
Interest paid	(681,573)	(943,491)	-	-
Tax paid	(193,236)	(293,811)	-	(18,220)
Net cash from/(used in) operating activities	7,762,859	11,915,895	(36,218)	30,123
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(6,330,686)	(7,395,890)	(8,070)	-
Proceeds from disposal of property, plant and equipment	41,900	124,000	-	-
Repayment from subsidiary companies	-	-	1,036,541	(133,798)
Net cash (used in)/from investing activities	(6,288,786)	(7,271,890)	1,028,471	(133,798)

**Cash Flow Statements**  
**For The Year Ended 31 December 2002 (cont'd)**

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of term loans	(1,507,685)	(3,709,197)	-	-
Payment of hire purchase instalments	(150,014)	(150,014)	-	-
Hire purchase term charges paid	(26,350)	(26,350)	-	-
Advances from a subsidiary company	-	-	56,000	200,000
Dividend paid	(1,049,000)	-	(1,049,000)	-
Net cash used in financing activities	(2,733,049)	(3,885,561)	(993,000)	200,000
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>				
	(1,258,976)	758,444	(747)	96,325
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>				
	(1,953,108)	(2,711,552)	172,260	75,935
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>				
	(3,212,084)	(1,953,108)	171,513	172,260
Represented by:				
CASH AND BANK BALANCES	740,242	834,052	171,513	172,260
BANK OVERDRAFTS	(3,952,326)	(2,787,160)	-	-
	(3,212,084)	(1,953,108)	171,513	172,260

Notes to and forming part of the financial statements are set out on pages 35 to 54  
Auditors' Report - Page 28

## **notes to *And Forming Part Of The Financial Statements*** **For The Year Ended 31 December 2002**

### **1. SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Basis of preparation**

The financial statements are prepared under the historical cost convention, unless otherwise indicated in the accounting policies set out below.

The financial statements comply with applicable approved accounting standards issued or adopted by the Malaysian Accounting Standards Board and the provisions of the Companies Act, 1965.

#### **(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 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 acquisition**

The difference, if any, between the acquisition cost and the fair values of attributable net assets is reflected as goodwill or negative goodwill on acquisition as appropriate. 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 its value has deteriorated or when it ceases to have a useful life. Negative goodwill on acquisition 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. The entire negative goodwill is credited to the consolidated income statement during the financial year.



Notes To And Forming Part Of The Financial Statements  
For The Year Ended 31 December 2002 (cont'd)

**(e) Property, plant and equipment**

**(i) Measurement basis**

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

**(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 between 89 and 99 years
Buildings	2%
Plant and machinery	10%
Furniture, fittings and renovations	10% - 20%
Office equipment and electrical installations	10% - 20%
Motor vehicles	20%

**(f) Assets acquired under hire purchase agreement**

Assets financed by hire purchase agreement which transfer substantially all the risks and rewards of ownership to the Company are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

In calculating the present value of the minimum hire purchase payments, the discount rate is the interest rate implicit in the hire purchase agreement, if this is practicable to determine; if not, the Company's incremental borrowings rates are used.

**(g) 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.

**(h) Receivables**

Receivables are stated at their nominal values and an allowance is made for any receivables considered to be doubtful of collection. Known bad debts are written off.

**(i) Payables**

Payables are stated at their nominal values which are the fair values of the consideration to be paid in the future for goods and services rendered.

**(j) Share capital**

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost incurred directly attributable to the issuance of the shares is accounted for as a deduction from share premium, otherwise, it is charged to the income statement.

Dividends on the ordinary shares, when declared or proposed by the directors of the Company are disclosed within the components of equity. Upon approval and when paid, such dividends will be accounted for in the shareholders' equity as an appropriation of unappropriated profit in the financial year in which the dividends are paid.

**(k) Impairment of assets**

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's net selling price and value in use. The value in use of an asset is measured by discounted future cash flows expected to be generated from the continuing use of the asset.

An impairment loss is recognised whenever the carrying amount of the asset exceeds its recoverable amount. The impairment loss is charged to the income statement immediately.

Any subsequent increase in recoverable amount of an asset is recognised as reversal of previous impairment loss and should not exceed the carrying amount that would have been determined (net of amortisation or depreciation, if applicable) had no impairment loss been previously recognised for the assets.

Notes To And Forming Part Of The Financial Statements  
For The Year Ended 31 December 2002 (cont'd)

**(l) Income recognition**

Income is recognised when it is probable that the economic benefits will flow to the Company and the Group 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.

**(m) 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.

**(n) 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.

**(o) Foreign currencies**

Transactions in foreign currencies during the financial year are converted 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:

		2002 RM	2001 RM
USD 1	=	3.80	3.80
SGD 1	=	2.18	2.03
HKD 1	=	0.48	0.47
EURO 1	=	3.62	–

**(p) Cash equivalents**

Cash equivalents comprise cash and bank balances, bank overdrafts and 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.

**(q) Financial instruments**

The recognised financial instruments of the Group comprise cash and liquid resources, receivables and payables that arise directly from its operations, some non-trade receivables and payables arising from transactions entered into in the normal course of business with companies within the Group and ordinary share capital. These financial instruments are recognised when a contractual relationship has been established. The accounting policies and methods adopted, including the criteria for recognition and the basis of measurement applied, are disclosed above. The information on the extent and nature of these recognised financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows are disclosed in the respective notes to the financial statements. There are no financial instruments not recognised in the balance sheet.

## 2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Since incorporation, the Group has been financing its operations mainly from financing from licensed financial institutions, as well as internally generated funds.

The Group does not find it necessary to enter into derivative transactions based on its current level of operations.

The main risks arising from the financial instruments of the Group are credit risk, foreign currency exchange risk, interest rate risk and liquidity and cash flow risk. The management of the Group monitors its financial position closely with an objective to minimise potential adverse effects on the performance of the Group. The management reviews and agrees policies for managing each of these risks and they are summarized below. These policies have remained unchanged during the financial year.

### ***Credit risk***

Credit risk arises when sales are made and services are rendered on deferred terms.

The Group has credit policies in place to manage the credit risk exposure. The risk is managed through the application of Group's extensive credit management procedures which include the application of credit approvals, adherence to credit limits, regular monitoring and follow up procedures.

The Group considers the risk of material loss from the non-performance on the part of a financial counter-party to be negligible.

### ***Foreign currency exchange risk***

The Group is exposed to foreign currency exchange risk as a result of transactions denominated in foreign currencies entered into by the Group.

The Group has not hedged against this foreign currency exposure as it does not form a significant portion of the Group's gross assets.

### ***Interest rate risk***

The Group is exposed to interest rate risk in respect of its bank borrowings, term loans and hire purchase liabilities. This risk is managed through the use of fixed and floating interest rate financial instruments. It is the Group's policy not to trade in interest rate swap agreements.

### ***Liquidity and cash flow risk***

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through adequate amount of committed credit facilities. Due to the nature of the business, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

### 3. PROPERTY, PLANT AND EQUIPMENT

#### Group

				Furniture, fittings, renovation, office equipment electrical installations and motor vehicles	Total
2002	Freehold land and buildings	Long term leasehold land and buildings	Plant and machinery		
Cost	RM	RM	RM	RM	RM
At 1 January	348,290	19,940,391	48,750,462	5,336,116	74,375,259
Additions	–	47,774	5,873,766	409,146	6,330,686
Disposals	–	–	–	(89,979)	(89,979)
Write-off	–	–	(2,103,505)	(625,890)	(2,729,395)
At 31 December	348,290	19,988,165	52,520,723	5,029,393	77,886,571

#### Accumulated depreciation

At 1 January	50,459	1,672,042	22,743,415	3,222,650	27,688,566
Charge for the year	6,967	379,489	4,632,129	593,855	5,612,440
Disposals	–	–	–	(87,364)	(87,364)
Write-off	–	–	(1,965,512)	(468,863)	(2,434,375)
At 31 December	57,426	2,051,531	25,410,032	3,260,278	30,779,267

#### Net book value

at 31 December	<u>290,864</u>	<u>17,936,634</u>	<u>27,110,691</u>	<u>1,769,115</u>	<u>47,107,304</u>
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#### 2001

#### Net book value

at 31 December	<u>297,831</u>	<u>18,268,349</u>	<u>26,007,047</u>	<u>2,113,466</u>	<u>46,686,693</u>
Depreciation charge for the year	<u>6,966</u>	<u>370,480</u>	<u>4,290,758</u>	<u>737,575</u>	<u>5,405,779</u>

**Notes To And Forming Part Of The Financial Statements  
 For The Year Ended 31 December 2002 (cont'd)**

Company	2002 RM	2001 RM
<b>Furniture, fittings and renovation</b>		
<b>Cost</b>		
At 1 January	711,897	711,897
Addition	8,070	–
Disposal	–	–
	<hr/>	<hr/>
At 31 December	719,967	711,897
	<hr/>	<hr/>
<b>Accumulated depreciation</b>		
At 1 January	530,553	411,334
Charge for the year	76,100	119,219
	<hr/>	<hr/>
At 31 December	606,653	530,553
	<hr/>	<hr/>
<b>Net book value</b>		
at 31 December	<u>113,314</u>	<u>181,344</u>

A leasehold property of a subsidiary company with net book value of RM2,614,602 (2001 : RM2,646,473) is charged to a bank as security for banking facilities granted to the said subsidiary company.

The title deeds relating to leasehold properties of subsidiary companies with net book values of RM1,733,126 (2001 : RM1,752,543) have 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 RM266,136 (2001 : RM386,580) which were acquired under hire purchase.

Included in property, plant and equipment of the Group is a motor vehicle with net book value of RM208,667 (2001 : RM308,827) which is registered in the name of a director of the Company who is holding it in trust for the Group.

#### 4. SUBSIDIARY COMPANIES

	2002 RM	2001 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:

	Group effective interest		Principal activities
	2002 %	2001 %	
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 and temporarily ceased operations during the financial year
Ralco Coolers Sdn Bhd	100	100	Distribution and trading in water dispensers and filters and temporarily ceased operations during the financial year

\* Held through Ralco Plastic Sdn Bhd

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

#### 5. INVENTORIES

	Group	
	2002 RM	2001 RM
Raw materials, at cost	3,807,533	2,659,138
Finished goods		
- at cost	3,132,166	3,096,468
- at net realisable value	-	26,300
	<u>3,132,166</u>	<u>3,122,768</u>
	<u>6,939,699</u>	<u>5,781,906</u>



Notes To And Forming Part Of The Financial Statements  
For The Year Ended 31 December 2002 (cont'd)

6. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Gross trade receivables	18,489,544	16,329,273	-	-
Less:				
Allowance for doubtful debts	491,535	866,775	-	-
	17,998,009	15,462,498	-	-
Other receivables	232,797	339,967	-	42,500
Deposits	528,790	424,009	4,650	4,650
Prepayments	280,017	169,822	-	-
	19,039,613	16,396,296	4,650	47,150

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
The currency exposure profile of trade receivables is as follows:				
- Ringgit Malaysia	16,855,146	14,082,587	-	-
- Singapore Dollar	1,511,552	2,142,393	-	-
- Hongkong Dollar	104,410	104,293	-	-
- US Dollar	18,436	-	-	-
	18,489,544	16,329,273	-	-

The currency exposure profile of deposits is as follows:				
- Ringgit Malaysia	338,585	203,324	4,650	4,650
- US Dollar	190,205	220,685	-	-
	528,790	424,009	4,650	4,650

The currency exposure profile of prepayments is as follows:				
- Ringgit Malaysia	174,681	169,822	-	-
- US Dollar	105,336	-	-	-
	280,017	169,822	-	-

Notes To And Forming Part Of The Financial Statements  
 For The Year Ended 31 December 2002 (cont'd)

Trade receivables represent amounts receivable from sales of goods and services rendered to customers. Other receivables are denominated in Ringgit Malaysia and are from the normal business transactions of the Group.

All trade receivables are granted credit periods of 30 to 90 days. For certain customers, the credit periods may be extended to more than 90 days at the discretion of the management.

**7. CASH AND BANK BALANCES**

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
The currency exposure profile of cash and bank balances is as follows:				
- Ringgit Malaysia	661,771	633,244	171,513	172,260
- Singapore Dollar	78,471	200,808	-	-
	<b>740,242</b>	<b>834,052</b>	<b>171,513</b>	<b>172,260</b>

**8. TRADE AND OTHER PAYABLES**

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Trade payables	7,619,510	5,400,348	-	-
Other payables	2,096,802	767,393	9,793	9,435
Deposits	53,950	53,950	-	-
Accruals	1,169,156	1,063,486	84,493	84,389
	<b>10,939,418</b>	<b>7,285,177</b>	<b>94,286</b>	<b>93,824</b>

The currency exposure profile of trade payables is as follows:

- Ringgit Malaysia	4,906,669	2,720,577	-	-
- US Dollar	2,712,841	2,679,771	-	-
	<b>7,619,510</b>	<b>5,400,348</b>	<b>-</b>	<b>-</b>

Notes To And Forming Part Of The Financial Statements  
For The Year Ended 31 December 2002 (cont'd)

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
The currency exposure profile of other payables is as follows:				
- Ringgit Malaysia	744,563	739,218	9,793	9,435
- US Dollar	1,293,955	-	-	-
- Singapore Dollar	40,756	13,957	-	-
- Euro Dollar	17,528	14,218	-	-
	<b>2,096,802</b>	<b>767,393</b>	<b>9,793</b>	<b>9,435</b>

All other payables are denominated in Ringgit Malaysia. Trade payables represent amounts outstanding from trade purchases. Other payables are from the normal business transactions of the Group. The normal credit periods granted by trade creditors range from 60 to 90 days.

9. HIRE PURCHASE LIABILITIES

	Group	
	2002	2001
	RM	RM
Outstanding hire purchase instalments due:		
- not later than one year	44,067	176,364
- later than one year and not later than five years	-	44,067
	<b>44,067</b>	<b>220,431</b>
Less:		
Unexpired term charges	6,604	32,954
Outstanding principal amount due	<b>37,463</b>	<b>187,477</b>
Less:		
Outstanding principal amount due not later than one year (included in current liabilities)	<b>37,463</b>	<b>150,012</b>
Outstanding principal amount due later than one year and not later than five years	-	37,465

The effective interest rates of the hire purchase liabilities range from 5.85% to 5.9% (2001 : 5.85% to 5.9%) per annum.

## 10. BANK BORROWINGS

	Group	
	2002	2001
	RM	RM
Bills payable, unsecured, bearing effective interest rates of 2.75% to 3.5% (2001 : 2.75% to 3.44%) per annum	14,678,000	13,702,000
Bank overdrafts		
- secured, bearing effective interest rate of 7.9% (2001 : 7.9%) per annum	930,864	909,310
- unsecured, bearing effective interest rates of 7.65% to 7.9% (2001 : 7.65% to 7.9%) per annum	3,021,462	1,877,850
Current portion of bank term loans (Note 12)	139,417	1,504,261
	<u>18,769,743</u>	<u>17,993,421</u>

The bills payable and bank overdrafts of a subsidiary company are unsecured but guaranteed by the Company while the secured 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 3 and is also guaranteed by the Company.

## 11. SHARE CAPITAL

	2002	2001
	RM	RM
Authorised		
25,000,000 ordinary 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>

Notes To And Forming Part Of The Financial Statements  
For The Year Ended 31 December 2002 (cont'd)

**12. BANK TERM LOANS**

	Group	
	2002	2001
	RM	RM
Bank term loans, bearing effective interest rate of 7.9% (2001 : 7.4% and 7.9%) per annum, repayable by equal monthly instalments commencing 1994 and 1999	260,044	1,767,729
Less:		
Repayments due within 12 months (included in current liabilities, Note 10)	139,417	1,504,261
Repayments due after 12 months	120,627	263,468

A bank term loan of RM260,044 (2001 : RM392,426) 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 which had been fully repaid during the financial year were unsecured but had negative pledges on all the unencumbered assets of the said subsidiary company. All the term loans are also guaranteed by the Company.

**13. DEFERRED TAX LIABILITY**

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
At 1 January	35,300	33,500	-	-
Transfer (to)/from income statement	(2,300)	1,800	-	-
At 31 December	33,000	35,300	-	-

All material timing differences have been accounted for by the Company and the Group.

The deferred tax liability comprises timing differences between net book value and tax written down value of property, plant and equipment.

At 31 December 2002, the Company and the Group have potential deferred tax benefits, 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.

Notes To And Forming Part Of The Financial Statements  
 For The Year Ended 31 December 2002 (cont'd)

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

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Unutilised tax losses	168,000	120,000	27,000	19,000
Unabsorbed capital allowances	2,300,000	1,994,000	11,000	–
Unabsorbed reinvestment allowances	4,800,000	3,870,000	–	–
Taxable timing differences between net book value and tax written down value of property, plant and equipment	(4,981,000)	(4,396,000)	(7,000)	(5,000)
Other (taxable)/deductible timing difference	(19,000)	137,000	–	–
	<b>2,268,000</b>	<b>1,725,000</b>	<b>31,000</b>	<b>14,000</b>

#### 14. GROSS REVENUE

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Sale of goods	52,384,920	43,905,162	–	–
Rental income	209,700	215,700	–	–
Management fees	–	–	927,000	936,000
	<b>52,594,620</b>	<b>44,120,862</b>	<b>927,000</b>	<b>936,000</b>

#### 15. COST OF SALES

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Cost of goods sold	44,362,893	36,534,104	–	–
Direct operating costs relating to rental income	130,172	109,045	–	–
	<b>44,493,065</b>	<b>36,643,149</b>	<b>–</b>	<b>–</b>

Notes To And Forming Part Of The Financial Statements  
 For The Year Ended 31 December 2002 (cont'd)

**16. PROFIT/(LOSS) BEFORE TAX**

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

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Allowance for doubtful debts	167,532	16,748	-	-
Auditors' remuneration				
- current year	59,000	59,000	8,500	8,500
- underestimated in prior year	-	5,500	-	500
Bad debts written off	8,259	-	-	-
Depreciation	5,612,440	5,405,779	76,100	119,219
Directors' remuneration				
- fees	54,000	56,000	54,000	56,000
- other emoluments	252,000	201,600	-	-
Finance costs				
- hire purchase term charges	26,350	26,350	-	-
- interest expenses	681,573	943,491	-	-
Inventories written down	-	4,043	-	-
Inventories written off	53,471	-	-	-
Loss on foreign exchange				
- realised	-	14,979	-	-
Property, plant and equipment				
written off	295,020	-	-	-
Rental of equipment	6,600	6,600	6,600	6,600
Rental of premises	244,630	168,860	162,000	162,000
and crediting:				
Amortisation of negative goodwill	5,348,889	-	-	-
Allowance for doubtful debts				
written back	542,771	150,000	-	-
Gain on disposal of property, plant and equipment	39,285	34,675	-	-
Gain on foreign exchange				
- realised	172,793	-	-	-
- unrealised	67,566	8,960	-	-
Interest income	-	728	-	-
Rental income	209,700	215,700	-	-

## 17. TAX EXPENSE

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Current tax expense				
- current year	(77,700)	(77,000)	-	-
- underestimated in prior year	(14,674)	(577)	-	-
	(92,374)	(77,577)	-	-
Deferred tax income/(expense)				
- current year	2,300	(1,800)	-	-
	(90,074)	(79,377)	-	-

The effective tax rate for the Group is low compared to the statutory rate because of the availability of current year's capital allowances in a subsidiary company of which approximately RM6,600,000 (2001 : RM5,400,000) has been utilised to set-off against the adjusted profit for the year as well as the exclusion of amortisation of negative goodwill which is not subject to tax.

There is no tax expense for the Company for the current financial year as the Company incurred a loss and has no taxable income.

There was no tax expense for the Company for the previous financial year 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 RM145,000 had 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.

## 18. EARNINGS PER SHARE

Earnings per share is calculated based on Group profit after tax and minority interest of RM6,441,663 (2001 : RM388,406) and on 20,980,000 (2001 : 20,980,000) ordinary shares in issue during the financial year.



Notes To And Forming Part Of The Financial Statements  
 For The Year Ended 31 December 2002 (cont'd)

**19. 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	
	2002	2001
	RM	RM
Management fees charged to		
- Ralco Plastic Sdn Bhd	900,000	900,000
- Ralco Coolers Sdn Bhd	2,400	9,600
- Ralco Holdings Sdn Bhd	600	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 subsidiary companies are as follows:

	Company	
	2002	2001
	RM	RM
Outstanding advances owing by		
- Ralco Plastic Sdn Bhd	3,889,083	4,890,624
- Ralco Properties Sdn Bhd	777,000	747,000
- Ralco E.U.T. Properties Sdn Bhd	44,115	109,115
Outstanding advances owing to		
- Ralco Coolers Sdn Bhd	256,000	200,000

**20. EMPLOYEES INFORMATION**

	Group		Company	
	2002	2001	2002	2001
Staff costs	RM7,323,962	RM6,159,660	RM668,877	RM 519,137
Number of employees at year end	348	308	13	16

## 21. CAPITAL COMMITMENTS

	Group	
	2002	2001
	RM	RM
Approved capital expenditure not provided for in the financial statements		
- contracted	236,000	-
- not contracted	2,070,000	-
	<u>2,306,000</u>	<u>-</u>

## 22. CONTINGENT LIABILITIES

	Group		Company	
	2002	2001	2002	2001
	RM	RM	RM	RM
Unsecured corporate guarantees in respect of				
- banking facilities granted to subsidiary companies	-	-	31,300,000	37,100,000
- trade facilities granted to a subsidiary company	-	-	8,530,000	4,822,000
	<u>-</u>	<u>-</u>	<u>39,830,000</u>	<u>41,922,000</u>

## 23. COMPARATIVE FIGURES

The following comparative figures have been restated to conform with the current year's presentation.

	Group	
	As restated	As previously reported
Income statement for the year ended 31 December 2001		
Gross revenue	44,120,862	43,554,647
Cost of sales	(36,643,149)	(36,076,934)
Other operating income	67,779	217,779
Administrative and general expenses	(3,966,870)	(3,839,655)
Allowance for doubtful debts	(16,748)	-
Allowance for doubtful debts written back	150,000	-
Finance costs	<u>(969,841)</u>	<u>(1,113,804)</u>

Notes To And Forming Part Of The Financial Statements  
For The Year Ended 31 December 2002 (cont'd)

**24. 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.

**25. FINANCIAL INSTRUMENTS**

**(a) Credit risk**

The entire financial assets of the Group are exposed to credit risk except for cash in hand and cash at banks. The Group's exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount and period. Concentration of credit risk with respect to trade receivables is limited due to a wide spread of customers in various industries. The Group does not require collateral in respect of financial assets. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

**(b) Interest rate risk**

The Group is exposed to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates.

The effective interest rates for the interest bearing financial liabilities at balance sheet date are disclosed in the respective notes to the financial statements.

**(c) Liquidity and cash flow risk**

The Group's exposure to liquidity and cash flow risk is monitored on an ongoing basis. The concentration of liquidity and cash flow risk is mainly relating to hire purchase liabilities, bank borrowings and term loans. This risk is manageable as the Group is having a steady inflow of funds from its operations.

**(d) Fair values**

The carrying amounts of the financial assets and liabilities of the Company and of the Group at 31 December 2002 approximated their fair values.

**26. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS**

The financial statements of the Company and of the Group were authorised for issue by the directors on 28 April 2003.

## statement by *Directors*

In the opinion of the directors, the financial statements set out on pages 29 to 54 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 2002 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 Board of Directors

**HENG HONG CHAI**  
Director

**TAN KIE LU**  
Director

28 April 2003

## 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 54 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 28 April 2003

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

Before me:  
WO92  
**ROBERT LIM HOCK KEE**  
Commissioner for Oaths

## list of *Group's Properties*

As At Year 2002

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	11,916,974	10
Lot 1478 Kawasan Perusahaan Nilai 71800 Nilai Negeri Sembilan	Land and Building (Factory)	Leasehold (20/08/2089)	4,464 sq. meters	2,674,623	10
No. 11, Jalan PJS 11/28B Bandar Sunway 46150 Petaling Jaya Selangor	Land and Building (Headoffice)	Leasehold (11/03/2095)	(1,418 sq. meters)	2,614,602	7
No. 14, Jalan PJS 11/18 Bandar Sunway 46150 Petaling Jaya Selangor	Land and Building (Rental)	Leasehold (28/12/2096)	(501.7 sq. meters)	611,225	9
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)	290,864	8

## shareholdings *Structure*

### ANALYSIS OF SHAREHOLDINGS AS AT 5 MAY 2003

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	990	51.70	978,410	4.66
1,001 – 10,000	817	42.66	3,006,315	14.33
10,001 – 100,000	91	4.75	2,543,081	12.12
100,001 to less than 5%	12	0.63	5,471,504	26.08
5% and above	5	0.26	8,980,690	42.81
Total	1,915	100.00	20,980,000	100.00

### LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 5 MAY 2003

No.	Shareholders	No. of Shares	% of Shares
1.	Heng Hong Chai	6,110,690	29.13
2.	Tan Kie Lu	1,602,710	7.64
3.	Piramid Tulin Sdn Bhd	1,500,000	7.15

Shareholdings Structure (cont'd)

THIRTY (30) LARGEST SHAREHOLDERS AS AT 5 MAY 2003

No.	Shareholders	No. of Shares	% of Shares
1.	Mercsec Nominees (Tempatan) Sdn Bhd <i>Account for Heng Hong Chai</i>	4,811,077	22.93
2.	Tan Kie Lu	1,602,710	7.64
3.	A.A. Assets Nominees (Tempatan) Sdn Bhd <i>Account for Pyramid Tulin Sdn Bhd</i>	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	905,000	4.31
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.	Mayban Securities Nominees (Tempatan) Sdn Bhd <i>Account for Ong Huey Peng</i>	268,000	1.28
11.	Sharifah Asiah Binti Syed Aziz Baftim	254,000	1.21
12.	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>Account for Contend Investments Limited</i>	250,000	1.19
13.	Chan Wan Moi	230,000	1.10
14.	Ong Har Hong	169,000	0.81
15.	JB Nominees (Asing) Sdn Bhd <i>Account for Paramesweran S/O K Velayutham</i>	145,000	0.69
16.	Chee Chee Pin	120,000	0.57
17.	Leong Khai Cheong	108,000	0.51
18.	Ng Yee Hoon @ Ng Yam Hoon	100,000	0.48
19.	Chan Moy @ Chan Maw	97,000	0.46
20.	Wong How Sim	82,014	0.39
21.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Account for Chan Wai Pun</i>	77,000	0.37
22.	MIDF Sisma Holdings Sdn Bhd	75,000	0.36
23.	Hong Leong Finance Berhad <i>Account for Chan Wai Pun</i>	73,000	0.35
24.	Cheng Yock Ngo	71,000	0.34
25.	Wong Hong Ting	71,000	0.34
26.	Tiong King Ting	50,000	0.24
27.	Ng Ah Fong	47,000	0.22
28.	Mayban Securities Nominees (Tempatan) Sdn Bhd <i>Account for Lai Siew Yoong</i>	41,000	0.20
29.	Tay Lay Kee	41,000	0.20
30.	Yeoh Lip Hee	40,000	0.19
Total		15,651,918	74.60

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 **Eighth 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 **Wednesday, 25 June 2003 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.	Directors' fees RESOLUTION 2		
3.	Re-appointment of Mr. Yong Ng Gah @ Yong Wee Sing as Director RESOLUTION 3		
4.	Re-appointment of Messrs Moores Rowland as auditor RESOLUTION 4		
5.	Approval pursuant to Section 132D RESOLUTION 5		

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 \_\_\_\_\_ 2003

\_\_\_\_\_  
Signature(s) of Member(s)

**NUMBER OF SHARES**

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

Affix Stamp

**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)

**RALCO CORPORATION BERHAD** (Company No.333101-V)

No.11, Jalan PJS 11/28B, Bandar Sunway  
46100 Petaling Jaya, Selangor Darul Ehsan  
Tel: 603-5635 1999 Fax: 603-5632 8023  
e-mail: [ralco@tm.net.my](mailto:ralco@tm.net.my)  
website: [www.ralco.net](http://www.ralco.net)