



**RALCO**

**RALCO CORPORATION BERHAD**

(Company No.333101-V)

annual report 2003

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Ralco Corporation Berhad Incorporated in Malaysia



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## 2 NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of the Company will be held at the East VIP Lounge, Kuala Lumpur Golf & Country Club, No.10 Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Tuesday, 29 June 2004 at 10.00a.m. for the transaction of the following business:-

**AGENDA**

- 1) To receive and adopt the Directors' Report and Financial Statements for the year ended 31 December 2003 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 2003. **(Resolution 2)**
- 3) That Mr. Heng Chee Wei 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** **(Resolution 5)**

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

"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 Bursa Malaysia Berhad 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.

**NOTICE OF ANNUAL GENERAL MEETING** (cont'd)**3**

By Order of The Board,

**SUI DIONG HOE**

Secretary

7 June 2004

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

**Board of Directors**

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

**Company Secretaries**

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

**Registered Office**

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

**Principle Place of Business**

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

**Registrar**

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

**Auditors**

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

**Principal Bankers**

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

**Stock Exchange Listing**

Second Board of the Bursa Malaysia Berhad  
 Stock Code: 7498

**Legal form And Place Of Incorporation**

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

**Domicile**

Malaysia



## CORPORATE STRUCTURE

5

**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

	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>	51 years old	62 years old	53 years old	33 years old
<b>Nationality &amp; Race</b>	Malaysian/Chinese	Malaysian/Chinese	Malaysian/Chinese	Malaysian/Chinese
<b>Qualification</b>		Bachelor of Engineering Degree in Chemical		Member of The Malaysian Institute of Accountants
<b>Working experience &amp; occupation for the past 5 years</b>	<p>1996 – Present Executive Chairman, Ralco Corporation Bhd</p> <p>He has been actively involved in the plastic industry for more than 21 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</p>	<p>1994 – Present Director of Cybron Holdings Bhd, which is principally involved in the manufacture of precision plastic and metal components for the electronics industry</p> <p>1984 – 1993 Managing Director, Ancom Bhd</p>	<p>1987 – Present Director and shareholder of KJ Engineering Sdn Bhd</p> <p>It is part of the multinational Vivendi Group which is involved in energy, water, waste management and hospital maintenance</p>	<p>2000 – Present Operations Manager, Import Division, Federal Express Services (M) Sdn Bhd</p> <p>1999 – 2000 Finance Manager, Sis Distribution (M) Sdn Bhd</p> <p>1996 – 1999 Senior Associate, Pricewaterhouse Coopers</p>
<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	1,603,710 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

**PROFILE OF DIRECTORS****DETAILS OF DIRECTORS (cont'd)****Heng Hong Chai** Malaysian, Age 51 (*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 seven board meetings held in the financial year. Mr. Heng has been actively involved in the plastic industry for more than 21 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 62 (*Independent Non-Executive Director*)

Mr. Yong was appointed to the Board on 25 May 1996. He attended all seven 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 53 (*Non-Independent & Non-Executive Director*)

Mr. Tan was appointed to the Board on 23 September 1997. He attended all seven 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 1,603,710 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 33 (*Independent Non-Executive Director*)

Mr. Heng was appointed to the Board on 8 August 2001. He attended all seven 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 ("the Board") of Ralco Corporation Berhad recognises the importance of practising good corporate governance to direct the businesses of the Company and its subsidiaries (together as "the Group") towards enhancing business and long-term value for its shareholders. The Board is fully committed to ensuring that the high standards of corporate governance are practised throughout the Group as the underlying principle in discharging its responsibilities.

The Board is pleased to report on how the Group has applied the principles of corporate governance and the extent of compliance with the best practices set out in the Malaysian Code on Corporate Governance ("the Code") during the financial year ended 31 December 2003.

### DIRECTORS' RESPONSIBILITIES

Directors acknowledge their responsibilities for setting the strategic direction of the Group and ensuring it is properly managed and continuously improving its performance so as to protect and enhance shareholders' values. In addition, the directors also acknowledge their responsibilities for the Group's standards of conduct, risk management, succession planning, strategic planning, investor relation programme and system of internal controls in discharging their stewardship responsibilities.

### BOARD COMPOSITION

The Board of Directors continues to have 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 roles of Chairman of the Board and the managing director are still combined, the Board has found this dual role effective. 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.

## BOARD COMMITTEES

The Board has three (3) committees, namely Audit Committee, Nomination Committee and Remuneration Committee to support and assist in discharging its fiduciary duties and responsibilities. The committees report and make recommendations to the Board on matters delegated to them to be considered. The ultimate responsibility for the final decisions on all matters lies with the Board.

## 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, 7 board meetings were held. The following is the record of attendance of the directors:

Executive Director	Total
1. Heng Hong Chai	7 / 7
Non-Executive Director	Total
1. Yong Ng Gah @ Yong Wee Sing	7 / 7
2. Tan Kie Lu	7 / 7
3. Heng Chee Wei	7 / 7

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 Nomination Committee comprises 3 non-executive directors, 2 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.
- 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

Every director is undergoing continuous training so as to enhance his knowledge to equip himself to effectively discharge his duties as a director and to assist the Board in their deliberations. The directors have completed the required Mandatory Accreditation Programme and are attending a further training course for directors namely Continuing Education Programme as required by Bursa Malaysia Berhad.

**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 Remuneration 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:

	Salary (RM)	Fee (RM)	EPF (RM)	Total (RM)
Executive Director	180,000	10,000	21,600	211,600
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	
RM200,001 to RM250,000	1		–	

## SHAREHOLDER COMMUNICATION AND INVESTOR RELATIONSHIP POLICY

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

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

## ACCOUNTABILITY AND AUDIT

The Audit Committee supports the Board in its responsibility to oversee the financial reporting and the effectiveness of the internal controls of the Group. The Audit Committee comprises three (3) directors, the majority of whom are independent. The terms of reference and activities of the Audit Committee are set out in the Audit Committee Report on pages 14 to 17 of this Annual Report.

## 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.

## INTERNAL CONTROL

A Statement on Internal Control to safeguard shareholder's interest and the Company's assets is set out on pages 18 to 19 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.

## ADDITIONAL COMPLIANCE INFORMATION

Pursuant to Paragraph 9.25(1) of the Listing Requirements of Bursa Malaysia Berhad.

### 1. Non-audit fees

The amount of non-audit fees paid by the Group to the external auditors during the financial year amounted to RM38,400.

### 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 2003 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 1 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 Bursa Malaysia Berhad 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 shortfall.

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

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

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

## RIGHTS AND AUTHORITY

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

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

**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 financial statements for the financial year end 31 December 2002, 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.

During the financial year, the internal audit function has carried out numerous risk-based audit reviews of the key processes of operations and these include costing, human resource management, budgeting, sales and marketing, credit control, fixed asset management, procurement and payment, production, store management, billing and receipt.

## STATEMENT ON INTERNAL CONTROL

### INTRODUCTION

In accordance with Paragraph 15.27 (b) of the Bursa Malaysia Berhad 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 2003 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)

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**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 9001:2000 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 significant internal control weaknesses which resulted in material losses, contingencies or uncertainties that would require disclosure in the Company's Annual Report.



## CHAIRMAN'S STATEMENTS

**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 2003.**

### FINANCIAL RESULTS

The Group's gross revenue increased from RM52.6 million in the previous year to RM68.3 million for the year ended 31 December 2003, representing an increase of RM15.7 million or 30% above the previous year.

The Group achieved a pre-tax profit of RM1.8 million compared to a pre-tax profit of RM6.6 million in the previous year. This was mainly attributable to the amortisation of the entire negative goodwill of RM5.3 million in the previous year.

### OUTLOOK AND PROSPECTS

Although the Malaysian economy registered a growth of above 5% for the year 2003, the current year may prove to be a trying one due to general concerns over global slowdown and operating margins under pressure from increased competition and significant increase in cost of manufacture due to inordinate increases in plastic resin prices.

The Group is implementing strategies to improve its overall performance with continuous cost reduction and efficiency-enhancement programmes.

The Group will continue to invest in latest manufacturing technology to improve its production efficiency as well as customer product satisfaction in order to remain competitive.

Barring any further unforeseen circumstances and noting the increasing competition which the Group is facing, and notwithstanding present high resin prices, the Board is hopeful that the abnormal condition is temporary and that the Group will still be able to perform reasonably well in the circumstances for the coming financial year.

### CORPORATE PROPOSALS

On 23 December 2003, the company announced the following:

The Proposals:

- a) Proposed bonus issue of 10,490,000 new ordinary shares of RM1.00 each ("Bonus Shares") in Ralco on the basis of one (1) new Bonus Share for every two (2) existing ordinary shares held in Ralco ("Proposed Bonus Issue");

**CORPORATE PROPOSALS** (cont'd)

- b) Proposed renounceable rights issue with warrants 2004/2009 ("Warrants") of 10,490,000 new ordinary shares ("Rights Shares") together with 10,490,000 free detachable Warrants in Ralco on the basis of one (1) Rights Share with one (1) free Warrant attached for every two (2) existing ordinary shares of RM1.00 each held in Ralco ("Proposed Rights Issue");
- c) Proposed private placement of new ordinary shares of RM1.00 each in Ralco ("Placement Share") representing 10% of the issued and paid-up share capital of Ralco after the Proposed Bonus Issue and Proposed Rights Issue ("Proposed Private Placement"); and
- d) Proposed increase in the authorised share capital of Ralco from RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each to RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each ("Proposed Increase in Authorised Share Capital").

On 8 April 2004, the Ministry of International Trade Industry ("the MITI") approved the Proposals, subject to the following conditions :

- a) Ralco is required to allocate at least 30% of the new Placement Shares issued pursuant to the Proposed Private Placement, to Bumiputera investors in order to comply with the equity condition of the Manufacturing Licence for Ralco Plastic Sdn Bhd, a fully owned subsidiary company of Ralco Corporation Bhd.

Ralco is also required to furnish the MITI with the names of the Bumiputera investors who will be allocated the said Placement Shares, after completion of the Proposed Private Placement.

- b) The approval of the Securities Commission.

The Proposals have been publicly announced and are pending approvals from relevant authorities.

**CHARITABLE DONATIONS**

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

**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

27 May 2004

## GROUP FINANCIAL HIGHLIGHTS

For The Year Ended 31 December 2003

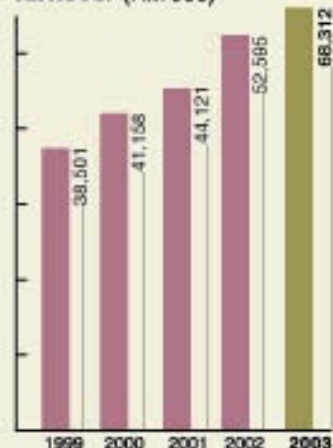
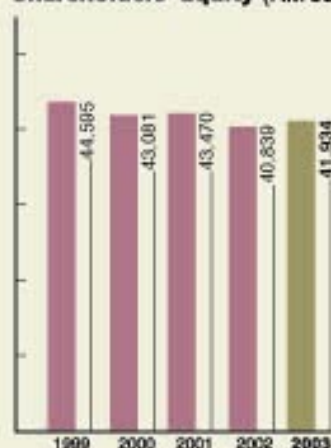
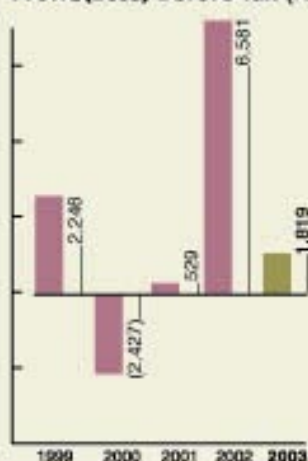
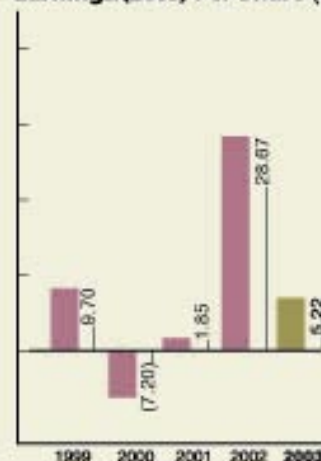
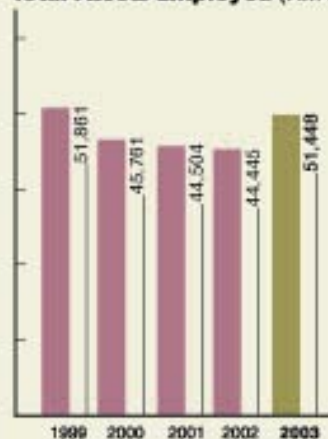
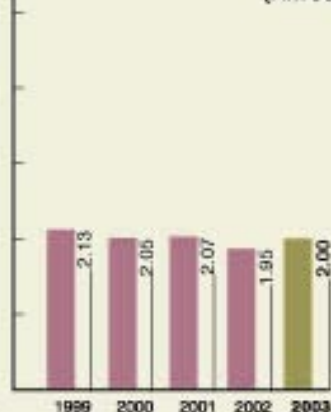
	2003 RM'000	2002 RM'000	2001 RM'000	2000 RM'000	1999 RM'000
<b>INCOME STATEMENT</b>					
Gross Revenue	68,312	52,595	44,121	41,158	38,501
Profit/(Loss) Before Tax	1,819	6,581	529	(2,427)	2,246
Profit/(Loss) After Tax	1,140	6,065	449	(1,465)	2,140
<b>BALANCE SHEET</b>					
Property, Plant and Equipment	57,939	47,107	46,687	44,786	43,110
Deferred Assets	34	30	–	–	–
Net Current (Liabilities)/Assets	(6,525)	(2,692)	(2,183)	975	8,751
<b>Total Assets Employed</b>	<b>51,448</b>	<b>44,445</b>	<b>44,504</b>	<b>45,761</b>	<b>51,861</b>
Shareholders' Fund	41,934	40,839	43,470	43,081	44,595
Minority Interest	793	748	698	637	588
Deferred Liabilities	8,721	2,858	336	2,043	6,678
<b>Total Funds Employed</b>	<b>51,448</b>	<b>44,445</b>	<b>44,504</b>	<b>45,761</b>	<b>51,861</b>
<b>PER RM 1 ORDINARY SHARE</b>					
Earnings/(Loss) Per Share(sen)	5.22	28.67	1.85	(7.20)	9.70
Gross Dividend Per Share(sen)	–	–	5.00	–	5.00
Net Tangible Assets Per Share(RM)	2.00	1.95	2.07	2.05	2.13

### FINANCIAL CALENDAR

Financial Year End	: 31 December 2003
Announcement of Quarterly Result	
- 1st Quarter Performance Unaudited	: 27 May 2003
- 2nd Quarter Performance Unaudited	: 28 August 2003
- 3rd Quarter Performance Unaudited	: 27 November 2003
- 4th Quarter Performance Unaudited	: 27 February 2004
Announcement of Annual Audited Results	: 29 April 2004
Issue of Annual Report	: 7 June 2004
2003 Annual General Meeting	: 29 June 2004

**GROUP FINANCIAL HIGHLIGHTS**

For the Year Ended 31 December 2003 (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'000)**

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# Financial Statements

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31 – 32	<b>Balance Sheets</b>	61	<b>Statement By Directors</b>
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34	<b>Statements Of Changes In Equity</b>		

Ralco Corporation Berhad (Incorporated in Malaysia)



## DIRECTORS' REPORT

### For The Year Ended 31 December 2003

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 2003.

#### PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services.

The principal activities of the subsidiary companies are indicated in Note 3 to the financial statements.

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

#### RESULTS

	Group RM	Company RM
Profit after tax	1,139,703	12,034,376
Minority interest	(45,146)	–
Net profit for the year	<u>1,094,557</u>	<u>12,034,376</u>

#### DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year and the directors do not 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' REPORT**

For The Year Ended 31 December 2003 (cont'd)

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**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 Heng Chee Wei retires from the board at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

**DIRECTORS' INTERESTS IN SHARES**

According to the register of directors' shareholdings required to be kept under Section 134 of the Companies Act, 1965, the directors' interests in shares in the Company during the financial year were as follows:

	----- Number of ordinary shares of RM1 each -----			
	At 1-1-2003	Bought	Sold	At 31-12-2003
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	32,000	-	1,603,710
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' 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 directors 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.

**DIRECTORS' REPORT**

For The Year Ended 31 December 2003 (cont'd)

**OTHER STATUTORY INFORMATION**

- (a) Before the income statements and balance sheets of the Company and of the Group were made out, the directors took reasonable steps:
- (i) to ascertain the action taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts but that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Company and of the Group had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances:
- (i) which would render it necessary to write off any debt or the amount of the allowance for doubtful debts in the financial statements of the Company and of the Group inadequate to any substantial extent, or
  - (ii) which would render the values attributed to the current assets in the financial statements of the Company and of the Group misleading, or
  - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company and of the Group misleading or inappropriate.
- (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.

**DIRECTORS' REPORT**

For The Year Ended 31 December 2003 (cont'd)

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(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

21 April 2004

**TAN KIE LU**

Director

## REPORT OF THE AUDITORS

We have audited the financial statements set out on pages 31 to 60. 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 2003 and of their results and cash flows for the year ended on that date; and
  - (ii) 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

21 April 2004

**GAN MORN GHUAT**

No. 1499/5/05 (J)

Partner

**BALANCE SHEETS**

31 December 2003

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	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
PROPERTY, PLANT AND EQUIPMENT	2	57,938,717	47,107,304	88,288	113,314
SUBSIDIARY COMPANIES	3	–	–	23,227,733	23,227,733
DEFERRED TAX ASSETS	4	34,541	30,922	34,541	30,922
CURRENT ASSETS					
Inventories	5	5,531,373	6,939,699	–	–
Trade and other receivables	6	19,538,273	19,039,613	4,650	4,650
Tax recoverable		252,211	349,311	40,942	40,942
Amount owing by subsidiary companies	3	–	–	16,840,491	4,710,198
Cash and bank balances	7	968,506	740,242	304,917	171,513
		26,290,363	27,068,865	17,191,000	4,927,303
Less:					
CURRENT LIABILITIES					
Trade and other payables	8	13,777,000	10,939,418	82,200	94,286
Amount owing to a subsidiary company	3	–	–	476,000	256,000
Hire purchase liabilities	9	–	37,463	–	–
Bank borrowings	10	19,029,408	18,769,743	–	–
Tax payable		9,450	15,000	–	–
		32,815,858	29,761,624	558,200	350,286
NET CURRENT (LIABILITIES)/ASSETS		(6,525,495)	(2,692,759)	16,632,800	4,577,017
		51,447,763	44,445,467	39,983,362	27,948,986



**BALANCE SHEETS**

31 December 2003 (cont'd)

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 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		15,476,638	14,382,081	13,526,066	1,491,690
SHAREHOLDERS' EQUITY		41,933,934	40,839,377	39,983,362	27,948,986
MINORITY INTEREST		792,609	747,463	-	-
BANK TERM LOANS	12	5,355,548	120,627	-	-
DEFERRED TAX LIABILITIES	13	3,365,672	2,738,000	-	-
		<u>51,447,763</u>	<u>44,445,467</u>	<u>39,983,362</u>	<u>27,948,986</u>

Notes to and forming part of the financial statements are set out on pages 37 to 60

Auditors' Report - Page 30

# INCOME STATEMENTS

For The Year Ended 31 December 2003

		Group		Company	
	Note	2003 RM	2002 RM	2003 RM	2002 RM
Gross revenue	14	68,312,127	52,594,620	13,191,895	927,000
Cost of sales	15	(58,258,408)	(44,493,065)	-	-
Gross profit		10,053,719	8,101,555	13,191,895	927,000
Other operating income		163,394	822,415	-	-
Selling and distribution costs		(3,080,130)	(2,610,701)	-	-
Administrative and general expenses		(4,459,584)	(4,372,907)	(1,161,138)	(1,082,280)
Profit/(Loss) from operations		2,677,399	1,940,362	12,030,757	(155,280)
Finance costs		(858,543)	(707,923)	-	-
Amortisation of negative goodwill		-	5,348,889	-	-
Profit/(Loss) before tax	16	1,818,856	6,581,328	12,030,757	(155,280)
Tax (expense)/income	17	(679,153)	(516,791)	3,619	17,283
Profit/(Loss) after tax		1,139,703	6,064,537	12,034,376	(137,997)
Minority interest		(45,146)	(49,591)	-	-
Net profit/(loss) for the year		1,094,557	6,014,946	12,034,376	(137,997)
Earnings per share (sen)	18	5.22	28.67		

Notes to and forming part of the financial statements are set out on pages 37 to 60  
Auditors' Report - Page 30

# STATEMENTS OF CHANGES IN EQUITY

For The Year Ended 31 December 2003

Group	Share capital RM	Share premium RM	— — — Undistributed RM	Unappropriated profit Proposed dividend RM	— — — Sub-total RM	Total RM
At 1 January 2002						
- As previously reported	20,980,000	5,477,296	10,614,496	1,049,000	11,663,496	38,120,792
- Prior year adjustment (Note 19)	—	—	(2,247,361)	—	(2,247,361)	(2,247,361)
- As restated	20,980,000	5,477,296	8,367,135	1,049,000	9,416,135	35,873,431
Net profit for the year (Note 19)	—	—	6,014,946	—	6,014,946	6,014,946
Dividend paid	—	—	—	(1,049,000)	(1,049,000)	(1,049,000)
- balance brought forward	—	—	—	(1,049,000)	(1,049,000)	(1,049,000)
At 31 December 2002	20,980,000	5,477,296	14,382,081	—	14,382,081	40,839,377
At 1 January 2003						
- As previously reported	20,980,000	5,477,296	17,056,159	—	17,056,159	43,513,455
- Prior year adjustment (Note 19)	—	—	(2,674,078)	—	(2,674,078)	(2,674,078)
- As restated	20,980,000	5,477,296	14,382,081	—	14,382,081	40,839,377
Net profit for the year	—	—	1,094,557	—	1,094,557	1,094,557
At 31 December 2003	20,980,000	5,477,296	15,476,638	—	15,476,638	41,933,934
Company						
At 1 January 2002						
- As previously reported	20,980,000	5,477,296	1,616,048	1,049,000	2,665,048	29,122,344
- Prior year adjustment (Note 19)	—	—	13,639	—	13,639	13,639
- As restated	20,980,000	5,477,296	1,629,687	1,049,000	2,678,687	29,135,983
Net loss for the year (Note 19)	—	—	(137,997)	—	(137,997)	(137,997)
Dividend paid	—	—	—	(1,049,000)	(1,049,000)	(1,049,000)
- balance brought forward	—	—	—	(1,049,000)	(1,049,000)	(1,049,000)
At 31 December 2002	20,980,000	5,477,296	1,491,690	—	1,491,690	27,948,986
At 1 January 2003						
- As previously reported	20,980,000	5,477,296	1,460,768	—	1,460,768	27,918,064
- Prior year adjustment (Note 19)	—	—	30,922	—	30,922	30,922
- As restated	20,980,000	5,477,296	1,491,690	—	1,491,690	27,948,986
Net profit for the year	—	—	12,034,376	—	12,034,376	12,034,376
At 31 December 2003	20,980,000	5,477,296	13,526,066	—	13,526,066	39,983,362

Notes to and forming part of the financial statements are set out on pages 37 to 60

Auditors' Report - Page 30

# CASH FLOW STATEMENTS

For The Year Ended 31 December 2003

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/(Loss) before tax	1,818,856	6,581,328	12,030,757	(155,280)
Adjustments for:				
Amortisation of negative goodwill	-	(5,348,889)	-	-
Depreciation	6,479,507	5,612,440	25,026	76,100
Loss/(Gain) on disposal of property, plant and equipment	670	(39,285)	-	-
Property, plant and equipment written off	627	295,020	-	-
Inventories written off	-	53,471	-	-
Allowance for doubtful debts written back	(23,315)	(542,771)	-	-
Allowance for doubtful debts	141,414	167,532	-	-
Bad debts written off	-	8,259	-	-
Dividend income	-	-	(12,267,895)	-
Interest expenses	851,939	681,573	-	-
Hire purchase term charges	6,604	26,350	-	-
Unrealised gain on foreign exchange	(56,818)	(67,566)	-	-
Operating profit/(loss) before working capital changes	9,219,484	7,427,462	(212,112)	(79,180)
Changes in inventories	1,408,326	(1,211,264)	-	-
Changes in receivables	(559,941)	(2,208,771)	-	42,500
Changes in payables	3,559,582	4,630,241	(12,086)	462
Cash generated from/(utilised in) operations	13,627,451	8,637,668	(224,198)	(36,218)
Dividend received from a subsidiary company	-	-	12,267,895	-
Interest paid	(851,939)	(681,573)	-	-
Tax paid	(97,810)	(233,716)	-	-
Tax refunded	134,260	40,480	-	-
Net cash from/(used in) operating activities	12,811,962	7,762,859	12,043,697	(36,218)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(17,312,717)	(6,330,686)	-	(8,070)
Proceeds from disposal of property, plant and equipment	500	41,900	-	-
(Advances to)/Repayment from subsidiary companies	-	-	(12,130,293)	1,036,541
Net cash (used in)/from investing activities	(17,312,217)	(6,288,786)	(12,130,293)	1,028,471

**CASH FLOW STATEMENTS**

For The Year Ended 31 December 2003 (cont'd)

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Bank term loan raised	7,640,483	–	–	–
Repayment of bank term loans	(552,970)	(1,507,685)	–	–
Advances from a subsidiary company	–	–	220,000	56,000
Payment of hire purchase instalments	(37,463)	(150,014)	–	–
Hire purchase term charges paid	(6,604)	(26,350)	–	–
Dividend paid	–	(1,049,000)	–	(1,049,000)
Net cash from/(used in) financing activities	7,043,446	(2,733,049)	220,000	(993,000)
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	2,543,191	(1,258,976)	133,404	(747)
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	(3,212,084)	(1,953,108)	171,513	172,260
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	(668,893)	(3,212,084)	304,917	171,513
Represented by:				
CASH AND BANK BALANCES	968,506	740,242	304,917	171,513
BANK OVERDRAFTS	(1,637,399)	(3,952,326)	–	–
	(668,893)	(3,212,084)	304,917	171,513

Notes to and forming part of the financial statements are set out on pages 37 to 60

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# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2003

## 1. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

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

The measurement bases applied in the preparation of the financial statements include cost, recoverable value, realisable value and fair value as indicated in the accounting policies set out below. Accounting estimates are used in measuring these values.

### (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 less accumulated impairment loss. The investments are written down when there is an impairment loss 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. Unrealised gains on transactions are eliminated in full and unrealised losses are also eliminated in full unless cost cannot be recovered. 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 was credited to the consolidated income statement in the previous financial year.

The policy for the recognition and measurement of impairment loss is in accordance with Note 1(j).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For The Year Ended 31 December 2003 (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. Long term leasehold land is amortised over the remaining lease of between 89 and 99 years.

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:

Buildings	2%
Plant and machinery	10%
Furniture and fittings	10% – 20%
Office equipment	10% – 20%
Motor vehicles	20%
Renovation	10% – 20%

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

Assets financed by hire purchase agreements which transfer substantially all the risks and rewards of ownership to the Group are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. Assets acquired by way of hire purchase are stated at an amount equal to the lower of their fair values and the present values of the minimum hire purchase payments at the inception of the hire purchase arrangements. 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 Group's incremental borrowing 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For The Year Ended 31 December 2003 (cont'd)

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**(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 received.

**(j) 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 the estimated net selling price of the asset and its value in use. Value in use is measured by discounted future cash flows expected to be generated from the continuing use of the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or the cash generating unit to which it belongs exceeds its recoverable amount. The impairment loss, if any, is charged to the income statement.

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 asset.

**(k) 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.

**(l) Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the Company and when the revenue 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) **Dividend income**  
Dividend income is recognised when the shareholder's right to receive payment is established.
- (iv) **Rental income**  
Rental income is recognised on a time proportion basis over the lease term.



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For The Year Ended 31 December 2003 (cont'd)

**(m) Employees benefits**

**(i) Short term benefits**

Salaries, wages, bonuses, allowances and social security contributions are recognised as an expense in the financial year in which the services are rendered by the employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlements to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur. Non-monetary benefits such as medical care, housing and other staff related expenses are charged to the income statement as and when incurred.

**(ii) Defined contribution plan**

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement in the financial year to which they relate.

**(iii) Termination benefits**

Employee termination benefits are recognised only either after an agreement is in place with the appropriate employee representatives specifying the terms of redundancy or after individual employees have been advised of the specific terms.

**(n) Borrowing costs**

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance costs. Finance costs comprise interest paid and payable on borrowings.

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.

**(o) Tax expense**

The tax expense in the income statement comprises current tax and deferred tax. Current tax is an estimate of tax payable at current tax rate based on profit earned during the year. Deferred taxation is recognised in full, based on the liability method for taxation deferred in respect of all material temporary differences arising from differences between the tax bases of the assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is calculated at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled. Current and deferred tax is recognised as an income or an expense and included in the income statement.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 For The Year Ended 31 December 2003 (cont'd)

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The Group adopted the above accounting policy during the financial year under review. In prior years, deferred taxation was provided on the liability method for taxation deferred in respect of all material timing differences except where it was thought reasonably probable that the tax effects of such deferrals will continue in foreseeable future. Deferred tax benefits were only recognised where there was a reasonable expectation of their realisation. The effects of the change in the accounting policy in respect of deferred taxation has been accounted for retrospectively and the effects of this change are disclosed in Note 19 to the financial statements.

**(p) 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:

		2003	2002
		RM	RM
USD 1	=	3.80	3.80
SGD 1	=	2.15	2.18
HKD 1	=	0.49	0.48
EURO 1	=	4.00	3.62

**(q) Cash equivalents**

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

**(r) Financial instruments**

The recognised financial instruments of the Group comprise cash and cash equivalents, receivables and payables that arise directly from its operations, non-trade receivables and payables arising from transactions entered into in the normal course of business and bank borrowings as well as ordinary share capital. These financial instruments are recognised when a contractual relationship has been established. All the financial instruments are denominated in Ringgit Malaysia, unless otherwise stated. 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For The Year Ended 31 December 2003 (cont'd)

**2. PROPERTY, PLANT AND EQUIPMENT**

**Group**

2003	Freehold land and buildings	Long term leasehold land and buildings	Plant and machinery	Furniture and fittings	Office equipment	Motor vehicles	Renovation	Total
Cost	RM	RM	RM	RM	RM	RM	RM	RM
At 1 January	348,290	19,988,165	52,507,023	1,825,293	1,107,745	1,017,769	1,092,286	77,886,571
Additions	-	2,514,764	14,633,114	32,368	71,254	61,217	-	17,312,717
Disposal	-	-	-	-	(3,600)	-	-	(3,600)
Write-off	-	-	-	-	(990)	-	-	(990)

At 31 December	348,290	22,502,929	67,140,137	1,857,661	1,174,409	1,078,986	1,092,286	95,194,698
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**Accumulated depreciation**

At 1 January	57,426	2,051,531	25,409,142	899,559	703,466	587,097	1,071,046	30,779,267
Charge for the year	6,966	419,618	5,548,035	196,259	129,725	170,881	8,023	6,479,507
Disposal	-	-	-	-	(2,430)	-	-	(2,430)
Write-off	-	-	-	-	(363)	-	-	(363)

At 31 December	64,392	2,471,149	30,957,177	1,095,818	830,398	757,978	1,079,069	37,255,981
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**Net book value**

at 31 December	<u>283,898</u>	<u>20,031,780</u>	<u>36,182,960</u>	<u>761,843</u>	<u>344,011</u>	<u>321,008</u>	<u>13,217</u>	<u>57,938,717</u>
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**2002**

**Net book value**

at 31 December	<u>290,864</u>	<u>17,936,634</u>	<u>27,097,881</u>	<u>925,734</u>	<u>404,279</u>	<u>430,672</u>	<u>21,240</u>	<u>47,107,304</u>
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**Depreciation charge  
for the year**

	<u>6,967</u>	<u>379,489</u>	<u>4,631,239</u>	<u>170,773</u>	<u>198,152</u>	<u>156,595</u>	<u>69,225</u>	<u>5,612,440</u>
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 For The Year Ended 31 December 2003 (cont'd)

<b>Company</b>				
<b>2003</b>	<b>Furniture and fittings RM</b>	<b>Office equipment RM</b>	<b>Renovation RM</b>	<b>Total RM</b>
<b>Cost</b>				
At 1 January	267,993	8,070	443,904	719,967
Addition/Disposal	–	–	–	–
At 31 December	267,993	8,070	443,904	719,967
<b>Accumulated depreciation</b>				
At 1 January	161,942	807	443,904	606,653
Charge for the year	23,412	1,614	–	25,026
At 31 December	185,354	2,421	443,904	631,679
<b>Net book value</b>				
at 31 December	<b>82,639</b>	<b>5,649</b>	<b>–</b>	<b>88,288</b>
<b>2002</b>				
<b>Net book value</b>				
at 31 December	106,051	7,263	–	113,314
Depreciation charge for the year	23,411	807	51,882	76,100

A leasehold property of a subsidiary company with net book value of RM2,582,731 (2002 : RM2,614,602) is charged to a bank as security for banking facilities granted to the said subsidiary company.

Included in property, plant and equipment of the Group are plant and machinery with net book values of RM10,668,346 (2002 : Nil) and leasehold land and building with a net book value of RM2,232,608 (2002 : Nil) which are charged to a bank for banking facilities granted to a subsidiary company.

The title deeds relating to leasehold properties of subsidiary companies with net book values of RM1,713,710 (2002 : RM1,733,126) have yet to be issued by the relevant authority.

Included in property, plant and equipment of the Group in the previous financial year were motor vehicles with net book values amounted RM266,136 which were acquired under hire purchase.

Included in property, plant and equipment of the Group is a motor vehicle with net book value of RM108,507 (2002 : RM208,667) which is registered in the name of a director of the Company who is holding it in trust for the Group.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For The Year Ended 31 December 2003 (cont'd)

**3. SUBSIDIARY COMPANIES**

	Company	
	2003	2002
	RM	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:

	Gross effective interest		Principal activities
	2003 %	2002 %	
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	Inactive
Ralco Coolers Sdn Bhd	100	100	Inactive
* <i>Held through Ralco Plastic Sdn Bhd</i>			

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

**4. DEFERRED TAX ASSETS**

	Group/Company	
	2003	2002
	RM	RM
At 1 January		
- As previously reported	-	-
- Prior year adjustment (Note 19)	<u>30,922</u>	<u>13,639</u>
- As restated	30,922	13,639
Transfer from income statement	<u>3,619</u>	<u>17,283</u>
At 31 December	<u>34,541</u>	<u>30,922</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 For The Year Ended 31 December 2003 (cont'd)

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	Group/Company	
	2003	2002
	RM	RM
The deferred tax assets comprise:		
Deductible temporary differences		
- on unused tax losses	23,975	27,205
- on unabsorbed capital allowances	20,923	10,767
	<hr/>	<hr/>
	44,898	37,972
Taxable temporary differences between net book value and tax written down value of property, plant and equipment	(10,357)	(7,050)
	<hr/>	<hr/>
	34,541	30,922

At 31 December 2003, the Group has not recognised deferred tax assets arising from the following temporary differences of certain subsidiary companies as it is not probable that future taxable profit will be available against which the assets can be utilised:

	Group	
	2003	2002
	RM	RM
Unused tax losses	140,960	140,960
Unabsorbed capital allowances	2,950	2,950
	<hr/>	<hr/>
	143,910	143,910

These items are not available to be used to offset taxable profit of other subsidiary companies.

**5. INVENTORIES**

	Group	
	2003	2002
	RM	RM
Inventories stated at cost comprise:		
Raw materials	1,565,676	3,807,533
Finished goods	3,965,697	3,132,166
	<hr/>	<hr/>
	5,531,373	6,939,699

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For The Year Ended 31 December 2003 (cont'd)

**6. TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Gross trade receivables	18,634,786	18,489,544	-	-
Less:				
Allowance for doubtful debts	574,987	491,535	-	-
	18,059,799	17,998,009	-	-
Other receivables	362,756	232,797	-	-
Deposits	890,431	528,790	4,650	4,650
Prepayments	225,287	280,017	-	-
	19,538,273	19,039,613	4,650	4,650

The currency exposure profiles of trade receivables are as follows:

- Ringgit Malaysia	16,414,073	16,855,146	-	-
- Singapore Dollar	2,022,984	1,511,552	-	-
- US Dollar	133,885	18,436	-	-
- Hongkong Dollar	63,844	104,410	-	-
	18,634,786	18,489,544	-	-

The currency exposure profiles of deposits are as follows:

- Ringgit Malaysia	890,431	338,585	4,650	4,650
- US Dollar	-	190,205	-	-
	890,431	528,790	4,650	4,650

The currency exposure profiles of prepayments are as follows:

- Ringgit Malaysia	225,287	174,681	-	-
- US Dollar	-	105,336	-	-
	225,287	280,017	-	-

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 For The Year Ended 31 December 2003 (cont'd)

Trade receivables comprise amounts receivable from sale of goods and services rendered to customers. Other receivables, deposits and prepayments 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.

Included in the deposits of the Group are amounts totalling RM590,741 (2002 : RM416,620) which represent deposits paid for the acquisition of property, plant and equipment.

**7. CASH AND BANK BALANCES**

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Cash in hand	81,740	11,002	–	2
Cash at banks	886,766	729,240	304,917	171,511
	<b>968,506</b>	<b>740,242</b>	<b>304,917</b>	<b>171,513</b>

The currency exposure profiles of cash in hand are as follows:

- Ringgit Malaysia	16,000	11,002	–	2
- US Dollar	65,740	–	–	–
	<b>81,740</b>	<b>11,002</b>	<b>–</b>	<b>2</b>

The currency exposure profiles of bank balances are as follows:

- Ringgit Malaysia	582,562	650,769	304,917	171,511
- Singapore Dollar	304,204	78,471	–	–
	<b>886,766</b>	<b>729,240</b>	<b>304,917</b>	<b>171,511</b>



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For The Year Ended 31 December 2003 (cont'd)

**8. TRADE AND OTHER PAYABLES**

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Trade payables	6,356,411	7,619,510	–	–
Other payables	6,368,751	2,096,802	3,577	9,793
Deposits	53,950	53,950	–	–
Accruals	997,888	1,169,156	78,623	84,493
	<b>13,777,000</b>	<b>10,939,418</b>	<b>82,200</b>	<b>94,286</b>

The currency exposure profiles  
of trade payables are as follows:

- Ringgit Malaysia	4,394,984	4,906,669	–	–
- US Dollar	1,961,427	2,712,841	–	–
	<b>6,356,411</b>	<b>7,619,510</b>	<b>–</b>	<b>–</b>

The currency exposure profiles  
of other payables are as follows:

- Ringgit Malaysia	626,121	744,563	3,577	9,793
- US Dollar	5,737,725	1,293,955	–	–
- Euro	4,905	17,528	–	–
- Singapore Dollar	–	40,756	–	–
	<b>6,368,751</b>	<b>2,096,802</b>	<b>3,577</b>	<b>9,793</b>

Trade payables represent amounts outstanding from trade purchases. Other payables, deposits and accruals are from the normal business transactions of the Group. The normal credit periods granted by trade creditors range from 60 to 90 days.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 For The Year Ended 31 December 2003 (cont'd)

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**9. HIRE PURCHASE LIABILITIES**

	Group	
	2003	2002
	RM	RM
Outstanding hire purchase instalments due:		
- not later than one year	-	44,067
- later than one year and not later than five years	-	-
	-	44,067
Less:		
Unexpired term charges	-	6,604
Outstanding principal amount due not later than one year	-	37,463

The effective interest rates of the hire purchase liabilities in the previous financial year ranged from 5.85% to 5.9% per annum.

**10. BANK BORROWINGS**

	Group	
	2003	2002
	RM	RM
Bills payable, unsecured, bearing effective interest rates of 2.97% to 3.17% (2002 : 2.75% to 3.5%) per annum	15,400,000	14,678,000
Bank overdrafts		
- secured, bearing effective interest rate of 7.5% (2002 : 7.9%) per annum	592,820	930,864
- unsecured, bearing effective interest rates of 7.25% to 7.5% (2002 : 7.65% to 7.9%) per annum	1,044,579	3,021,462
	17,037,399	18,630,326
Current portion of bank term loans (Note 12)	1,992,009	139,417
	19,029,408	18,769,743

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 2 and is also guaranteed by the Company.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For The Year Ended 31 December 2003 (cont'd)

**11. SHARE CAPITAL**

	2003 RM	2002 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>

**12. BANK TERM LOANS**

	2003 RM	Group 2002 RM
Bank term loan bearing effective interest rate of 7.5% (2002 : 7.9%) per annum, repayable by equal monthly instalments commencing 1994	116,398	260,044
Bank term loans bearing effective interest rate of 7.25% per annum, repayable by equal monthly instalments commencing August 2003	5,990,676	–
Bank term loans bearing effective interest rate of 7.25% per annum, repayable by equal monthly instalments commencing April 2004	<u>1,240,483</u>	<u>–</u>
	7,347,557	260,044
Less:		
Repayments due within 12 months (included in Note 10)	<u>1,992,009</u>	<u>139,417</u>
Repayments due after 12 months	<u>5,355,548</u>	<u>120,627</u>

The bank term loan of RM116,398 (2002 : RM260,044) of a subsidiary company is secured by a loan agreement cum assignment over the leasehold property of the said subsidiary company referred to in Note 2. The other bank term loans totalling RM7,231,159 of another subsidiary company are secured by a first party legal charge over a leasehold land and building of the said subsidiary company and a specific debenture on certain plant and machinery of the said subsidiary company referred to in Note 2. All the bank term loans are also guaranteed by the Company.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 For The Year Ended 31 December 2003 (cont'd)

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**13. DEFERRED TAX LIABILITIES**

	Group	
	2003 RM	2002 RM
At 1 January		
- As previously reported	33,000	35,300
- Prior year adjustment (Note 19)	2,705,000	2,261,000
- As restated	2,738,000	2,296,300
Adjustment to opening deferred tax resulting from reduction in income tax rate	(9,250)	-
Deferred tax expense relating to origination and reversal of temporary differences	636,922	441,700
At 31 December	3,365,672	2,738,000
The deferred tax liabilities comprise:		
Deferred tax liabilities on:		
- taxable temporary differences between net book value and tax written down value of property, plant and equipment	6,109,642	5,007,000
- other taxable temporary differences	15,909	19,000
	6,125,551	5,026,000
Less:		
Deferred tax asset recognised on unabsorbed capital allowances	2,759,879	2,288,000
	3,365,672	2,738,000

**14. GROSS REVENUE**

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Sale of goods	68,108,427	52,384,920	-	-
Rental income	203,700	209,700	-	-
Dividend income	-	-	12,267,895	-
Management fees	-	-	924,000	927,000
	68,312,127	52,594,620	13,191,895	927,000

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For The Year Ended 31 December 2003 (cont'd)

**15. COST OF SALES**

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Cost of goods sold	58,095,372	44,362,893	-	-
Direct operating costs relating to rental income	163,036	130,172	-	-
	<b>58,258,408</b>	<b>44,493,065</b>	<b>-</b>	<b>-</b>

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

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

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Allowance for doubtful debts	141,414	167,532	-	-
Auditors' remuneration				
- statutory audit				
- current year	53,100	59,000	8,500	8,500
- underestimated in prior year	1,500	-	700	-
- special audit	37,500	-	5,500	-
Bad debts written off	-	8,259	-	-
Depreciation	6,479,507	5,612,440	25,026	76,100
Directors' remuneration				
- fees	54,000	54,000	54,000	54,000
- other emoluments	201,600	252,000	-	-
Finance costs				
- hire purchase term charges	6,604	26,350	-	-
- interest expenses	851,939	681,573	-	-
Inventories written off	-	53,471	-	-
Loss on disposal of property, plant and equipment	670	-	-	-
Property, plant and equipment written off	627	295,020	-	-
Rental of equipment	6,600	6,600	6,600	6,600
Rental of premises	272,990	244,630	162,000	162,000

and crediting:

Amortisation of negative goodwill	-	5,348,889	-	-
Allowance for doubtful debts written back	23,315	542,771	-	-
Gross dividend income from a subsidiary company	-	-	12,267,895	-
Gain on disposal of property, plant and equipment	-	39,285	-	-
Gain on foreign exchange				
- realised	62,872	172,793	-	-
- unrealised	56,818	67,566	-	-
Rental income	203,700	209,700	-	-

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 For The Year Ended 31 December 2003 (cont'd)

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**17. TAX (EXPENSE)/INCOME**

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Current tax expense				
- current year	(54,700)	(77,700)	-	-
- underestimated in prior years	(400)	(14,674)	-	-
	(55,100)	(92,374)	-	-
Deferred tax (expense)/income				
- relating to origination and reversal of temporary differences	(633,303)	(424,417)	3,619	17,283
- resulting from reduction in income tax rate	9,250	-	-	-
	(679,153)	(516,791)	3,619	17,283

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates is as follows:

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Accounting profit/(loss)	1,818,856	6,581,328	12,030,757	(155,280)
Tax at the applicable tax rate of 27.35% (2002 : 28%) for the Group and 28% (2002 : 28%) for the Company	497,445	1,842,773	3,368,612	(43,478)
Add:				
Tax effect of expenses not deductible in determining taxable profit:				
- Depreciation of non-qualifying property, plant and equipment	54,145	69,894	-	12,298
- Other non-deductible expenses	150,413	231,737	62,780	13,897
	702,003	2,144,404	3,431,392	(17,283)

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For The Year Ended 31 December 2003 (cont'd)

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Less:				
Tax effect of income not taxable in determining taxable profit				
- Amortisation of negative goodwill	-	1,497,689	-	-
- Gain on disposal of non-qualifying property, plant and equipment	-	4,678	-	-
- Tax exempt dividend income	-	-	3,435,011	-
- Other non-taxable income	14,000	139,920	-	-
	<b>688,003</b>	<b>502,117</b>	<b>(3,619)</b>	<b>(17,283)</b>
Add/(Less):				
Current tax expense under-estimated in prior years	400	14,674	-	-
Effect on opening deferred tax resulting from reduction in income tax rate	(9,250)	-	-	-
	<b>679,153</b>	<b>516,791</b>	<b>(3,619)</b>	<b>(17,283)</b>

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 RM1,094,557 (2002 : RM6,014,946) and on 20,980,000 (2002 : 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 2003 (cont'd)

**19. PRIOR YEAR ADJUSTMENT**

During the financial year, the Group and the Company changed their accounting policy with respect to the recognition of deferred taxation in compliance with the new standard MASB 25 : Income Taxes. In prior years, the Group and the Company accounted for deferred taxation under the partial basis. In the current financial year, this policy has been changed to the comprehensive basis so as to comply with the new standard. No deferred tax liability was recognised by a subsidiary company in the previous financial years because of the set off by deferred tax asset arising from unabsorbed reinvestment allowances recognised as a deductible temporary difference. Under the new standard, such item should not be recognised as an asset as this represented temporary difference arising from initial recognition of asset which at the time of the transaction affects neither accounting nor taxable profit. As a result of the adoption of MASB 25, the said subsidiary company has recognised deferred tax liability arising from the derecognition of the deductible temporary difference mentioned above. The cumulative effects of this change in accounting policy are shown below and have been applied retrospectively against the unappropriated profit brought forward. Accordingly, the comparatives have been amended to conform to this change in policy.

	As previously reported RM	Effects of change in accounting policy RM	As restated RM
<b>Group</b>			
Unappropriated profit at			
1 January 2002	11,663,496	(2,247,361)	9,416,135
1 January 2003	17,056,159	(2,674,078)	14,382,081
Net profit for the year ended			
31 December 2002	6,441,663	(426,717)	6,014,946
Deferred tax assets at			
1 January 2002	–	13,639	13,639
1 January 2003	–	30,922	30,922
Deferred tax liabilities at			
1 January 2002	35,300	2,261,000	2,296,300
1 January 2003	33,000	2,705,000	2,738,000
<b>Company</b>			
Unappropriated profit at			
1 January 2002	2,665,048	13,639	2,678,687
1 January 2003	1,460,768	30,922	1,491,690
Net loss for the year ended			
31 December 2002	(155,280)	17,283	(137,997)
Deferred tax assets at			
1 January 2002	–	13,639	13,639
1 January 2003	–	30,922	30,922



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For The Year Ended 31 December 2003 (cont'd)

**20. 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	
	2003	2002
	RM	RM
Management fees charged to		
- Ralco Plastic Sdn Bhd	900,000	900,000
- Ralco E.U.T. Properties Sdn Bhd	12,000	12,000
- Ralco Properties Sdn Bhd	12,000	12,000
- Ralco Coolers Sdn Bhd	-	2,400
- Ralco Holdings Sdn Bhd	-	600
Rental of premises charged by		
Ralco Properties Sdn Bhd	162,000	162,000

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

Non-trade balances with related parties at the end of the financial year are as follows:

	Company	
	2003	2002
	RM	RM
Outstanding advances owing by		
- Ralco Plastic Sdn Bhd	16,363,491	3,889,083
- Ralco Properties Sdn Bhd	477,000	777,000
- Ralco E.U.T. Properties Sdn Bhd	-	44,115
Outstanding advances owing to Ralco Coolers Sdn Bhd	476,000	256,000

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
 For The Year Ended 31 December 2003 (cont'd)

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**21. EMPLOYEES INFORMATION**

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Salaries, wages and bonuses	7,335,226	6,529,264	609,830	598,677
Social security costs - SOCSO contributions	45,729	43,444	5,687	5,698
Defined contribution plan - EPF contributions	427,948	403,481	67,607	64,502
Other staff related expenses	344,394	347,773	-	-
	<u>8,153,297</u>	<u>7,323,962</u>	<u>683,124</u>	<u>668,877</u>

Included in staff costs of the Group is an executive director's remuneration of RM201,600 (2002 : RM252,000) which is disclosed in Note 16.

	Group		Company	
	2003	2002	2003	2002
Number of employees at year end	379	348	15	13

**22. CAPITAL COMMITMENTS**

	Group	
	2003	2002
	RM	RM
Approved capital expenditure not provided for in the financial statements		
- contracted	162,000	236,000
- not contracted	-	2,070,000
	<u>162,000</u>	<u>2,306,000</u>

**23. CONTINGENT LIABILITIES**

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Unsecured corporate guarantees in respect of				
- banking facilities granted to subsidiary companies	-	-	47,950,000	31,300,000
- trade facilities granted to a subsidiary company	-	-	8,245,000	8,530,000
	<u>-</u>	<u>-</u>	<u>56,195,000</u>	<u>39,830,000</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For The Year Ended 31 December 2003 (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. SIGNIFICANT EVENT**

On 23 December 2003, the Company has announced to the Malaysia Securities Exchange Berhad ("MSEB") of its intention to implement the following proposals:

- (a) Proposed Bonus Issue of 10,490,000 new ordinary shares of RM1.00 each ("Bonus Shares") in the Company on the basis of one (1) new Bonus Share for every two (2) existing ordinary shares held in the Company ("Proposed Bonus Issue") to be effected by way of capitalising the entire share premium account of the Company of RM5,477,296 and the remaining RM5,012,704 from the unappropriated profit of the Company;
- (b) Proposed Renounceable Rights Issue with Warrants 2004/2009 of 10,490,000 new ordinary shares ("Rights Shares") together with 10,490,000 free detachable Warrants in the Company on the basis of one (1) Rights Share with one (1) free Warrant attached for every two (2) existing ordinary shares of RM1.00 each held in the Company on a date to be determined later after approvals from authorities and shareholders of the Company have been obtained ("Proposed Rights Issue");

The issue price for the Rights Issue will be determined by the Company at a later date after all relevant approvals for the Proposals have been obtained.

- (c) Proposed Private Placement of 4,196,000 new ordinary shares of RM1.00 each in the Company, representing 10% of the issued and paid-up share capital of the Company ("Proposed Private Placement") after the Proposed Bonus Issue and Proposed Rights Issue; and

The actual issue price of the Placement shares would be based on the theoretical ex-all weighted average market price of the Company for the five (5) market days immediately preceeding the price fixing date, which will be set on a date after obtaining approval of the Securities Commission for the placement exercise.

- (d) Proposed increase in the authorised share capital of the Company from RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each to RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each.

The Proposed Bonus Issue together with the Proposed Rights Issue will enable the Company to comply with the minimum issued and paid-up share capital requirement of RM40,000,000 for companies listed on the second board of MSEB while the Proposed Private Placement will enable the Group to repay its bank borrowings and reduce its gearing level.

In February 2004, the Company has submitted the above proposals to the Securities Commission for approval which is still pending. The proposals are also subject to approval from the shareholders of the Company at an extraordinary general meeting to be convened at a later date and approvals from other relevant authorities.

## 26. FINANCIAL INSTRUMENTS

### (a) Financial risk management objectives and policies

The Group's overall financial risk management objectives and policies are to ensure that the Group creates value and maximises returns to its shareholders.

Financial risk management is carried out through risk reviews, internal control systems, benchmarking the industry's best practices and adherence to Group's financial risk management policies.

Since incorporation, the Group has been financing its operations mainly through 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 on policies for managing each of these risks and they are summarised below. These policies have remained unchanged during the financial year under review.

#### (i) *Credit risk*

Credit risk arises when sales are made on deferred terms.

The entire financial assets of the Group are exposed to credit risk except for cash in hand and cash at banks placed with licensed financial institutions in Malaysia. The Group's exposure to credit risk is monitored on an ongoing basis. The risk is managed through the application of the Group's extensive credit management procedures which include the application of credit approvals whereby credit evaluations are performed on all customers requiring credit over a certain amount and period, adherence to credit limits, regular monitoring and follow up procedures. Concentration of credit risk with respect to trade receivables is limited due to a wide spread of customers in various industries.

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

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For The Year Ended 31 December 2003 (cont'd)

(ii) *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's exposure to foreign currency exchange risk is monitored on an ongoing basis.

The Group has not hedged against the translation exposure of these foreign currencies as they are mainly denominated in US Dollar which is pegged to Ringgit Malaysia while other foreign currency exposures do not form a significant portion of the Group's gross assets.

(iii) *Interest rate risk*

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates.

The Group is exposed to interest rate risk in respect of its bank borrowings. Interest rate risk arising from bank borrowings is subject to floating interest rates with the interest rates spread above the bank's base lending rate agreed before the facilities are accepted.

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

It is the Group's policy not to trade in interest rate swap agreements.

(iv) *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 Group aims at maintaining flexibility in funding by keeping committed credit lines available.

The Group is exposed to liquidity and cash flow risk as its current liabilities are in excess of its current assets. The Group's exposure to liquidity and cash flow risk is monitored on an ongoing basis. The concentration of liquidity and cash flow risk with respect to bank borrowings is manageable as the Group has been generating steady cash inflows from its operations to meet these committed liabilities.

(b) *Fair values*

The carrying amounts of the financial assets and liabilities of the Company and of the Group at 31 December 2003 approximated their fair values.

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

The financial statements of the Company and of the Group were authorised for issue by the directors on 21 April 2004.

## STATEMENT BY DIRECTORS

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In the opinion of the directors, the financial statements set out on pages 31 to 60 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 2003 and of their results and cash flows for the year then ended; and
- (b) in accordance with applicable approved accounting standards and provisions of the Companies Act, 1965.

On behalf of the Board of Directors

**HENG HONG CHAI**  
Director

**TAN KIE LU**  
Director

21 April 2004

## 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 31 to 60 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 21 April 2004

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

Before me:

WO92

**ROBERT LIM HOCK KEE**  
Commissioner for Oaths

## LIST OF GROUP'S PROPERTIES

As At Year 2003

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	11,730,544	11
Lot 1478 Kawasan Perusahaan Nilai 71800 Nilai Negeri Sembilan	Land and Building (Factory)	Leasehold (20/08/2089)	4,464 sq. meters	2,627,059	11
No. 11, Jalan PJS 11/28B Bandar Sunway 46150 Petaling Jaya Selangor	Land and Building (Headoffice)	Leasehold (11/03/2095)	(1,418 sq. meters)	2,582,731	8
No. 14, Jalan PJS 11/18 Bandar Sunway 46150 Petaling Jaya Selangor	Land and Building (Rental)	Leasehold (28/12/2096)	(501.7 sq. meters)	603,948	10
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)	283,898	9
No.7, Jalan Bistari 2 Taman Industri Jaya 81300 Skudai Johor Bahru	Land and Building (Factory)	Leasehold (03/09/2911)	4,047 sq. meters	2,232,608	1

# SHAREHOLDING STRUCTURE

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## ANALYSIS OF SHAREHOLDINGS AS AT 10 MAY 2004

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	912	49.14	891,224	4.25
1,001 – 10,000	831	44.77	3,080,815	14.68
10,001 – 100,000	96	5.17	2,621,667	12.50
100,001 to less than 5%	12	0.65	5,404,604	25.76
5% and above	5	0.27	8,981,690	42.81
Total	1,856	100.00	20,980,000	100.00

## LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 10 MAY 2004

No.	Shareholders	No. of Shares	% of Shares
1.	Heng Hong Chai	6,110,690	29.13
2.	Tan Kie Lu	1,603,710	7.64
3.	Piramid Tulin Sdn Bhd	1,500,000	7.15



## SHAREHOLDING STRUCTURE (cont'd)

## THIRTY (30) LARGEST SHAREHOLDERS AS AT 10 MAY 2004

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	1,603,710	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	875,000	4.17
8.	Kenanga Nominees (Asing) Sdn Bhd <i>Account for International Scientific (Private) Limited</i>	643,297	3.07
9.	Tan Han Chuan	423,000	2.02
10.	Sharifah Asiah Binti Syed Aziz Baftim	254,000	1.21
11.	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>Account for Contend Investments Limited</i>	250,000	1.19
12.	Chan Wan Moi	230,000	1.10
13.	Mayban Securities Nominees (Tempatan) Sdn Bhd <i>Account for Ong Huey Peng</i>	216,900	1.03
14.	Ong Har Hong	169,000	0.81
15.	Bong Nyon	159,200	0.76
16.	Chee Chee Pin	120,000	0.57
17.	Leong Khai Cheong	108,000	0.51
18.	Mayban Securities Nominees (Asing) Sdn Bhd <i>Account for Ng Yee Hoon @ Ng Yam Hoon</i>	100,000	0.48
19.	Ching Gek Lee	97,500	0.47
20.	Chong Chee Meng	97,000	0.46
21.	Syarikat Rimba Timur (RT) Sdn Bhd	85,000	0.41
22.	Hong Leong Finance Berhad <i>Account for Paramesweran S/O K Velayutham</i>	72,000	0.34
23.	A.A. Assets Nominees (Tempatan) Sdn Bhd <i>Account for Wong Hong Ting</i>	71,000	0.34
24.	Cheng Yock Ngo	67,000	0.32
25.	MIDF Sisma Holdings Sdn Bhd	55,000	0.26
26.	Law Suk Peng	54,000	0.26
27.	Tiong King Ting	50,000	0.24
28.	Ng Ah Fong	47,000	0.22
29.	Mayban Securities Nominees (Tempatan) Sdn Bhd <i>Account for Lai Siew Yoong</i>	41,000	0.20
30.	Tay Lay Kee	41,000	0.20
Total		15,598,504	74.36

# FORM OF PROXY



**RALCO CORPORATION BERHAD**  
Incorporated in Malaysia

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 **Ninth Annual General Meeting** of the Company will be held at the **East VIP Lounge, Kuala Lumpur Golf & Country Club, No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur** on **Tuesday, 29 June 2004 at 10.00am** 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. Heng Chee Wei 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.**

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2004

\_\_\_\_\_  
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, 7<sup>th</sup> 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)

website: [www.ralco.net](http://www.ralco.net)

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