



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

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Tenth 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, 28 June 2005 at 10.00am 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 2004 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 2004. **(Resolution 2)**
- 3) To re-elect Mr. Tan Kie Lu retires by rotation pursuant to Article 64 of the Company's Articles of Association and being eligible, offer himself for re-election. **(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.

By Order of The Board,

SUI DIONG HOE

Secretary

6 June 2005

Kuala Lumpur

NOTES:

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

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.

Statement Accompanying Notice of the Tenth Annual General Meeting

PURSUANT TO PARAGRAPH 8.28(2) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

- 1) Name of Director standing for re-election

Mr. Tan Kie Lu

- 2) Details of Director standing for re-election

The shareholdings of the Director standing for re-election in the Company based on the Register of Directors' Shareholding as at 9 May 2005 are as follows:

Name	No. of Shares held	
	Direct	Indirect
Tan Kie Lu	3,207,420	Nil

The other details of the Director standing for re-election are disclosed in the Directors' profile.

Details of attendance of Directors at the Board Meetings are stated on page 9 of this Annual Report.

The Director standing for re-election do not hold any shares in the subsidiaries of the Company, do not have any conflict of interest with the Company and have not been convicted of any offence within the past ten (10) years other than traffic offences, if any. He also does not have any family relationship with any Director and/or substantial shareholder of the Company.

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@streamyx.com

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

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

Principal Bankers

Bumiputra-Commerce Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
United Overseas Bank (Malaysia) Bhd

Stock Exchange Listing

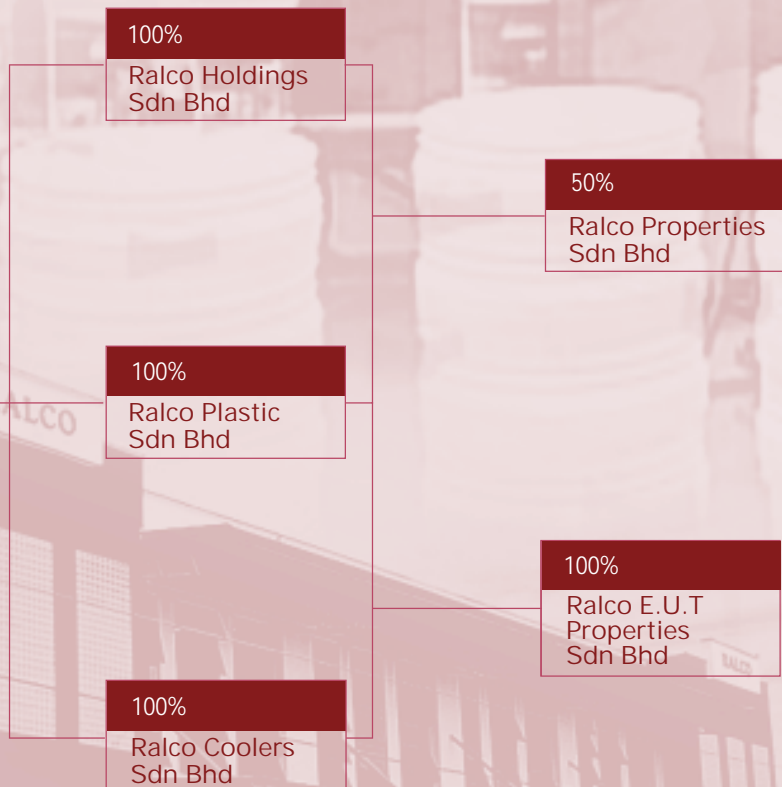
Second Board of the Bursa Malaysia Berhad
Stock Code: 7498

Legal Form And Place Of Incorporation

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

Domicile

Malaysia



Profile of Directors

Details of Directors

	Heng Hong Chai	Yong Ng Gah @ Yong Wee Sing	Tan Kie Lu	Heng Chee Wei
Directorship	Non-Independent Executive Director	Independent Non-Executive Director	Non-Independent Non-Executive Director	Independent Non-Executive Director
Age	52 years old	63 years old	54 years old	34 years old
Nationality & Race	Malaysian/Chinese	Malaysian/Chinese	Malaysian/Chinese	Malaysian/Chinese
Qualification		Bachelor of Engineering Degree in Chemical		Member of The Malaysian Institute of Accountants
Working experience & occupation for the past 5 years	1996 – Present Executive Chairman, Ralco Corporation Bhd He has been actively involved in the plastic industry for more than 22 years, having his earlier training in Mapo Industries Sdn Bhd which is involved in the manufacturing of plastic containers and Kemplex Plastic Industries Sdn Bhd is involved in the manufacturing of plastic drums	1994 – Present Director of Cybron Holdings Bhd, which is principally involved in the manufacture of precision plastic and metal components for the electronics industry 1984 – 1993 Managing Director, Ancom Bhd	1987 – Present Director and shareholder of KJ Engineering Sdn Bhd It is part of the multinational Vivendi Group which is involved in energy, water, waste management and hospital maintenance	2000 – Present Operations Manager, Import Division, Federal Express Services (M) Sdn Bhd 1999 – 2000 Finance Manager, Sis Distribution (M) Sdn Bhd 1996 – 1999 Senior Associate, Pricewaterhouse Coopers
Other directorships of public companies	Nil	Nil	Nil	Nil
Securities holdings in RALCO and its subsidiaries	12,221,378 ordinary shares and 3,055,344 warrants of RALCO	2,000 ordinary shares and 500 warrants of RALCO	3,207,420 ordinary shares and 801,855 warrants of RALCO	Nil
Family relationship with any director and/or major shareholder of RALCO	Nil	Nil	Nil	Nil
Any conflict of interest with the listed issuer	Nil	Nil	Nil	Nil
List of convictions for offences within the past 10 years other than traffic offences, if any	Nil	Nil	Nil	Nil

Heng Hong Chai
Malaysian, Age 52
(Non-Independent
Executive Director)

Mr. Heng was appointed to the board on 25 May 1996 and assumed his current position as Chairman/ Managing Director since then. He is the founder member of Ralco Plastic Sdn Bhd, a wholly owned subsidiary company. He attended all five board meetings held in the financial year. Mr. Heng has been actively involved in the plastic industry for more than 22 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 12,221,378 ordinary shares and 3,055,344 warrants 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 63
(Independent Non-
Executive Director)

Mr. Yong was appointed to the Board on 25 May 1996. He attended all five board meetings held in the financial year. He holds a Bachelor of Engineering Degree in Chemical Engineering from Sydney University. Presently, he is serving as a Director in Cybron Holdings Berhad, which is principally involved in the manufacturing of precision plastic and metal components for electronics industry. He was the Managing Director of Ancom Berhad from 1984-1993. He has wide experience and knowledge in all aspect of manufacturing, property development management, business management, finance, taxation, legal and handling of Government contracts. Mr. Yong holds 2,000 ordinary shares and 500 warrants 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 54
(Non-Independent &
Non-Executive
Director)

Mr. Tan was appointed to the Board on 23 September 1997. He attended all five board meetings held in the financial year. Currently, he is a Shareholder and Director of KJ Engineering Sdn Bhd, a subsidiary of the multinational Vivendi Group which is principally involved in energy, water, waste management and hospital maintenance. Mr. Tan holds 3,207,420 ordinary shares and 801,855 warrants 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 34
(Independent Non-
Executive Director)

Mr. Heng was appointed to the Board on 8 August 2001. He attended all five 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.

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 2004.

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 overall standards of conduct, risk management, succession planning, strategic planning, investor relation programme and system of internal control of the Group.

BOARD COMPOSITION

The Board currently consists of 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 specialisation bring along a wide range of skills, finance and technical expertise. This allows them to exercise an independent judgement 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 roles of Chairman of the Board and the managing director are still combined as 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 as safeguard over 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 for consideration. 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 make the best decisions in the interest of the Company at all times.

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

Executive Director	Total
1. Heng Hong Chai	5 / 5
Non-Executive Director	Total
1. Yong Ng Gah @ Yong Wee Sing	5 / 5
2. Tan Kie Lu	5 / 5
3. Heng Chee Wei	5 / 5

In addition to the above formal Board meetings, there were other 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 the 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 review and assess the following:

- the skills, expertise and/or experience strategic and fundamental to the effective functioning of the Board as a whole.
- the required mix of skills, experience and other qualities including core competencies, which non-executive directors could bring to the Board.
- 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.
- the contribution of all members of the Board and the effectiveness of the Board as a whole.
- the recommendation of candidates to fill vacancies of the Board.
- the recommendation to the Board for re-election of directors due for retirement by rotation.
- the size of the Board to determine the impact of its effectiveness.
- the recommendation of directors to sit on various Board Committees and their performance and effectiveness.

DIRECTORS' TRAINING

Every director is undergoing continuous training so as to equip himself with knowledge for the effective discharge of duties as a director. The directors completed the required Mandatory Accreditation Programme and are also attending training course for directors, namely the 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, the 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 reflects 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 performance of the Group. 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 all other director fees/attendance fees for the approval of the Board.

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 concerned will abstain 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
Range of remuneration	Number of Directors			
	Executive		Non-Executive	
Less than RM50,000	–		3	
RM200,001 to RM250,000	1		–	

SHAREHOLDER COMMUNICATION AND INVESTOR RELATIONSHIP POLICY

The Board believes in clear communication and acknowledges the importance of timely and equal dissemination of relevant information to its shareholders. The annual reports and the quarterly announcements are means employed to report on the business, activities and financial performance of the Group 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 financial performance of the Group, 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 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 fraud as well as any other irregularities committed.

INTERNAL CONTROL

A Statement on Internal Control to safeguard shareholder's interest and the assets of the Company 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 external and internal auditors of the Company 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 Securities 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 RM43,300.

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 2004 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

OBJECTIVE

The objective of the Audit Committee of the board of directors ("the Board") 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 shareholders of the Company.

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 from amongst its directors and shall consist of not less than 3 directors, the 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 Listing Requirements of Bursa Malaysia Securities Berhad and Practice Note No. 13/2002 on Listing Requirements. An alternate director does not qualify as 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 appoint such number of new members as may be required to make up the shortfall.

Each and every member 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 the 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

The Audit Committee, in accordance with the procedures previously determined by the Board and at the cost of the Company, shall:-

- have authority to investigate any matter within its terms of reference;
- have the resources required to perform its duties;
- have full and unrestricted access to any information pertaining to the Group;
- have direct communication channels with the Company's external auditors and person(s) carrying out internal audit function or activity of the Company;
- 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
- be able by itself or by any manner to convene meetings and dialogue with the external auditors of the Company independently.

FUNCTIONS

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

- (1) to 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 control;
 - (c) with the external auditors, their audit report;
 - (d) the adequacy of the assistance given by the employees of the Group to the external auditors;
 - (e) the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
 - (f) 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, 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 going concern assumption.
- (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 prepared and kept by the company secretary and shall be signed by the Chairman as correct record and be distributed to all members of the Board.

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

Name	Total
1. Yong Ng Gah @ Yong Wee Sing	5 / 5
2. Heng Chee Wei	5 / 5
3. Heng Hong Chai	5 / 5

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL PERIOD

During the financial year ended 31 December 2004, the main activities undertaken by the Audit Committee were as follows: -

- Reviewed the unaudited quarterly financial results of the Group with the management team prior to the Board's approval and subsequent announcements.
- Reviewed with the external auditors the audited financial statements for the financial year end 31 December 2003, the results of the audit, audit report and recommendation prior to the approval of the Board and subsequent announcements.
- Reviewed with the internal auditors the internal audit reports and discussed the audit findings, recommendations and management's responses for the purpose of improving the system of internal control and operational efficiencies.
- Reviewed and discussed any updates of new development on accounting standards issued by the Malaysian Accounting Standards Board.

INTERNAL AUDIT FUNCTIONS

The internal audit function reports directly to the Audit Committee and is responsible to undertake independent review of the system of internal control, which includes the following: -

- assisting the Board in the review of the adequacy, integrity and effectiveness of the system of internal control of the Group to enable the Board to prepare the Statement on Internal Control in the Annual Report;
- performing a risk assessment of the Group to identify and evaluate the principal risk factors and ensuring the implementation of appropriate internal control processes and procedures to mitigate these risks; and
- allocating adequate audit resources, in accordance with the internal audit plan approved by the Audit Committee, to carry out internal audits on key operations of the Group so as to provide the Board with an effective and efficient audit coverage.

During the financial year, the internal audit function has carried out various risk-based audit reviews of the key processes of operations and these include production, maintenance & spare parts, store management, procurement, sales & delivery, billing, payment & receipt, costing, credit control, cash management, staff appraisal & payroll and information/data.

Statement On Internal Control

INTRODUCTION

The board of directors ("Board") acknowledges the importance of maintaining a sound system of internal control to safeguard shareholders' investments and the assets of the Company and its subsidiaries (together as "the Group"). The Board is pleased to outline the state of internal control of the Group for the financial year ended 31 December 2004 pursuant to Paragraph 15.27 (b) of the Listing Requirements of Bursa Malaysia Securities Berhad.

BOARD'S RESPONSIBILITY

The Board affirms its overall responsibility for the system of internal control of the Group and for reviewing its effectiveness, adequacy and integrity. Due to the limitations that are inherent in any system of internal control, the Board is aware that such system is designed to manage rather than eliminate the risk of failure to achieve the business objectives of the Group, 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. This process is regularly reviewed by the Board and the Audit Committee.

During the financial year, the internal audit function has conducted various interviews and risk assessment of the key operations of the Group, in the course of performing audit reviews, to address the related business risks and internal control weaknesses. Any significant weaknesses identified during the reviews together with the improvement measures to strengthen the internal controls were reported to the Audit Committee.

OTHER KEY ELEMENTS OF INTERNAL CONTROL

Other key elements of the system of internal control of the Group 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 the day-to-day running of the operations of the Group. 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 manufacturing activities of the Group 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.
- Management monitors the performance of the Group through key performance indicators and prepares quarterly management reports.
- The Board receives and reviews information of 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 adequacy, integrity and effectiveness of the system of internal control of the Group. The Audit Committee receives and reviews quarterly management reports.

CONTROL WEAKNESSES

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

Chairman's Statement

On behalf of the Board of Directors, I am to present the financial statements and Annual Report of the Company and of the Group for the financial year ended 31 December 2004.

FINANCIAL RESULTS

The financial year ended 31 December 2004 had been one of the most challenging year in the Group's history. As a result of the lacklustre global and industry backdrop, the group recorded a pre-tax loss of RM6.7 million as opposed to a pre-tax profit of RM1.8 million in the previous year. The financial results have been adversely affected by high operating costs and the continuing and substantial increase in the cost of raw materials (plastic resins), a main component in the production cost.

The Group's gross revenue increased from RM68.3 million in the previous year to RM72.9 million for the financial year ended 31 December 2004, representing an increase of RM4.6 million or 6.7% above the previous year.

OUTLOOK AND PROSPECTS

Although the Malaysian economy registered a GDP growth of above 7% for the year 2004, the current year may prove to be a challenging one due to general concerns on the global economic conditions generated by volatile oil prices and over a potential global slow down.

The Group is implementing strategies to improve its overall performance and concerted marketing efforts will be implemented to create a larger marketing base for the Group's core products. We are also targetting to increase our exports to a more significant level through more aggressive overseas business development efforts and strengthening our research and development activities on new niche products while maintaining competitive prices and customer satisfaction.

During the year, Ralco Plastic Sdn Bhd, a wholly owned subsidiary of the Group was accredited with the MS ISO 9001 : 2000 certification by SIRIM QAS INTERNATIONAL. This certification is a noteworthy achievement and should stand the Group in good stead in order to secure jobs from multinational corporations with discerning quality standards.

Going forward, the Group through its wholly owned subsidiary company, Ralco Plastic Sdn Bhd (RPSB) has in April 2005 registered a new company in Western Australia under the name of Ralco Australia Pty Ltd (RAPL). The paid-up capital of RAPL is AUD100 comprising 100 shares of AUD1 each and RPSB has subscribed for 78 shares thereof. The principal business of RAPL is intended to be in power generation through generator sets (gensets) and trading of gensets.

However, the Group looks upon the immediate future with cautious optimism on the basis of its new efforts and strategies. Barring any unforeseen circumstances and noting the downward trend in oil and plastic resins prices, the Board is optimistic that the Group having taken effective measures will be able to reverse its losses in the circumstances for the current financial year ended 31 December 2005.

CORPORATE PROPOSALS

On 23 December 2003 the Company has embarked on an exercise to increase its paid-up capital to RM41,960,000 in order to meet the minimum issued and paid-up share capital of at least RM40 million to comply with Listing Requirements of Bursa Malaysia Securities Berhad for companies listed on the Second Board of Bursa Malaysia Berhad.

The Company's Bonus Issue of 1 for 2 and Renounceable Rights Issue with Warrants of 1 for 2 at an issue price of RM1.00 each were completed during the year. The total additional 20,980,000 new ordinary shares of RM1.00 each were listed and quoted on the Second Board of the Bursa Malaysia Berhad on 26 November 2004 and the proceeds raised were fully utilised for repayment of bank borrowings of the Group.

The proposals have been publicly announced via Bursa Malaysia Securities Berhad website.

DONATION

As it is our policy to remain a good corporate citizen, the Group continues to render valuable assistance to charitable organisations in our community, covering a wide range of sectors and organisations including medical care, education and the elderly.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to thank the management team and all employees for their steadfast commitment and dedication throughout this uncertain time. I also thank our valued customers, shareholders, financiers, suppliers, business associates and the relevant Government authorities for their continued confidence and support for the Group.

I would also like to extend my thanks to my fellow Board members for their support, guidance and contribution to the Group.

HENG HONG CHAI

Chairman

25 May 2005

Group Financial Highlights

For The Year Ended 31 December 2004

	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000	2000 RM'000
INCOME STATEMENT					
Gross Revenue	72,877	68,312	52,595	44,121	41,158
(Loss)/Profit Before Tax	(6,724)	1,819	6,581	529	(2,427)
(Loss)/Profit After Tax	(5,192)	1,140	6,065	449	(1,465)
BALANCE SHEET					
Property, Plant and Equipment	55,186	57,939	47,107	46,687	44,786
Deferred Assets	52	34	30	–	–
Net Current Assets/(Liabilities)	1,433	(6,525)	(2,692)	(2,183)	975
Total Assets Employed	56,671	51,448	44,445	44,504	45,761
Shareholders' Fund	47,174	41,934	40,839	43,470	43,081
Minority Interest	851	793	748	698	637
Deferred Liabilities	8,646	8,721	2,858	336	2,043
Total Funds Employed	56,671	51,448	44,445	44,504	45,761
PER RM 1 ORDINARY SHARE					
(Loss)/Earnings Per Share(sen)	(16.15)	5.22	28.67	1.85	(7.20)
Gross Dividend Per Share(sen)	–	–	–	5.00	–
Net Tangible Assets Per Share(RM)	1.12	2.00	1.95	2.07	2.05

FINANCIAL CALENDAR

Financial Year End	: 31 December 2004
Announcement of Quarterly Result	
- 1st Quarter Performance Unaudited	: 26 May 2004
- 2nd Quarter Performance Unaudited	: 26 August 2004
- 3rd Quarter Performance Unaudited	: 30 November 2004
- 4th Quarter Performance Unaudited	: 24 February 2005
Announcement of Annual Audited Results	: 29 April 2005
Issue of Annual Report	: 6 June 2005
2005 Annual General Meeting	: 28 June 2005

Financial Statements

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Directors' Report

For The Year Ended 31 December 2004

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 2004.

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
Loss after tax	5,181,417	789,142
Minority interest	58,260	-
Net loss for the year	5,239,677	789,142

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, except as disclosed in the statements of changes in equity.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the following ordinary shares were issued by the Company:

- (a) Bonus Issue of 10,490,000 new ordinary shares of RM1 each ("Bonus Shares") in the Company credited as fully paid-up on the basis of one (1) new Bonus Share for every two (2) existing ordinary shares held in the Company 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 account of the Company; and
- (b) Rights Issue of 10,490,000 new ordinary shares ("Rights Shares") of RM1 each at par for cash 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 each held in the Company.

The Company has also increased its authorised share capital from RM25,000,000 comprising 25,000,000 ordinary shares of RM1 each to RM100,000,000 comprising 100,000,000 ordinary shares of RM1 each by the creation of additional 75,000,000 new ordinary shares of RM1 each to accommodate the increase in issued and paid-up share capital of the Company pursuant to the Bonus Issue and Rights Issue.

The Bonus Issue together with the Rights Issue has enabled 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 Bursa Malaysia Securities Berhad.

No debentures were issued by the Company during the financial year under review.

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 Tan Kie Lu 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 director's interests in shares in the Company during the financial year were as follows:

	Number of ordinary shares of RM1 each					
	At 1-1-2004	Bonus Issue	Rights Issue	Bought	Sold	At 31-12-2004
Mr Heng Hong Chai						
– direct interest	6,110,690	3,055,344	3,055,344	–	–	12,221,378
Mr Yong Ng Gah @ Yong Wee Sing						
– direct interest	1,000	500	500	–	–	2,000
Mr Tan Kie Lu						
– direct interest	1,603,710	801,855	801,855	–	–	3,207,420
Mr Heng Chee Wei						
– direct interest	–	–	–	–	–	–

			Number of warrants			
	At 1-1-2004	Granted	Bought	Exercised	Sold	At 31-12-2004
Mr Heng Hong Chai						
– direct interest	–	3,055,344	–	–	–	3,055,344
Mr Yong Ng Gah @ Yong Wee Sing						
– direct interest	–	500	–	–	–	500
Mr Tan Kie Lu						
– direct interest	–	801,855	–	–	–	801,855
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.

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 and of the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company or its subsidiary companies to meet their obligations as and when they fall due.
- (e) At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company and of the Group which would render any amount stated in the respective financial statements misleading.
- (f) In the opinion of the directors:
 - (i) the results of the operations of the Company and of the Group for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company and of the Group for the financial year in which this report is made.

AUDITORS

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

Signed on behalf of the directors in accordance
with a resolution of the directors

HENG HONG CHAI

Director

TAN KIE LU

Director

22 April 2005

Report Of The Auditors To The Members

We have audited the financial statements set out on pages 30 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 2004 and of their results and cash flows for the year ended on that date; and
 - (iii) in accordance with applicable approved accounting standards; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies have been properly kept in accordance with the provisions of the Act.

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

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

MOORES ROWLAND

No. AF : 0539

Chartered Accountants

GAN MORN GHUAT

No. 1499/5/05 (J)

Partner

22 April 2005

Balance Sheets

– 31 December 2004

		Group		Company	
	Note	2004 RM	2003 RM	2004 RM	2003 RM
PROPERTY, PLANT AND EQUIPMENT	2	55,185,875	57,938,717	63,262	88,288
SUBSIDIARY COMPANIES	3	–	–	23,227,733	23,227,733
DEFERRED TAX ASSETS	4	62,730	34,541	62,730	34,541
CURRENT ASSETS					
Inventories	5	10,880,150	5,531,373	–	–
Trade and other receivables	6	22,084,595	19,538,273	5,851	4,650
Tax recoverable		192,283	252,211	40,942	40,942
Amount owing by subsidiary companies	3	–	–	26,686,218	16,840,491
Cash and bank balances	7	2,621,675	968,506	165,884	304,917
		35,778,703	26,290,363	26,898,895	17,191,000
Less:					
CURRENT LIABILITIES					
Trade and other payables	8	10,652,542	13,777,000	92,400	82,200
Amount owing to a subsidiary company	3	–	–	476,000	476,000
Bank borrowings	9	23,685,084	19,029,408	–	–
Tax payable		7,515	9,450	–	–
		34,345,141	32,815,858	568,400	558,200
NET CURRENT ASSETS/(LIABILITIES)		1,433,562	(6,525,495)	26,330,495	16,632,800
		56,682,167	51,447,763	49,684,220	39,983,362

		Group		Company	
	Note	2004 RM	2003 RM	2004 RM	2003 RM
Financed by :					
SHARE CAPITAL	10	41,960,000	20,980,000	41,960,000	20,980,000
SHARE PREMIUM, non-distributable		–	5,477,296	–	5,477,296
UNAPPROPRIATED PROFIT		5,224,257	15,476,638	7,724,220	13,526,066
SHAREHOLDERS' EQUITY		47,184,257	41,933,934	49,684,220	39,983,362
MINORITY INTEREST		850,869	792,609	–	–
BANK TERM LOANS	11	6,841,384	5,355,548	–	–
DEFERRED TAX LIABILITIES	12	1,805,657	3,365,672	–	–
		56,682,167	51,447,763	49,684,220	39,983,362

Notes to and forming part of the financial statements are set out on pages 36 to 60
Auditors' Report - Page 29

Income Statements

For The Year Ended 31 December 2004

		Group		Company	
	Note	2004 RM	2003 RM	2004 RM	2003 RM
Gross revenue	13	72,876,751	68,312,127	924,000	13,191,895
Cost of sales	14	(70,302,303)	(58,258,408)	–	–
Gross profit		2,574,448	10,053,719	924,000	13,191,895
Other operating income		551,241	163,394	–	–
Selling and distribution costs		(2,588,197)	(3,080,130)	–	–
Administrative and general expenses		(5,303,822)	(4,459,584)	(1,741,331)	(1,161,138)
Other operating expenses		(553,163)	–	–	–
(Loss)/Profit from operations		(5,319,493)	2,677,399	(817,331)	12,030,757
Finance costs		(1,404,734)	(858,543)	–	–
(Loss)/Profit before tax	15	(6,724,227)	1,818,856	(817,331)	12,030,757
Tax income/(expense)	16	1,542,810	(679,153)	28,189	3,619
(Loss)/Profit after tax		(5,181,417)	1,139,703	(789,142)	12,034,376
Minority interest		(58,260)	(45,146)	–	–
Net (loss)/profit for the year		(5,239,677)	1,094,557	(789,142)	12,034,376
(Loss)/Earnings per share	17				
– basic (sen)		(16.12)	3.48		
– fully diluted (sen)		–	–		

Notes to and forming part of the financial statements are set out on pages 36 to 60

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Statements Of Changes In Equity

For The Year Ended 31 December 2004

	Share capital RM	Share premium RM	Unappropriated profit RM	Total RM
Group				
At 1 January 2003				
– As previously reported	20,980,000	5,477,296	17,056,159	43,513,455
– Prior year adjustment (Note 18)	–	–	(2,674,078)	(2,674,078)
– As restated	20,980,000	5,477,296	14,382,081	40,839,377
Net profit for the year	–	–	1,094,557	1,094,557
At 31 December 2003	20,980,000	5,477,296	15,476,638	41,933,934
Issue of share capital				
– Bonus issue	10,490,000	(5,477,296)	(5,012,704)	–
– Rights issue	10,490,000	–	–	10,490,000
Net loss for the year	–	–	(5,239,677)	(5,239,677)
At 31 December 2004	41,960,000	–	5,224,257	47,184,257
Company				
At 1 January 2003				
– As previously reported	20,980,000	5,477,296	1,460,768	27,918,064
– Prior year adjustment (Note 18)	–	–	30,922	30,922
– As restated	20,980,000	5,477,296	1,491,690	27,948,986
Net profit for the year	–	–	12,034,376	12,034,376
At 31 December 2003	20,980,000	5,477,296	13,526,066	39,983,362
Issue of share capital				
– Bonus issue	10,490,000	(5,477,296)	(5,012,704)	–
– Rights issue	10,490,000	–	–	10,490,000
Net loss for the year	–	–	(789,142)	(789,142)
At 31 December 2004	41,960,000	–	7,724,220	49,684,220

Notes to and forming part of the financial statements are set out on pages 36 to 60

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Cash Flow Statements

For The Year Ended 31 December 2004

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before tax	(6,724,227)	1,818,856	(817,331)	12,030,757
Adjustments for:				
Depreciation	7,029,221	6,479,507	25,026	25,026
Loss on disposal of property, plant and equipment	427,453	670	-	-
Property, plant and equipment written off	1,132	627	-	-
Allowance for doubtful debts written back	(21,309)	(23,315)	-	-
Allowance for doubtful debts	-	141,414	-	-
Dividend income	-	-	-	(12,267,895)
Interest expenses	1,404,734	851,939	-	-
Hire purchase term charges	-	6,604	-	-
Unrealised gain on foreign exchange	(104,450)	(56,818)	-	-
Operating profit/(loss) before working capital changes	2,012,554	9,219,484	(792,305)	(212,112)
Changes in inventories	(5,348,777)	1,408,326	-	-
Changes in receivables	(2,420,563)	(559,941)	(1,201)	-
Changes in payables	2,331,542	3,559,582	10,200	(12,086)
Cash (utilised in)/generated from operations	(3,425,244)	13,627,451	(783,306)	(224,198)
Dividend received from a subsidiary company	-	-	-	12,267,895
Interest paid	(1,404,734)	(851,939)	-	-
Tax paid	(74,450)	(97,810)	-	-
Tax refunded	87,049	134,260	-	-
Net cash (used in)/from operating activities	(4,817,379)	12,811,962	(783,306)	12,043,697
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(4,744,184)	(17,312,717)	-	-
Proceeds from disposal of property, plant and equipment	39,220	500	-	-
Advances to subsidiary companies	-	-	(9,845,727)	(12,130,293)
Net cash used in investing activities	(4,704,964)	(17,312,217)	(9,845,727)	(12,130,293)

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Advances from a subsidiary company	-	-	-	220,000
Issue of share capital	10,490,000	-	10,490,000	-
Bank term loans raised	3,009,515	7,640,483	-	-
Repayment of bank term loans	(1,633,237)	(552,970)	-	-
Payment of hire purchase instalments	-	(37,463)	-	-
Hire purchase term charges paid	-	(6,604)	-	-
Net cash from financing activities	11,866,278	7,043,446	10,490,000	220,000
NET CHANGES IN CASH AND CASH EQUIVALENTS				
	2,343,935	2,543,191	(139,033)	133,404
CASH AND CASH EQUIVALENTS BROUGHT FORWARD				
	(668,893)	(3,212,084)	304,917	171,513
CASH AND CASH EQUIVALENTS CARRIED FORWARD				
	1,675,042	(668,893)	165,884	304,917
Represented by:				
CASH AND BANK BALANCES	2,621,675	968,506	165,884	304,917
BANK OVERDRAFTS	(946,633)	(1,637,399)	-	-
	1,675,042	(668,893)	165,884	304,917

Notes to and forming part of the financial statements are set out on pages 36 to 60

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Notes To And Forming Part Of The Financial Statements

For The Year Ended 31 December 2004

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, amortised 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.

At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements.

(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(i).

(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 period 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%

Capital work-in-progress will only be depreciated when the assets are ready for their intended use.

(f) Inventories

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

(g) 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.

(h) 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.

(i) 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.

(j) Share capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost 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 ordinary shares, when declared or proposed by the directors of the Company are disclosed within the components of equity. Upon approval and when paid, such dividends will be accounted for in the shareholders' equity as an appropriation of unappropriated profit in the financial year in which the dividends are paid.

(k) 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:

	2004	2003
	RM	RM
1 US Dollar	3.80	3.80
1 Singapore Dollar	2.20	2.15
1 Australian Dollar	2.97	—
1 Euro	4.72	4.00
1 Hongkong Dollar	—	0.49

(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.

(m) Employee 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 charged to 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.

(p) 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.

(q) Financial instruments

(i) Financial instruments recognised in the balance sheets

The recognised financial instruments of the Group comprise cash and cash equivalents, bank borrowings, receivables and payables 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.

(ii) Financial instruments not recognised in the balance sheets

Unsecured guarantees

The Company has provided unsecured guarantees in respect of banking facilities granted to subsidiary companies which represent present obligations existed at the balance sheet date but are not recognised in the financial statements at inception because it is not probable that an outflow of economic benefits will be required to settle the obligations.

2. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings RM	Long term leasehold land and buildings RM	Plant and machinery RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
2004									
Cost									
At 1 January	348,290	22,502,929	67,140,137	1,857,661	1,174,409	1,092,286	1,078,986	-	95,194,698
Additions	-	982,714	2,471,516	26,720	69,404	2,400	-	1,191,430	4,744,184
Disposals	-	-	(1,934,988)	-	(15,000)	-	(1,500)	-	(1,951,488)
Write-off	-	-	-	-	(7,372)	-	-	-	(7,372)
At 31 December	348,290	23,485,643	67,676,665	1,884,381	1,221,441	1,094,686	1,077,486	1,191,430	97,980,022
Accumulated depreciation									
At 1 January	64,392	2,471,149	30,957,177	1,095,818	830,398	1,079,069	757,978	-	37,255,981
Charge for the year	6,966	453,579	6,087,304	193,323	108,643	4,732	174,674	-	7,029,221
Disposals	-	-	(1,474,775)	-	(8,541)	-	(1,499)	-	(1,484,815)
Write-off	-	-	-	-	(6,240)	-	-	-	(6,240)
At 31 December	71,358	2,924,728	35,569,706	1,289,141	924,260	1,083,801	931,153	-	42,794,147
Net book value									
at 31 December	276,932	20,560,915	32,106,959	595,240	297,181	10,885	146,333	1,191,430	55,185,875
2003									
Net book value									
at 31 December	283,898	20,031,780	36,182,960	761,843	344,011	13,217	321,008	-	57,938,717
Depreciation charge for the year	6,966	419,618	5,548,035	196,259	129,725	8,023	170,881	-	6,479,507

Company

2004

Cost

	Furniture and fittings RM	Office equipment RM	Renovation RM	Total RM
At 1 January	267,993	8,070	443,904	719,967
Addition/Disposal	–	–	–	–
At 31 December	267,993	8,070	443,904	719,967

Accumulated depreciation

At 1 January	185,354	2,421	443,904	631,679
Charge for the year	23,412	1,614	–	25,026
At 31 December	208,766	4,035	443,904	656,705

Net book value

at 31 December	59,227	4,035	–	63,262
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2003

Net book value

at 31 December	82,639	5,649	–	88,288
Depreciation charge for the year	23,412	1,614	–	25,026

A leasehold property of a subsidiary company with net book value of RM2,550,860 (2003 : RM2,582,731) 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 value of RM9,540,631 (2003 : RM10,668,346) and leasehold land and building with a net book value of RM2,210,737 (2003 : RM2,232,608) 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 RM1,694,294 (2003 : RM1,713,710) have yet to be issued by the relevant authority.

Included in property, plant and equipment of the Group is a motor vehicle with net book value of RM8,346 (2003 : RM108,507) which is registered in the name of a director of the Company who is holding it in trust for the Group.

3. SUBSIDIARY COMPANIES

	Company	
	2004	2003
	RM	RM
Unquoted shares, at cost	23,227,733	23,227,733

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

	Gross equity interest		Principal activities
	2004	2003	
	%	%	
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	
	2004	2003
	RM	RM
At 1 January		
– As previously reported	34,541	–
– Prior year adjustment (Note 18)	–	30,922
– As restated	34,541	30,922
Transfer from income statement	28,189	3,619
At 31 December	62,730	34,541

	Group/Company	
	2004	2003
	RM	RM
The deferred tax asset comprises:		
Deductible temporary differences		
– on unused tax losses	45,157	23,975
– on unabsorbed capital allowances	30,335	20,923
	75,492	44,898
Taxable temporary differences between net book value and tax written down value of property, plant and equipment	(12,762)	(10,357)
	62,730	34,541

At 31 December 2004, 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	
	2004	2003
	RM	RM
Unused tax losses	103,841	101,999
Unabsorbed capital allowances	2,087	2,087
	105,928	104,086

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

5. INVENTORIES

	Group	
	2004	2003
	RM	RM
Inventories stated at cost comprise:		
Raw materials	5,853,755	1,565,676
Finished goods	5,026,395	3,965,697
	10,880,150	5,531,373

6. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Gross trade receivables	21,289,332	18,634,786	-	-
Less:				
Allowance for doubtful debts	553,678	574,987	-	-
	20,735,654	18,059,799	-	-
Other receivables	757,409	362,756	-	-
Deposits	346,958	890,431	5,851	4,650
Prepayments	244,574	225,287	-	-
	22,084,595	19,538,273	5,851	4,650
The currency exposure profiles of trade receivables are as follows:				
Ringgit Malaysia	19,789,149	16,414,073	-	-
Singapore Dollar	1,261,834	2,022,984	-	-
US Dollar	238,349	133,885	-	-
Hongkong Dollar	-	63,844	-	-
	21,289,332	18,634,786	-	-
The currency exposure profiles of other receivables are as follows:				
Ringgit Malaysia	339,931	362,756	-	-
Australian Dollar	417,478	-	-	-
	757,409	362,756	-	-

Trade receivables comprise amounts receivable from sale of goods, services rendered to customers and rental receivable from tenant. 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 of the previous financial year were amounts totalling RM590,741 which represented deposits paid for the acquisition of property, plant and equipment.

7. CASH AND BANK BALANCES

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Cash in hand	21,263	81,740	–	–
Cash at banks	2,600,412	886,766	165,884	304,917
	2,621,675	968,506	165,884	304,917

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

Ringgit Malaysia	16,264	16,000	–	–
Euro	2,399	–	–	–
Australian Dollar	2,600	–	–	–
US Dollar	–	65,740	–	–
	21,263	81,740	–	–

The currency exposure profiles of bank balances are as follows:

Ringgit Malaysia	2,440,753	582,562	165,884	304,917
Singapore Dollar	159,659	304,204	–	–
	2,600,412	886,766	165,884	304,917

8. TRADE AND OTHER PAYABLES

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Trade payables	6,200,164	6,356,411	-	-
Other payables	3,544,952	6,368,751	12	3,577
Deposits	53,950	53,950	-	-
Accruals	853,476	997,888	92,388	78,623
	10,652,542	13,777,000	92,400	82,200

The currency exposure profiles
of trade payables are as follows:

Ringgit Malaysia	2,723,940	4,394,984	-	-
US Dollar	3,476,224	1,961,427	-	-
	6,200,164	6,356,411	-	-

The currency exposure profiles
of other payables are as follows:

Ringgit Malaysia	538,685	626,121	12	3,577
US Dollar	2,673,606	5,737,725	-	-
Australian Dollar	322,447	-	-	-
Euro	8,576	4,905	-	-
Singapore Dollar	1,638	-	-	-
	3,544,952	6,368,751	12	3,577

The currency exposure profiles
of accruals are as follows:

Ringgit Malaysia	846,194	997,888	92,388	78,623
Australian Dollar	7,282	-	-	-
	853,476	997,888	92,388	78,623

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.

9. BANK BORROWINGS

	Group	
	2004 RM	2003 RM
Bills payable, unsecured, bearing effective interest rates of 2.86% to 3.80% (2003 : 2.97% to 3.17%) per annum	20,856,000	15,400,000
Bank overdrafts		
– secured, bearing effective interest rate of 7.25% (2003 : 7.5%) per annum	873,081	592,820
– unsecured, bearing effective interest rates of 7.25% to 8.00% (2003 : 7.25% to 7.5%) per annum	73,552	1,044,579
	21,802,633	17,037,399
Current portion of bank term loans (Note 11)	1,882,451	1,992,009
	23,685,084	19,029,408

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.

10. SHARE CAPITAL

	2004		2003	
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
Authorised				
Ordinary shares of RM1 each				
At 1 January	25,000,000	25,000,000	25,000,000	25,000,000
Increase during the year	75,000,000	75,000,000	–	–
At 31 December	100,000,000	100,000,000	25,000,000	25,000,000
Issued and fully paid				
Ordinary shares of RM1 each				
At 1 January	20,980,000	20,980,000	20,980,000	20,980,000
Bonus Issue 1:2	10,490,000	10,490,000	–	–
Rights Issue 1:2	10,490,000	10,490,000	–	–
At 31 December	41,960,000	41,960,000	20,980,000	20,980,000

During the financial year, the Company:

- (a) increased its authorised share capital from RM25,000,000 to RM100,000,000 by the creation of additional 75,000,000 new ordinary shares of RM1 each.
- (b) increased its issued and paid-up share capital from RM20,980,000 to RM41,960,000 to comply with the minimum issued and paid-up share capital requirement of RM40,000,000 for companies listed on the Second Board of Bursa Malaysia Securities Berhad through the following:
 - (i) Bonus issue of 10,490,000 new ordinary shares of RM1 each ("Bonus Shares") credited as fully paid-up on the basis of one (1) new Bonus Share for every two (2) existing ordinary shares of RM1 each held 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 account of the Company; and
 - (ii) Rights Issue of 10,490,000 new ordinary shares ("Rights Shares") of RM1 each at par for cash 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 each held in the Company.

The Bonus Shares are not entitled to the Rights Shares together with 10,490,000 free detachable warrants issued during the financial year.

At 31 December 2004, there were 10,490,000 unexercised warrants in issue which entitle the registered holders to subscribe for one new ordinary share of RM1 each for every warrant held. The salient terms of the warrants 2004/2009 are as follows:

- (a) The warrants are issued in registered form and constituted by a Deed Poll dated 7 September 2004 and entitle the registered holders to subscribe for one (1) new ordinary share of RM1 each in the Company at an exercise price of RM1 per ordinary share for every warrant held.
- (b) The warrants may be exercised at any time during the exercise period of five (5) years from the date of issue of the warrants on 22 November 2004 to 22 November 2009.
- (c) Upon exercise of the warrants into new ordinary shares, such shares shall rank pari passu in all respects with the existing ordinary shares of the Company in issue at the date of allotment of the new ordinary shares except that the new ordinary shares shall not be entitled to dividends, rights, allotments and/or other distributions, the entitlement date of which precedes or falls on the relevant exercise date of the warrants and will be subject to all the provisions of the Articles of Association of the Company.
- (d) The exercise price and/or number of unexercised warrants shall be adjusted in the event of alteration to the share capital, capital distribution or issue of shares in accordance with the provisions of the Deed Poll.

11. BANK TERM LOANS

	Group 2004 RM	2003 RM
Bank term loans bearing effective interest rate of 7.25% (2003 : 7.25%) per annum, repayable by equal monthly instalments commencing August 2003	4,954,951	5,990,676
Bank term loans bearing effective interest rate of 7.25% (2003 : 7.25%) per annum, repayable by equal monthly instalments commencing April 2004	3,768,884	1,240,483
Bank term loan bearing effective interest rate of 7.5% per annum, repayable by equal monthly instalments commencing 1994	-	116,398
	8,723,835	7,347,557
Less: Repayments due within 12 months (included in Note 9)	1,882,451	1,992,009
Repayments due after 12 months	6,841,384	5,355,548

The bank term loan of RM116,398 of a subsidiary company, which had been fully repaid during the financial year was 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 RM8,723,835 (2003 : 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.

12. DEFERRED TAX LIABILITIES

	Group 2004 RM	2003 RM
At 1 January		
– As previously reported	3,365,672	33,000
– Prior year adjustment (Note 18)	-	2,705,000
– As restated	3,365,672	2,738,000
Transfer (to)/from income statement	(1,560,015)	627,672
At 31 December	1,805,657	3,365,672

The deferred tax liabilities comprise:

	2004 RM	Group 2003 RM
Deferred tax liabilities on:		
– taxable temporary differences between net book value and tax written down value of property, plant and equipment	5,749,673	6,109,642
– other taxable temporary differences	12,718	15,909
	5,762,391	6,125,551
Less:		
Deferred tax asset recognised on unabsorbed capital allowances	3,956,734	2,759,879
	1,805,657	3,365,672

13. GROSS REVENUE

	2004 RM	Group 2003 RM	2004 RM	Company 2003 RM
Sale of goods	72,673,051	68,108,427	–	–
Rental income	203,700	203,700	–	–
Dividend income	–	–	–	12,267,895
Management fees	–	–	924,000	924,000
	72,876,751	68,312,127	924,000	13,191,895

14. COST OF SALES

	2004 RM	Group 2003 RM	2004 RM	Company 2003 RM
Cost of goods sold	70,163,908	58,095,372	–	–
Direct operating costs relating to rental income	138,395	163,036	–	–
	70,302,303	58,258,408	–	–

15. (LOSS)/PROFIT BEFORE TAX

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

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Allowance for doubtful debts	-	141,414	-	-
Auditors' remuneration				
- statutory audit				
- current year	53,300	53,100	8,500	8,500
- underestimated in prior year	900	1,500	700	700
- special audit	-	37,500	-	5,500
Depreciation	7,029,221	6,479,507	25,026	25,026
Directors' remuneration				
- fees	54,000	54,000	54,000	54,000
- other emoluments	201,600	201,600	-	-
Finance costs				
- hire purchase term charges	-	6,604	-	-
- interest expenses	1,404,734	851,939	-	-
Hire of plant and machinery	401,802	-	-	-
Loss on disposal of property, plant and equipment	427,453	670	-	-
Property, plant and equipment written off	1,132	627	-	-
Rental of equipment	8,600	6,600	8,600	6,600
Rental of premises	292,389	272,990	162,000	162,000
and crediting:				
Allowance for doubtful debts written back	21,309	23,315	-	-
Gross dividend income from a subsidiary company	-	-	-	12,267,895
Gain on foreign exchange				
- realised	135,212	62,872	-	-
- unrealised	104,450	56,818	-	-
Rental income				
- properties	203,700	203,700	-	-
- plant and machinery	221,281	-	-	-

16. TAX INCOME/(EXPENSE)

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Current tax expense				
– current year	(51,439)	(54,700)	–	–
– over/(under)estimated in prior years	6,045	(400)	–	–
	(45,394)	(55,100)	–	–
Deferred tax income/(expense)				
– relating to origination and reversal of temporary differences during the year	1,587,877	(630,839)	28,189	3,619
– resulting from reduction in income tax rate	–	9,250	–	–
Deferred tax expense over/(under)estimated in prior year	327	(2,464)	–	–
	1,588,204	(624,053)	28,189	3,619
	1,542,810	(679,153)	28,189	3,619

The numerical reconciliations between the tax expense and the product of accounting (loss)/profit multiplied by the applicable tax rates are as follows:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Accounting (loss)/profit	(6,724,227)	1,818,856	(817,331)	12,030,757
Tax at the applicable tax rate of 28.26% (2003 :27.35%) for the Group and 28% (2003 : 28%) for the Company	1,900,144	(497,445)	228,852	(3,368,612)
Less:				
Tax effect of expenses not deductible in determining taxable profit:				
Depreciation of non-qualifying property, plant and equipment	70,281	54,145	–	–
Other non-deductible expenses	293,425	147,949	200,663	62,780
Balance carried forward	1,536,438	(699,539)	28,189	(3,431,392)

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Balance brought forward	1,536,438	(699,539)	28,189	(3,431,392)
Add:				
Tax effect of income not taxable in determining taxable profit:				
Tax exempt dividend income	-	-	-	3,435,011
Other non-taxable income	-	14,000	-	-
	1,536,438	(685,539)	28,189	3,619
Add/(Less):				
Current tax expense over/(under) estimated in prior years	6,045	(400)	-	-
Deferred tax expense over/ (under)estimated in prior year	327	(2,464)	-	-
Effect on opening deferred tax resulting from reduction in income tax rate	-	9,250	-	-
Tax income/(expense) for the year	1,542,810	(679,153)	28,189	3,619

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.

17. (LOSS)/EARNINGS PER SHARE

(i) Basic (loss)/earnings per share

The basic loss per share for the year is calculated based on consolidated net loss for the year of RM5,239,677 (2003 : consolidated net profit for the year RM1,094,557) and on 32,504,630 (2003 : 31,470,000) weighted average number of ordinary shares in issue during the year as follows:

	2004	2003
Number of ordinary shares at 1 January	20,980,000	20,980,000
Effects of shares issued pursuant to		
– Bonus Issue	10,490,000	10,490,000
– Rights Issue	1,034,630	-
Weighted average number of ordinary shares at 31 December	32,504,630	31,470,000

The basic (loss)/earnings per share have been restated retrospectively for the previous financial year as a result of the Bonus Issue during the financial year under review.

(ii) Diluted loss per share

The diluted loss per share is not disclosed as the potential ordinary shares arising from the full conversion of warrants at fair value, have an anti-dilutive effect.

18. PRIOR YEAR ADJUSTMENT

In the previous 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. Prior to 2003, the Group and the Company accounted for deferred taxation under the partial basis. In 2003, this policy had been changed to the comprehensive basis so as to comply with the new standard. The cumulative effects of this change in accounting policy are shown below and had been applied retrospectively against the unappropriated profit brought forward. Accordingly, the comparatives had been amended to conform to this change in policy.

	As previously reported RM	Effects of change in accounting policy RM	As restated RM
Group			
Unappropriated profit At 1 January 2003	17,056,159	(2,674,078)	14,382,081
Deferred tax asset At 1 January 2003	–	30,922	30,922
Deferred tax liabilities At 1 January 2003	33,000	2,705,000	2,738,000
Company			
Unappropriated profit At 1 January 2003	1,460,768	30,922	1,491,690
Deferred tax asset At 1 January 2003	–	30,922	30,922

19. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

Transactions with subsidiary companies during the year are as follows:

	Company	
	2004	2003
	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
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	
	2004	2003
	RM	RM
Outstanding advances owing by		
– Ralco Plastic Sdn Bhd	26,639,218	16,363,491
– Ralco Properties Sdn Bhd	47,000	477,000
Outstanding advances owing to Ralco Coolers Sdn Bhd	476,000	476,000

20. EMPLOYEES INFORMATION

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Salaries, wages, allowances and bonuses	7,193,844	7,335,226	613,524	609,830
Social security costs – SOCSO contributions	43,290	45,729	5,608	5,687
Defined contribution plan – EPF contributions	418,953	427,948	68,438	67,607
Other staff related expenses	334,215	344,394	–	–
	7,990,302	8,153,297	687,570	683,124

Included in staff costs of the Group is an executive director's remuneration of RM201,600 (2003 : RM201,600) which is disclosed in Note 15.

	Group		Company	
	2004	2003	2004	2003
Number of employees at year end	342	379	15	15

21. CAPITAL COMMITMENTS

	Group	
	2004	2003
	RM	RM
Approved capital expenditure contracted but not provided for in the financial statements	–	162,000

22. CONTINGENT LIABILITIES

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Unsecured corporate guarantees in respect of				
– banking facilities granted to subsidiary companies	–	–	47,700,000	47,950,000
– trade facilities granted to a subsidiary company	–	–	9,551,000	8,245,000
	–	–	57,251,000	56,195,000

23. 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.

24. 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 stated below. The management of the Group monitors its financial position closely with an objective to minimise potential adverse effects on the financial 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 and bank balances which are 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.

The Group does not require collateral in respect of financial assets and considers that risk of material loss from non-performance on the part of a 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.

(ii) *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.

(iii) *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.

(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's exposure to liquidity and cash flow risk is monitored on an ongoing basis. The concentration of liquidity and cash flow risk is mainly relating to its bank borrowings. This risk is manageable as the Group has been generating sufficient 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 2004 approximated their fair values.

25. SUBSEQUENT EVENT

Subsequent to year end, a wholly owned subsidiary of the Company, Ralco Plastic Sdn Bhd, subscribed 78 shares of AUD 1 each, representing 78% of the issued and paid-up share capital of Ralco Australia Pty Ltd, a company incorporated in Australia, at cash consideration of AUD 78. The principal activity of the newly incorporated subsidiary company is intended to be in power generation through generator sets (gensets) and trading of gensets.

26. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements of the Company and of the Group were authorised for issue by the directors on 22 April 2005.

In the opinion of the directors, the financial statements set out on pages 30 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 2004 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.

Signed on behalf of the directors in accordance
with a resolution of the directors

HENG HONG CHAI
Director

TAN KIE LU
Director

22 April 2005

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 30 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 22 April 2005

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

Before me:

WO92

Robert Lim Hock Kee
Commissioner for Oaths

List Of Group's Properties

As At Year 2004

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	12
Lot 1478 Kawasan Perusahaan Nilai 71800 Nilai Negeri Sembilan	Land and Building (Factory)	Leasehold (20/08/2089)	4,464 sq. meters	2,627,059	12
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	9
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	11
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	10
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	2

Analysis Of Shareholdings As At 9 May 2005

Authorised Share Capital	: RM100,000,000
Paid-up Share Capital	: RM41,960,000
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	92	4.63	57,197	0.14
1,001 – 10,000	1,635	82.20	5,176,070	12.34
10,001 – 100,000	229	11.51	5,767,142	13.74
100,001 to less than 5%	29	1.46	15,996,213	38.12
5% and above	4	0.20	14,963,378	35.66
Total	1,989	100.00	41,960,000	100.00

List Of Substantial Shareholders As At 9 May 2005

No.	Shareholders	No. of Shares	% of Shares
1.	Heng Hong Chai	12,221,378	29.13
2.	Tan Kie Lu	3,207,420	7.64

Thirty (30) Largest Shareholders As At 9 May 2005

No.	Shareholders	No. of Shares	% of Shares
1.	Mercsec Nominees (Tempatan) Sdn Bhd Account for Heng Hong Chai	9,622,153	22.93
2.	Tan Kie Lu	3,207,420	7.64
3.	Heng Hong Chai	2,599,225	6.19
4.	Tan Ching Ching	2,036,000	4.85
5.	OSK Nominees (Tempatan) Sdn Bhd Account for Sui Diong Hoe	1,767,338	4.21
6.	Chie Kuai Leong	1,560,310	3.72
7.	Duclos Sdn Bhd	1,312,500	3.13
8.	Aatif Asgher, Hirji	968,000	2.31
9.	Kenanga Nominees (Asing) Sdn Bhd Account for International Scientific (Private) Limited	964,945	2.30
10.	OSK Nominees (Tempatan) Sdn Bhd Account for Alex Goon Hoong Chow	904,000	2.15
11.	Tan Han Chuan	846,000	2.02
12.	OSK Nominees (Tempatan) Sdn Bhd Account for Tiong King Sing	809,900	1.93
13.	Mayban Securities Nominees (Tempatan) Sdn Bhd Account for Ong Huey Peng	541,300	1.29
14.	Chan Wan Moi	460,000	1.10
15.	Sharifah Asiah Binti Syed Aziz Baftim	381,000	0.91
16.	DB (Malaysia) Nominee (Asing) Sdn Bhd Account for Contend Investments Limited	375,000	0.89
17.	Ong Har Hong	318,000	0.76
18.	Ching Gek Lee	310,000	0.74
19.	Gek Lee Enterprise Sdn Bhd	280,000	0.67
20.	Syarikat Rimba Timur (RT) Sdn Bhd	260,000	0.62
21.	Bong Nyon	233,000	0.56
22.	Susan Anne Scott	200,000	0.48
23.	Chee Chee Pin	180,000	0.43
24.	Leong Khai Cheong	162,000	0.39
25.	Mayban Securities Nominees (Asing) Sdn Bhd Account for Ng Yee Hoon @ Ng Yam Hoon	150,000	0.36
26.	Chong Chee Meng	145,500	0.35
27.	Lee Boon Huat	140,000	0.33
28.	Law Suk Peng	120,000	0.29
29.	Loh Ban Seng Minimart Sdn Bhd	120,000	0.29
30.	A.A. Assets Nominees (Tempatan) Sdn Bhd Account for Wong Hong Ting	106,500	0.25
Total		31,080,091	74.09

Analysis Of Warrant Holdings As At 9 May 2005

Size Of Warrant Holdings

Range	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrants
1 – 1,000	216	46.15	164,585	1.57
1,001 – 10,000	188	40.17	726,500	6.93
10,001 – 100,000	48	10.26	1,517,983	14.47
100,001 to less than 5%	11	2.35	2,743,150	26.15
5% and above	5	1.07	5,337,782	50.88
Total	468	100.00	10,490,000	100.00

Thirty (30) Largest Warrant Holders As At 9 May 2005

No.	Warrant Holders	No. of Warrants	% of Warrants
1.	Mercsec Nominees (Tempatan) Sdn Bhd Account for Heng Hong Chai	2,405,538	22.93
2.	OSK Nominees (Tempatan) Sdn Bhd Account for Sui Diong Hoe	1,596,938	15.22
3.	Tan Kie Lu	801,855	7.64
4.	Heng Hong Chai	649,806	6.19
5.	OSK Nominees (Tempatan) Sdn Bhd Account for Alex Goon Hoong Chow	519,500	4.95
6.	Tan Ching Ching	509,000	4.85
7.	OSK Nominees (Tempatan) Sdn Bhd Account for Chan Heng Koon	350,000	3.34
8.	OSK Nominees (Tempatan) Sdn Bhd Account for Tiong King Sing	267,600	2.55
9.	Aatif Asgher, Hirji	267,000	2.55
10.	Tan Han Chuan	211,500	2.02
11.	Indar Kaur A/P Dan Singh	164,000	1.56
12.	Ng Chew Fang	119,000	1.13
13.	Bong Nyon	118,100	1.13
14.	Chan Wan Moi	115,000	1.10
15.	Mayban Securities Nominees (Tempatan) Sdn Bhd Account for Ong Huey Peng	102,450	0.98

Thirty (30) Largest Warrant Holders As At 9 May 2005 (cont'd)

No.	Warrant Holders	No. of Warrants	% of Warrants
16.	Lee Chee Beng	100,000	0.95
17.	Lim Poh Hock	80,000	0.76
18.	Ong Har Hong	79,500	0.76
19.	Ching Gek Lee	75,000	0.72
20.	Tok Boon Seong	72,000	0.69
21.	Boey Soo Fuon	70,000	0.67
22.	Gek Lee Enterprise Sdn Bhd	65,000	0.62
23.	Syarikat Rimba Timur (RT) Sdn Bhd	60,000	0.57
24.	Kwong Sheau Shan	50,000	0.48
25.	Amsec Nominees (Tempatan) Sdn Bhd	40,000	0.38
26.	Tung Ah Kiong	36,000	0.34
27.	Thin Kim Huat @ Loh Kim Huat	33,000	0.31
28.	Chua Seu Mooi	30,000	0.29
29.	Gurdeep Singh A/L Narain Singh	30,000	0.29
30.	Law Suk Peng	30,000	0.29
Total		9,047,787	86.26

Form Of Proxy



I/We, _____
(PLEASE USE BLOCK LETTERS)
of _____
being a member/members of Ralco Corporation Berhad, hereby appoint _____
of _____
or failing him _____
of _____

or failing him, the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the **Tenth 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, 28 June 2005** 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-election of Mr. Tan Kie Lu 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 _____ 2005

Signature(s) of Member(s)

NUMBER OF SHARES

NOTES :

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

Please Fold Along This Line

Affix Stamp

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

No.7.19, 7th Floor
Wisma Central, Jalan Ampang
50450 Kuala Lumpur

Fold This Flap For Sealing (Stapler or Glue)

Fold This Flap For Sealing (Stapler or Glue)

