



**RALCO
CORPORATION
BERHAD**

(Company No. 333101-V)

2005

ANNUAL REPORT



Ralco Corporation Berhad 2005 annual report



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Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eleventh 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 Monday, 26 June 2006 at 10.00am for the transaction of the following business:-

AGENDA

- 1) To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 31 December 2005 together with the Auditors report thereon. **(Resolution 1)**
- 2) To approve the payment of Directors' Fees amounting to RM62,666.00 for the year ended 31 December 2005. **(Resolution 2)**
- 3) To re-elect the following Directors who retire pursuant to Article 64 of the Company's Articles of Association and being eligible, offer themselves for re-election:
 - Mr. Heng Chee Wei **(Resolution 3)**
 - Mr. Tan Chuan Koon @ Thuan Khoon **(Resolution 4)**
- 4) To re-appoint Messrs Moores Rowland as auditors and authorise the directors to fix their remuneration. **(Resolution 5)**
- 5) Special Business **(Resolution 6)**

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 Securities 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

1 June 2006

Kuala Lumpur

Notice Of Annual General Meeting (cont'd)

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 6, 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 Eleventh Annual General Meeting

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

- 1) Names of directors standing for re-election

Mr. Heng Chee Wei
Mr. Tan Chuan Koon @ Thuan Khoon

- 2) Details of attendance of directors at board meeting

During the financial year ended 31 December 2005, the Company held five (5) board meetings. The details of attendance of the directors are stated on page 9 of the Annual Report.

- 3) Place, date and time of the Annual General Meeting

The Annual General Meeting is to 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 Monday, 26 June 2006 at 10:00am.

- 4) Further details of directors standing for re-election

The details of directors standing for re-election are disclosed in the Profile of Directors.

Corporate Information

➤ Board of Directors

Mr Heng Hong Chai (Chairman)
Mr Tan Kie Lu
Mr Heng Chee Wei
Mr Tan Chuan Koon @ Thuan Khoon

➤ Principal Bankers

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

➤ Company Secretaries

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

➤ Stock Exchange Listing

Second Board of the Bursa Malaysia Securities Berhad
Stock Code: 7498

➤ 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

➤ Legal Form And Place Of Incorporation

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

➤ Domicile

Malaysia

➤ 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

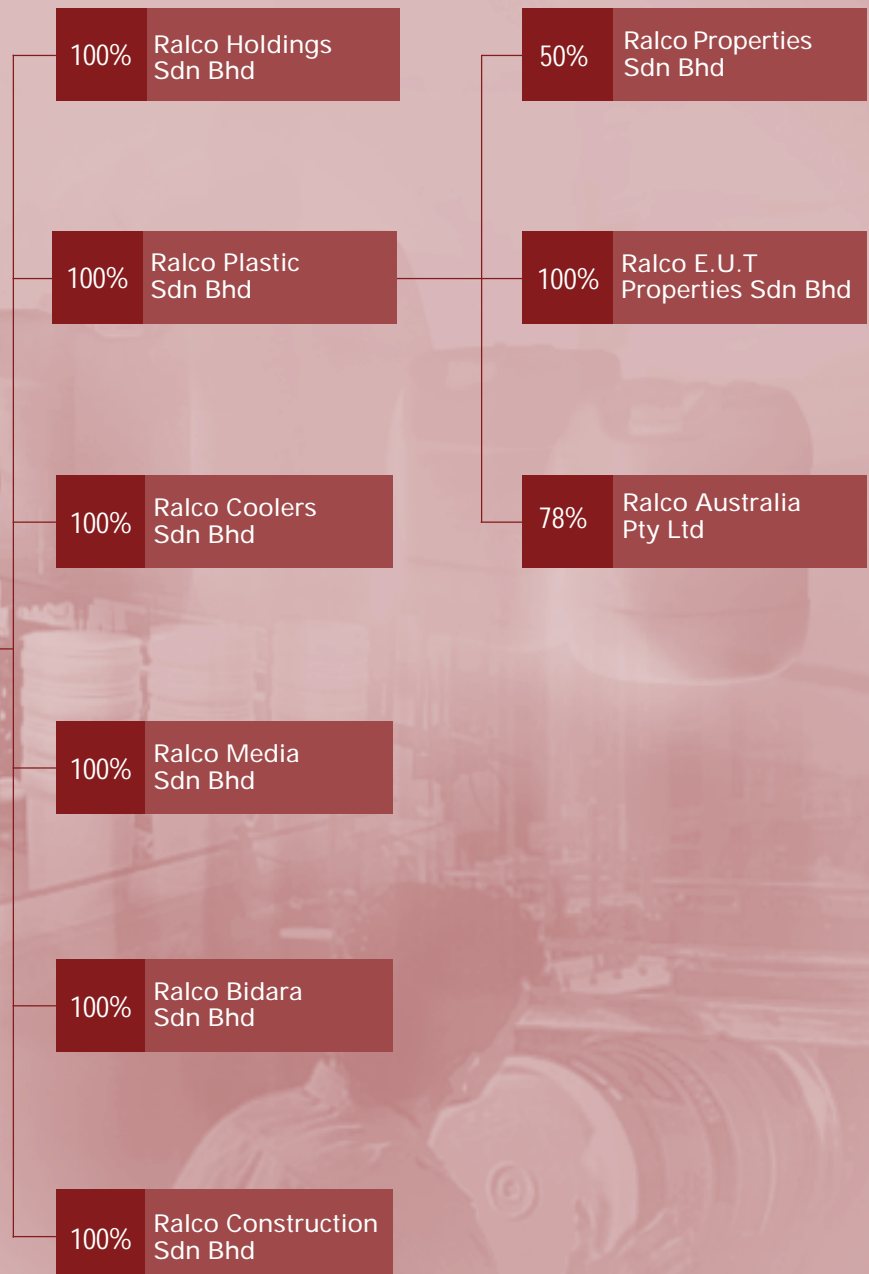
Systems & Securities Sdn Bhd
Wisma Selangor Dredging
6th Floor, South Block
142-A, Jalan Ampang, 50450 Kuala Lumpur
e-mail: systems@po.jaring.my

➤ 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



Corporate Structure



Profile Of Directors

Details Of Directors

	Heng Hong Chai	Tan Kie Lu	Heng Chee Wei	Tan Chuan Koon @ Thuan Khoon
Directorship	Non-Independent Executive Director	Non-Independent Non-Executive Director	Senior Independent Non-Executive Director	Independent Non-Executive Director
Age	53 years old	55 years old	35 years old	63 years old
Nationality & Race	Malaysian/Chinese	Malaysian/Chinese	Malaysian/Chinese	Malaysian/Chinese
Qualification			Member of The Malaysian Institute of Accountants	A Fellow of the Chartered Institute of Bankers, United Kingdom and Senior Associate of Institut Bank-Bank Malaysia
Working experience & occupation for the past 5 years	<p>1996 – Present Executive Chairman, Ralco Corporation Bhd</p> <p>He has been actively involved in the plastic industry for more than 25 years, having his earlier training in Mapo Industries Sdn Bhd which involves in the manufacturing of plastic containers and Kemplex Plastic Industries Sdn Bhd involves in the manufacturing of plastic drums</p>	<p>1987 – Present Director and shareholder of KJ Engineering Sdn Bhd</p> <p>It is part of the multinational Vivendi Group which is involved in energy, water, waste management and hospital maintenance</p>	<p>2000 – Present Senior Operations Manager, Federal Express Services (M) Sdn Bhd</p> <p>1999 – 2000 – Finance Manager, Sis Distribution (M) Sdn Bhd</p> <p>1996 – 1999 – Senior Associate, Pricewaterhouse Coopers</p>	<p>2002 – 2005 – Director of OCB Berhad</p> <p>1998 – 2001 – Director of KAF Discounts Berhad</p> <p>1995 – 1997 – Director of HSBC Finance Berhad</p> <p>1959 – 1997 – General Manager – Finance (Last Post)</p>
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	3,207,420 ordinary shares and 801,855 warrants of RALCO	Nil	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
Details of any Board Committee to which he belongs	Nil	Chairman of the Remuneration Committee and member of the Audit and Nomination Committee	Chairman of the Audit and Nomination Committee and member of the Remuneration Committee	Members of the Audit, Nomination and Remuneration Committee

HENG HONG CHAI

MALAYSIAN, AGE 53 (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 25 years having his earlier training in Mapo Industries Sdn Bhd which involves in the manufacturing of plastic containers and Kemplex Plastic Industries Sdn Bhd which involves 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.

TAN KIE LU

MALAYSIAN, AGE 55 (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 35 (Senior 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 Senior Operations Manager 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.

TAN CHUAN KHOON @ THUAN KHOON

MALAYSIAN, AGE 63 (Independent Non-Executive Director)

Mr. Tan was appointed to the Board on 29 June 2005. He attended two out of five board meetings held in the financial year. Mr. Tan is a Fellow of the Chartered Institute of Bankers, United Kingdom (FCIB), and a Senior Associate of Institut Bank-Bank Malaysia (AIBM). He has thirty-nine (39) years of experience in the banking industry. He began his career with HSBC Bank in 1959 and rose to the position of General Manager, Finance, which he held until his retirement in 1997. He was a member of the Board of HSBC Finance Berhad from 1995 to 1997 and also held directorship in KAF Discounts Berhad from 1998 to 2001 and in OCB Berhad from 2002 to March 2005. He does not hold any directorship in any other public-listed company. He has no conflict of interest with the Group and has no family relationship with any other directors or major shareholders of the Group. He has not been convicted for offences within the past ten years other than for traffic offences, if any.

Corporate Governance

The board of directors ("the Board") of Ralco Corporation Berhad recognises the importance of practicing 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 practiced 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 2005.

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. 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 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 year ended 31 December 2005, 5 Board meetings were held. The following is the record of attendance of the directors during their tenure:

Executive Director	Total
1. Heng Hong Chai	5 / 5
Non-Executive Director	Total
1. Yong Ng Gah @ Yong Wee Sing (resigned on 24 August 2005)	3 / 3
2. Tan Kie Lu	5 / 5
3. Heng Chee Wei	5 / 5
4. Tan Chuan Koon @ Thuan Khoon (appointed on 29 June 2005)	2 / 2

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

SUPPLY OF INFORMATION

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

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

As Members

Yong Ng Gah @ Yong Wee Sing – Director : Non-Executive, Senior Independent
(resigned on 24 August 2005)

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

Tan Chuan Koon @ Thuan Khoon – Director : Non-Executive, Independent
(appointed on 29 June 2005)

Corporate Governance (cont'd)

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.

RE – ELECTION

The Committee conducts evaluation or screening process on the individual candidate and subsequently makes recommendations to the Board for approval. The newly appointed directors will retire at the first Annual General Meeting ("AGM") and eligible for re-appointment.

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 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
(resigned on 24 August 2005)

Heng Chee Wei – Director : Non-Executive, Senior Independent

Tan Chuan Koon @ Thuan Khoon – Director : Non-Executive, Independent
(appointed on 29 June 2005)

DIRECTORS' REMUNERATION (cont'd)

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)	Bonus (RM)	Fee (RM)	EPF (RM)	Total (RM)
Executive Director	180,000	30,000	10,000	25,200	245,200
Non-Executive Directors	–	–	52,666	–	52,666
Range of remuneration	Number of Directors				
	Executive		Non-Executive		
Less than RM50,000	–		4		
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.

Corporate Governance (cont'd)

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.

DISCLOSURE OF RELATED PARTY TRANSACTIONS

The Group has taken all necessary steps to ensure transactions which were deemed to be related party transactions were appropriately disclosed in accordance with the Listing Requirements and good corporate governance. Significant related party transactions occurred during the financial year are disclosed in Note 20 to the financial statement.

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 RM17,000.00.

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 2005 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 consist of the following directors:

Yong Ng Gah @ Yong Wee Sing – Director : Non-Executive, Senior Independent
(Chairman resigned on 24 August 2005)

Heng Chee Wei – Director : Non-Executive, Senior Independent
(Chairman since 24 August 2005)

Heng Hong Chai – Director : Executive, Non-Independent

Tan Chuan Koon @ Thuan Khoon – Director : Non-Executive, Independent
(appointed on 29 June 2005)

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.
- 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;

Audit Committee Report (cont'd)

FUNCTIONS (cont'd)

- (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 year ended 31 December 2005, 5 Audit Committee meetings were held. The record of attendance of its members during their membership is as follows:

Name	Total
1. Yong Ng Gah @ Yong Wee Sing (resigned on 24 August 2005)	3 / 3
2. Heng Chee Wei	5 / 5
3. Heng Hong Chai	5 / 5
4. Tan Chuan Koon @ Thuan Khoon (appointed on 29 June 2005)	2 / 2

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL PERIOD

During the financial year ended 31 December 2005, 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 2004, 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.
- 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 provided recommendations for improvement of the system of internal control.

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 2005 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.

Statement On Internal Control (cont'd)

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 would like to present the financial statements and Annual Report of the Company and of the Group for the financial year ended 31 December 2005.

OVERVIEW

The Malaysian economy recorded a slower GDP growth of 5.3% in 2005 as compared to 7.1% in the previous year. The year under review has been a very challenging year for the Group as the plastic industry continues to grapple with the soaring prices of crude oil. The plastic resins used as raw materials is a direct derivative from crude oil and reflects the drastic increase in cost over the years.

Despite the tough market conditions and challenging business environment during the year, the Group managed to weather through and emerged stronger.

FINANCIAL RESULTS

For the financial year ended 31 December 2005, the Group achieved a gross revenue of RM72.8 million which is marginally lower than the previous year of RM72.9 million.

The Group's pre-tax results recorded a loss of RM4 million which was less than the previous year of a loss of RM6.7 million.

OUTLOOK AND PROSPECTS

The high cost of resins has spurred the Group to better performance under adverse conditions by concerted marketing efforts to create a larger marketing base for the Group's core products. The Group will continue to focus on its cost reduction and efficiency-enhancement programmes to help offset the high cost of resins.

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

As for Ralco Australia Pty Ltd ("RAPL"), it was the first year in operation in Perth and it started as an unknown to the industry. Today, we managed to register RAPL with the Department of Housing and Works after due diligence exercise conducted by the Australian Department of Housing and Works. We are also involved in their Australian statutory Water Corporation and their Aborigines Welfare Projects in the northern part of West Australia. The Group is confident that RAPL will make profit for the current financial year.

Moving forward, the Company had:

On 13 January 2006, incorporated a wholly-owned subsidiary company, Ralco Media Sdn Bhd with initial issued and paid-up share capital of the subsidiary is RM1,000.00 representing 1,000 ordinary shares of RM1 each. The intended principal activity of the subsidiary is in media advertising.

OUTLOOK AND PROSPECTS (cont'd)

On 4 April 2006, also incorporated another wholly-owned subsidiary company, Ralco Bidara Sdn Bhd with initial issued and paid-up share capital of RM250,000.00 representing 250,000 ordinary shares of RM1 each. The intended principal activity of the subsidiary is in property development.

On 6 April 2006, also incorporated yet another wholly-owned subsidiary company, Ralco Construction Sdn Bhd with initial issued and paid-up share capital is RM1,000.00 representing 1,000 ordinary shares of RM1 each. The intended principal activity of the subsidiary is in property construction activities.

Barring any unforeseen circumstances, the Board is cautiously optimistic that the Group having taken such effective measures will be able to reverse its losses in the circumstances for the current financial year ended 31 December 2006.

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

Mr. Yong Ng Gah @ Yong Wee Sing, a director, resigned from the Group on 24 August 2005. The Board would like to record its thanks and appreciation to Mr. Yong for his valued contribution to the Group and to wish him well in his future endeavors. Mr. Tan Chuan Koon @ Thuan Khoon was appointed to the Board on 29 June 2005 to replace Mr. Yong.

On behalf of the Board, I would like to take this opportunity to extend my sincere appreciation to all our valued customers, shareholders, financiers, suppliers, business associates and relevant Government authorities for their continued confidence and support for the Group.

I would also like to record my thanks and appreciation to the management team and all employees for their dedication, commitment and contribution thus ensuring the continue growth and success of the Group.

I would lastly 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 2006

Group Financial Highlights

For The Year Ended 31 December 2005

	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000	2001 RM'000
INCOME STATEMENT					
Gross Revenue	72,792	72,877	68,312	52,595	44,121
(Loss)/Profit Before Tax	(4,028)	(6,724)	1,819	6,581	529
(Loss)/Profit After Tax	(2,806)	(5,181)	1,140	6,065	449
BALANCE SHEET					
Property, Plant and Equipment	51,401	55,186	57,939	47,107	46,687
Deferred Assets	62	63	34	30	–
Net Current Assets/(Liabilities)	1,101	1,433	(6,525)	(2,692)	(2,183)
Total Assets Employed	52,564	56,682	51,448	44,445	44,504
Shareholders' Fund	44,310	47,184	41,934	40,839	43,470
Minority Interest	662	851	793	748	698
Deferred Liabilities	7,592	8,647	8,721	2,858	336
Total Funds Employed	52,564	56,682	51,448	44,445	44,504

PER RM 1 ORDINARY SHARE

(Loss)/Earnings Per Share(sen)	(6.24)	(16.12)	3.48	28.67	1.85
Gross Dividend Per Share(sen)	–	–	–	–	5.00
Net Tangible Assets Per Share(RM)	1.07	1.14	2.04	1.98	2.11

FINANCIAL CALENDAR

Financial Year End	: 31 December 2005
Announcement of Quarterly Result	
– 1st Quarter Performance Unaudited	: 30 May 2005
– 2nd Quarter Performance Unaudited	: 25 August 2005
– 3rd Quarter Performance Unaudited	: 28 November 2005
– 4th Quarter Performance Unaudited	: 28 February 2006
Announcement of Annual Audited Results	: 28 April 2006
Issue of Annual Report	: 1 June 2006
11 th Annual General Meeting	: 26 June 2006

Financial Statements

Ralco Corporation Berhad



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Directors' Report

For The Year Ended 31 December 2005

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 2005.

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	(2,805,859)	(111,386)
Minority interest	189,270	–
Net loss for the year	<u>(2,616,589)</u>	<u>(111,386)</u>

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year and the directors do not recommend any dividend for the current financial year.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

DIRECTORS

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

Mr Heng Hong Chai

Mr Tan Kie Lu

Mr Heng Chee Wei

Mr Tan Chuan Koon @ Thuan Khoon

(appointed on 29-6-2005)

Mr Yong Ng Gah @ Yong Wee Sing

(resigned on 24-8-2005)

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

Directors' Report For The Year Ended 31 December 2005 (cont'd)

DIRECTORS' INTERESTS IN SHARES

According to the register of directors' shareholdings required to be kept under section 134 of the Companies Act, 1965, none of the directors who held office at the end of the financial year, held any shares or had any interests in shares in the Company and its related corporation except as follows:

	————— Number of ordinary shares of RM1 each —————			
	At 1-1-2005	Bought	Sold	At 31-12-2005
Mr Heng Hong Chai				
– direct interest	12,221,378	–	–	12,221,378
Mr Tan Kie Lu				
– direct interest	3,207,420	–	–	3,207,420

	————— Number of warrants —————			
	At 1-1-2005	Bought	Sold	At 31-12-2005
Mr Heng Hong Chai				
– direct interest	3,055,344	–	–	3,055,344
Mr Tan Kie Lu				
– direct interest	801,855	–	–	801,855

By virtue of his interests in shares in the Company, Mr Heng Hong Chai is deemed to have interests in shares in all the subsidiary companies to the extent the Company has an interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the directors is a member, or with a company in which the director has a substantial financial interest.

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

Directors' Report For The Year Ended 31 December 2005 (cont'd)

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Company and of the Group were made out, the directors took reasonable steps:
 - (i) to ascertain the action taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and 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 the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company and of the Group inadequate to any substantial extent, or
 - (ii) which would render the values attributed to the current assets in the financial statements of the Company and of the Group misleading, or
 - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company and of the Group misleading or inappropriate.
- (c) At the date of this report, there does not exist:
 - (i) any charge on the assets of the Company or its subsidiary companies which has arisen since the end of the financial year which secures the liabilities of any other person, or
 - (ii) any contingent liability of the Company or its subsidiary companies which has arisen since the end of the financial year.
- (d) No contingent or other liability of the Company 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.

Directors' Report For The Year Ended 31 December 2005 (cont'd)

OTHER STATUTORY INFORMATION (cont'd)

- (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

26 April 2006

Report Of The Auditors To The Members

We have audited the financial statements set out on pages 29 to 60. These financial statements are the responsibility of the Company's directors.

It is our responsibility is to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the offence of this report.

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 in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the state of affairs of the Company and of the Group at 31 December 2005 and of their results and cash flows for the year ended on that date; and
 - (ii) 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; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' report of Ralco Australia Pty Ltd, being the subsidiary of which we have not acted as auditors.

We are satisfied that the financial statements of the subsidiaries 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.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification, and in respect of subsidiaries incorporated in Malaysia, did not include any comment made under section 174 (3) of the Act.

MOORES ROWLAND

No. AF : 0539

Chartered Accountants

GAN MORN GHUAT

No. 1499/5/07 (J)

Partner

26 April 2006

Balance Sheets

– 31 December 2005

	Note	2005 RM	Group 2004 RM	2005 RM	Company 2004 RM
PROPERTY, PLANT AND EQUIPMENT	2	51,401,517	55,185,875	38,299	63,262
SUBSIDIARY COMPANIES	3	–	–	23,227,733	23,227,733
DEFERRED TAX ASSET	4	62,219	62,730	62,219	62,730
CURRENT ASSETS					
Inventories	5	10,262,672	10,880,150	–	–
Trade and other receivables	6	27,487,350	22,084,595	5,851	5,851
Tax recoverable		195,241	192,283	40,942	40,942
Amount owing by subsidiary companies	3	–	–	26,779,213	26,686,218
Cash and bank balances	7	738,273	2,621,675	28,143	165,884
		38,683,536	35,778,703	26,854,149	26,898,895
Less:					
CURRENT LIABILITIES					
Trade and other payables	8	10,719,936	10,652,542	93,066	92,400
Amount owing to subsidiary companies	3	–	–	516,500	476,000
Bank borrowings	9	26,862,940	23,685,084	–	–
Tax payable		–	7,515	–	–
		37,582,876	34,345,141	609,566	568,400
NET CURRENT ASSETS		1,100,660	1,433,562	26,244,583	26,330,495
		52,564,396	56,682,167	49,572,834	49,684,220

Balance Sheets – 31 December 2005 (cont'd)

	Note	Group 2005 RM	2004 RM	Company 2005 RM	2004 RM
Financed by :					
SHARE CAPITAL	10	41,960,000	41,960,000	41,960,000	41,960,000
EXCHANGE TRANSLATION RESERVE, non-distributable		(257,265)	–	–	–
UNAPPROPRIATED PROFIT		2,607,668	5,224,257	7,612,834	7,724,220
SHAREHOLDERS' EQUITY		44,310,403	47,184,257	49,572,834	49,684,220
MINORITY INTERESTS		661,664	850,869	–	–
BANK TERM LOANS	11	4,819,521	6,841,384	–	–
LONG TERM CREDITOR	12	2,231,002	–	–	–
DEFERRED TAX LIABILITIES	13	541,806	1,805,657	–	–
		52,564,396	56,682,167	49,572,834	49,684,220

Income Statements

For The Year Ended 31 December 2005

		Group		Company	
	Note	2005 RM	2004 RM	2005 RM	2004 RM
Gross revenue	14	72,791,857	72,876,751	924,000	924,000
Cost of sales	15	(68,519,636)	(70,302,303)	–	–
Gross profit		4,272,221	2,574,448	924,000	924,000
Other operating income		1,633,509	551,241	–	–
Selling and distribution costs		(2,112,777)	(2,588,197)	–	–
Administrative and general expenses		(6,126,129)	(5,303,822)	(1,034,875)	1,741,331
Other operating expenses		(368,598)	(553,163)	–	–
Loss from operations		(2,701,774)	(5,319,493)	(110,875)	(817,331)
Finance costs		(1,326,572)	(1,404,734)	–	–
Loss before tax	16	(4,028,346)	(6,724,227)	(110,875)	(817,331)
Tax income/(expense)	17	1,222,487	1,542,810	(511)	28,189
Loss after tax		(2,805,859)	(5,181,417)	(111,386)	(789,142)
Minority interests		189,270	(58,260)	–	–
Net loss for the year		(2,616,589)	(5,239,677)	(111,386)	(789,142)
Loss per share	18				
- basic (sen)		(6.24)	(16.12)		
- fully diluted (sen)		–	–		

Notes to and forming part of the financial statements are set out on pages 35 to 60

Auditors' Report – Page 28

Statements Of Changes In Equity

For The Year Ended 31 December 2005

	Share capital RM	Share premium RM	Exchange translation reserve RM	Unappropriated profit RM	Total RM
Group					
At 1 January 2004	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
Net loss not recognised in income statement					
– exchange translation difference	–	–	(257,265)	–	(257,265)
Net loss for the year	–	–	–	(2,616,589)	(2,616,589)
At 31 December 2005	41,960,000	–	(257,265)	2,607,668	44,310,403

	Share capital RM	Share premium RM	Unappropriated profit RM	Total RM
Company				
At 1 January 2004	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
Net loss for the year	–	–	(111,386)	(111,386)
At 31 December 2005	41,960,000	–	7,612,834	49,572,834

Notes to and forming part of the financial statements are set out on pages 35 to 60

Auditors' Report – Page 28

Cash Flow Statements

For The Year Ended 31 December 2005

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(4,028,346)	(6,724,227)	(110,875)	(817,331)
Adjustments for:				
Depreciation	6,778,227	7,029,221	24,963	25,026
(Gain)/Loss on disposal of property, plant and equipment	(8,299)	427,453	-	-
Property, plant and equipment written off	1	1,132	-	-
Allowance for doubtful debts written back	(14,215)	(21,309)	-	-
Bad debts written off	6,400	-	-	-
Interest expenses	1,326,572	1,404,734	-	-
Unrealised gain on foreign exchange	(55,007)	(104,450)	-	-
Operating profit/(loss) before working capital changes	4,005,333	2,012,554	(85,912)	(792,305)
Changes in inventories	617,478	(5,348,777)	-	-
Changes in receivables	(5,339,933)	(2,420,563)	-	(1,201)
Changes in payables	2,670,396	2,331,542	666	10,200
Cash generated from/(utilised in) operations	1,953,274	(3,425,244)	(85,246)	(783,306)
Interest paid	(1,326,572)	(1,404,734)	-	-
Tax paid	(51,326)	(74,450)	-	-
Tax refunded	-	87,049	-	-
Net cash from/(used in) operating activities	575,376	(4,817,379)	(85,246)	(783,306)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(2,993,871)	(4,744,184)	-	-
Acquisition of subsidiary company, net of cash (Note 19)	(232)	-	-	-
Proceeds from disposal of property, plant and equipment	8,300	39,220	-	-
Advances to subsidiary companies	-	-	(92,995)	(9,845,727)
Net cash used in investing activities	(2,985,803)	(4,704,964)	(92,995)	(9,845,727)

Cash Flow Statements For The Year Ended 31 December 2005 (cont'd)

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Advances from a subsidiary company	-	-	40,500	-
Issue of share capital	-	10,490,000	-	10,490,000
Bank term loans raised	-	3,009,515	-	-
Repayment of bank term loans	(1,880,876)	(1,633,237)	-	-
Net cash (used in)/from financing activities	(1,880,876)	11,866,278	40,500	10,490,000
EFFECT OF CHANGES IN EXCHANGE RATE				
	(256,968)	-	-	-
NET CHANGES IN CASH AND CASH EQUIVALENTS	(4,291,303)	2,343,935	(137,741)	(139,033)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	1,675,042	(668,893)	165,884	304,917
CASH AND CASH EQUIVALENTS CARRIED FORWARD	(2,873,229)	1,675,042	28,143	165,884
Represented by:				
CASH AND BANK BALANCES	738,273	2,621,675	28,143	165,884
BANK OVERDRAFTS	(3,611,502)	(946,633)	-	-
	(2,873,229)	1,675,042	28,143	165,884

Notes to and forming part of the financial statements are set out on pages 35 to 60

Auditors' Report – Page 28

Notes To And Forming Part Of The Financial Statements

For The Year Ended 31 December 2005

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 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 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.

Minority interests represent the interests of outside members in the operating results and net assets of the subsidiary companies. Losses applicable to the minority in excess of the minority's interest in the subsidiaries' equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make good the losses.

(d) Goodwill or discount on acquisition

The difference, if any, between the acquisition cost and the fair values of attributable net assets is reflected in the financial statements as either goodwill or discount as appropriate. However, if the amount involved is immaterial, goodwill or discount on acquisition is taken to the income statement as and when they arise. Where goodwill is considered to be capable of generating future economic benefits, it is capitalised in the financial statements. The carrying amount is reviewed annually, and goodwill is written down when its value has deteriorated or when it ceases to have a useful life. Discount on consolidation is retained in the consolidated balance sheet and will be credited to the income statement over a suitable period decided in relation to the particular circumstances which give rise to it. The policy for the recognition and measurement of impairment loss is in accordance with Note 1(i).

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2005 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Property, plant and equipment

(i) Measurement basis

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

(ii) Depreciation

Freehold land and capital work-in-progress are 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%
Renovation	10% - 20%
Motor vehicles	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 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.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2005 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Impairment of assets (cont'd)

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 incurred directly attributable to the issuance of the shares is accounted for as a deduction from share premium, otherwise, it is charged to the income statement.

Dividends on ordinary shares, when declared or proposed by the directors of the Company are disclosed in the notes to the financial statements. 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

(i) Foreign currency transactions

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.

(ii) Financial statements of foreign operations

For consolidation purposes, assets and liabilities of foreign subsidiary companies are translated at exchange rates ruling on balance sheet date. Goodwill or discount on acquisition and fair value adjustments are translated at the exchange rates at the date of acquisition. The revenue and expenses items in the income statement are translated to Ringgit Malaysia at average rates applicable throughout the financial year. All exchange differences arising on translation are recognised directly in equity through the exchange fluctuation reserve account. On disposal of foreign subsidiaries, such translation differences are recognised in the income statement as part of the gain or loss on disposal.

The closing rates used in translation are as follows:

		2005	2004
		RM	RM
USD 1	=	3.78	3.80
SGD 1	=	2.27	2.20
AUD 1	=	2.82	2.97
EURO 1	=	4.72	4.72
Saudi Riyal 1	=	1.14	–
Rupiah 100	=	0.04	–

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2005 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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) Project contract services
Revenue from project contract services is recognised on an accrual basis when services are rendered.
- (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"). A foreign subsidiary company also makes compulsory contributions to its country's superannuation guarantee. 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.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2005 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 in the income statement.

(p) Cash and cash equivalents

Cash and 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.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2005 (cont'd)

2. PROPERTY, PLANT AND EQUIPMENT

Group										
2005	Freehold land and buildings	Long term leasehold land and buildings	Plant and machinery	Furniture and fittings	Office equipment	Renovation	Motor vehicles	Capital work-in-progress	Total	
Cost	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 January	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	
Additions	1,623,035	41,254	1,023,656	16,715	224,455	-	1,600	63,156	2,993,871	
Disposals	-	-	-	-	(1,890)	-	(33,983)	-	(35,873)	
Write-off	-	-	-	-	(1,330)	-	-	-	(1,330)	
Transfer	-	-	1,254,586	-	-	-	-	(1,254,586)	-	
At 31 December	1,971,325	23,526,897	69,954,907	1,901,096	1,442,676	1,094,686	1,045,103	-	100,936,690	
Accumulated depreciation										
At 1 January	71,358	2,924,728	35,569,706	1,289,141	924,260	1,083,801	931,153	-	42,794,147	
Charge for the year	25,901	445,428	5,970,617	163,059	93,351	1,327	78,544	-	6,778,227	
Disposals	-	-	-	-	(1,889)	-	(33,983)	-	(35,872)	
Write-off	-	-	-	-	(1,329)	-	-	-	(1,329)	
At 31 December	97,259	3,370,156	41,540,323	1,452,200	1,014,393	1,085,128	975,714	-	49,535,173	
Net book value										
at 31 December	1,874,066	20,156,741	28,414,584	448,896	428,283	9,558	69,389	-	51,401,517	
2004										
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	
Depreciation charge										
for the year	6,966	453,579	6,087,304	193,323	108,643	4,732	174,674	-	7,029,221	

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2005 (cont'd)

2. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company

2005

	Furniture and fittings RM	Office equipment RM	Renovation RM	Total RM
Cost				
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	208,766	4,035	443,904	656,705
Charge for the year	23,349	1,614	–	24,963
At 31 December	232,115	5,649	443,904	681,668

Net book value

at 31 December	35,878	2,421	–	38,299
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2004

Net book value

at 31 December	59,227	4,035	–	63,262
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Depreciation charge
for the year

23,412	1,614	–	25,026
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A leasehold property of a subsidiary company with net book value of RM2,518,989 (2004 : RM2,550,860) 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 a total net book value of RM8,412,915 (2004 : RM9,540,631) and leasehold land and building with a net book value of RM2,252,666 (2004 : RM2,210,737) which are charged to a bank for banking facilities granted to a subsidiary company.

The title deed relating to leasehold property of a subsidiary company with a net book value of RM589,396 (2004 : RM596,672) has yet to be issued by the relevant authority.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2005 (cont'd)

3. SUBSIDIARY COMPANIES

	Company	
	2005	2004
	RM	RM
Unquoted shares, at cost	23,227,733	23,227,733

The subsidiary companies, all of which are incorporated in Malaysia, except where indicated, are as follows:

	Gross equity interest		Principal activities
	2005 %	2004 %	
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 Australia Pty Ltd (Incorporated in Australia)	78	–	Servicing the remote power industry specialising in diesel and renewable power generation
Ralco Holdings Sdn Bhd	100	100	Inactive
Ralco Coolers Sdn Bhd	100	100	Inactive

* *Held through Ralco Plastic Sdn Bhd*

@ *Subsidiary company audited by associated firm of Moores Rowland*

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 ASSET

	Group/Company	
	2005	2004
	RM	RM
At 1 January	62,730	34,541
Transfer (to)/ from income statement	(511)	28,189
At 31 December	62,219	62,730

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2005 (cont'd)

4. DEFERRED TAX ASSET (cont'd)

	Group/Company	
	2005	2004
	RM	RM
The deferred tax asset comprises:		
Deductible temporary differences		
– on unused tax losses	37,656	45,157
– on unabsorbed capital allowances	35,287	30,335
	72,943	75,492
Taxable temporary differences between net book value and tax written down value of property, plant and equipment	(10,724)	(12,762)
	62,219	62,730

At 31 December 2005, 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	
	2005	2004
	RM	RM
Unused tax losses	105,267	103,833
Unabsorbed capital allowances	694	2,087
	105,961	105,920

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

5. INVENTORIES

	Group	
	2005	2004
	RM	RM
Inventories stated at cost comprise:		
Raw materials	4,757,874	5,853,755
Finished goods	5,504,798	5,026,395
	10,262,672	10,880,150

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2005 (cont'd)

6. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Gross trade receivables	24,763,626	21,289,332	–	–
Less:				
Allowance for doubtful debts	539,463	553,678	–	–
	24,224,163	20,735,654	–	–
Other receivables	2,246,134	757,409	–	–
Deposits	776,698	346,958	5,851	5,851
Prepayments	240,355	244,574	–	–
	27,487,350	22,084,595	5,851	5,851

The currency exposure profiles of trade receivables are as follows:

Ringgit Malaysia	21,763,573	19,789,149	–	–
Singapore Dollar	1,482,755	1,261,834	–	–
US Dollar	519,159	238,349	–	–
Australian Dollar	998,139	–	–	–
	24,763,626	21,289,332	–	–

The currency exposure profiles of other receivables are as follows:

Ringgit Malaysia	250,147	339,931	–	–
Australian Dollar	1,995,987	417,478	–	–
	2,246,134	757,409	–	–

The currency exposure profiles of deposits are as follows:

Ringgit Malaysia	360,838	346,958	5,851	5,851
Australian Dollar	415,860	–	–	–
	776,698	346,958	5,851	5,851

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.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2005 (cont'd)

7. CASH AND BANK BALANCES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Cash in hand	16,459	21,263	–	–
Cash at banks	721,814	2,600,412	28,143	165,884
	738,273	2,621,675	28,143	165,884

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

Ringgit Malaysia	13,121	16,264
Euro	2,399	2,399
Singapore Dollar	344	–
Indonesian Rupiah	277	–
Australian Dollar	187	2,600
Saudi Riyal	131	–
	16,459	21,263

The currency exposure profiles of cash at banks are as follows:

Ringgit Malaysia	302,990	2,440,753
Singapore Dollar	374,812	159,659
Australian Dollar	44,012	–
	721,814	2,600,412

8. TRADE AND OTHER PAYABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade payables	8,543,445	6,200,164	–	–
Other payables	1,283,819	3,544,952	12	12
Deposits	53,950	53,950	–	–
Accruals	838,722	853,476	93,054	92,388
	10,719,936	10,652,542	93,066	92,400

The currency exposure profiles of trade payables are as follows:

Ringgit Malaysia	6,309,291	2,723,940
US Dollar	1,895,923	3,476,224
Australian Dollar	338,231	–
	8,543,445	6,200,164

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2005 (cont'd)

8. TRADE AND OTHER PAYABLES (cont'd)

	Group	
	2005 RM	2004 RM
The currency exposure profiles of other payables are as follows:		
Ringgit Malaysia	845,761	538,685
Australian Dollar	387,553	322,447
US Dollar	24,271	2,673,606
Euro	23,591	8,576
Singapore Dollar	2,643	1,638
	1,283,819	3,544,952

The currency exposure profiles
of accruals are as follows:

Ringgit Malaysia	814,625	846,194
Australian Dollar	22,404	7,282
Singapore Dollar	1,693	–
	838,722	853,476

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	
	2005 RM	2004 RM
Bills payable, unsecured, bearing effective interest rates of 2.94% to 3.65% (2004 : 2.86% to 3.80%) per annum	21,228,000	20,856,000
Bank overdrafts		
– secured, bearing effective interest rate of 7.50% (2004 : 7.25%) per annum	832,765	873,081
– unsecured, bearing effective interest rates of 7.25% to 7.50% (2004 : 7.25% to 8.00%) per annum	2,778,737	73,552
	24,839,502	21,802,633
Current portion of bank term loans (Note 11)	2,023,438	1,882,451
	26,862,940	23,685,084

The bills payable and bank overdrafts of a subsidiary company totalling RM24,006,737 (2004 : RM20,929,552) are unsecured but guaranteed by the Company while the secured bank overdraft of another subsidiary company is secured by way of a supplementary loan agreement cum assignment over the leasehold property of the said subsidiary company referred to in Note 2 and is also guaranteed by the Company.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2005 (cont'd)

10. SHARE CAPITAL

	2005		2004	
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
Authorised				
Ordinary shares of RM1 each				
At 1 January	100,000,000	100,000,000	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	100,000,000	100,000,000
Issued and fully paid				
Ordinary shares of RM1 each				
At 1 January	41,960,000	41,960,000	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	41,960,000	41,960,000

In the previous 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 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 detachable warrants.

At 31 December 2005, there were 10,490,000 (2004 : 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.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2005 (cont'd)

10. SHARE CAPITAL (cont'd)

- (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

	2005 RM	Group 2004 RM
Bank term loans bearing effective interest rate of 7.25% (2004 : 7.25%) per annum, repayable by equal monthly instalments commencing August 2003	3,841,501	4,954,951
Bank term loans bearing effective interest rate of 7.25% (2004 : 7.25%) per annum, repayable by equal monthly instalments commencing April 2004	3,001,458	3,768,884
	6,842,959	8,723,835
Less:		
Repayments due within 12 months (included in Note 9)	2,023,438	1,882,451
Repayments due after 12 months	4,819,521	6,841,384

The bank term loans of a 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. LONG TERM CREDITOR

The long term sundry creditor, which is denominated in US Dollar is interest free and not expected to be repayable within the next 12 months.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2005 (cont'd)

13. DEFERRED TAX LIABILITIES

	Group	
	2005 RM	2004 RM
At 1 January	1,805,657	3,365,672
Transfer to income statement	(1,263,851)	(1,560,015)
At 31 December	541,806	1,805,657

The deferred tax liabilities comprise:

	Group	
	2005 RM	2004 RM
Taxable temporary differences		
– between net book value and tax written down value of property, plant and equipment	5,468,781	5,749,673
– other temporary differences	15,402	12,718
	5,484,183	5,762,391
Less:		
Deductible temporary difference on unabsorbed capital allowances	4,942,377	3,956,734
	541,806	1,805,657

14. GROSS REVENUE

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Sale of goods	70,571,493	72,673,051	–	–
Project contract services	2,011,664	–	–	–
Rental income	208,700	203,700	–	–
Management fees	–	–	924,000	924,000
	72,791,857	72,876,751	924,000	924,000

15. COST OF SALES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Cost of goods sold	67,269,213	70,163,908	–	–
Direct operating costs relating to project contract services	1,129,326	–	–	–
Direct operating costs relating to rental income	121,097	138,395	–	–
	68,519,636	70,302,303	–	–

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2005 (cont'd)

16. LOSS BEFORE TAX

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Loss before tax is stated after charging:				
Auditors' remuneration				
– current year	69,705	53,300	9,200	8,500
– underestimated in prior year	700	900	700	700
Bad debts written off	6,400	–	–	–
Depreciation	6,778,227	7,029,221	24,963	25,026
Directors' remuneration				
– fees	62,666	54,000	62,666	54,000
– other emoluments	235,200	201,600	–	–
Finance costs				
– interest expenses	1,326,572	1,404,734	–	–
Hire of plant and machinery	–	401,802	–	–
Loss on disposal of property, plant and equipment	–	427,453	–	–
Rental of equipment	9,600	8,600	9,600	8,600
Rental of premises	272,334	292,389	162,000	162,000
and crediting:				
Allowance for doubtful debts written back	14,215	21,309	–	–
Gain on disposal of property, plant and equipment	8,299	–	–	–
Gain on foreign exchange				
– realised	11,933	135,212	–	–
– unrealised	55,007	104,450	–	–
Rental income				
– properties	208,700	203,700	–	–
– plant and machinery	1,117,546	221,281	–	–

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2005 (cont'd)

17. TAX INCOME/(EXPENSE)

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Current tax expense				
– current year	(40,853)	(51,439)	–	–
– overestimated in prior years	–	6,045	–	–
	(40,853)	(45,394)	–	–
Deferred tax income relating to origination and reversal of temporary differences during the year	1,117,224	1,587,877	13,596	28,189
Deferred tax expense/(income) overestimated in prior year	146,116	327	(14,107)	–
	1,263,340	1,588,204	(511)	28,189
	1,222,487	1,542,810	(511)	28,189

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

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Accounting loss	(4,028,346)	(6,724,227)	(110,875)	(817,331)
Tax at the applicable tax rate of 28.80% (2004 :28.26%) for the Group and 28% (2004 : 28%) for the Company	1,160,169	1,900,144	31,045	228,852
Less:				
Tax effect of expenses not deductible in determining taxable profit:				
Depreciation of non-qualifying property, plant and equipment	77,576	70,281	–	–
Other non-deductible expenses	328,341	293,425	17,449	200,663
Deferred tax income arising from originating and reversal of temporary differences not recognised during the year	41	–	–	–
	754,211	1,536,438	13,596	28,189

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2005 (cont'd)

17. TAX INCOME/(EXPENSE) (cont'd)

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Add:				
Tax effect of other income not taxable in determining taxable profit	322,160	–	–	–
	1,076,371	1,536,438	13,596	28,189
Add/(Less):				
Current tax expense over- estimated in prior years	–	6,045	–	–
Deferred tax expense/(income) overestimated in prior year	146,116	327	(14,107)	–
Tax income/(expense) for the year	1,222,487	1,542,810	(511)	28,189

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 at year end is available for distribution by way of dividends without incurring additional tax liability.

18. LOSS PER SHARE

(i) Basic loss per share

The basic loss per share for the year is calculated based on consolidated net loss for the year of RM2,616,589 (2004 : RM5,239,677) and on 41,960,000 (2004 : 32,504,630) weighted average number of ordinary shares in issue during the year as follows:

	2005	2004
Number of ordinary shares at 1 January	41,960,000	20,980,000
Effects of shares issued pursuant to		
– Bonus Issue	–	10,490,000
– Rights Issue	–	1,034,630
Weighted average number of ordinary shares at 31 December	41,960,000	32,504,630

(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.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2005 (cont'd)

19. ANALYSIS OF ACQUISITION OF SUBSIDIARY COMPANY

During the financial year, a wholly-owned subsidiary of the Company, Ralco Plastic Sdn Bhd, subscribed for 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 (RM232). The principal activity of the newly incorporated subsidiary company is servicing the remote power industry specialising in diesel and renewable power generation.

The acquisition was accounted for using the acquisition method of accounting. There is no goodwill or discount arising from the acquisition.

The effects of acquisition of subsidiary company on the consolidated net profit, the consolidated financial position and the consolidated cash flow statement on the current financial year are as follows:

(a) Effect on consolidated net profit

	RM
Gross revenue	2,200,584
Cost of sales	(1,129,326)
Loss from operations	(833,892)
Finance costs	(119,967)
Loss before tax	(953,859)
Tax expense	–
Loss after tax	(953,859)
Minority interest	253,055
Increase in Group's net loss	(700,804)

(b) Effect on consolidated financial position

	RM
Non-current assets	1,663,681
Current assets	1,518,770
Current liabilities	(559,963)
Minority interest	252,990
Increase in Group's share of net assets	2,875,478

(c) Effect on consolidated cash flow statements

	RM
Net assets acquired:	
Current assets	297
Minority interest	(65)
Total purchase consideration	232
Less:	
Cash and bank balances acquired	–
Net cash flows on acquisition	232

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2005 (cont'd)

20. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

Transactions with subsidiary companies during the year are as follows:

	2005 RM	Company 2004 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:

	2005 RM	Company 2004 RM
Outstanding advances owing by		
– Ralco Plastic Sdn Bhd	26,779,213	26,639,218
– Ralco Properties Sdn Bhd	–	47,000
Outstanding advances owing to		
– Ralco Coolers Sdn Bhd	476,000	476,000
– Ralco Properties Sdn Bhd	40,500	–

21. EMPLOYEES INFORMATION

	2005 RM	Group 2004 RM	2005 RM	Company 2004 RM
Salaries, wages, allowances and bonuses	7,538,150	7,193,844	598,542	613,524
Defined contribution plans	494,484	418,953	65,958	68,438
Social security costs - SOCSO contributions	47,075	43,290	6,634	5,608
Other staff related expenses	511,705	334,215	–	–
	8,591,414	7,990,302	671,134	687,570

	2005	Group 2004	2005	Company 2004
Number of employees, including 1 (2004 : 1) full time director of the Group at the end of the financial year	308	342	14	15

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2005 (cont'd)

22. CONTINGENT LIABILITIES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Unsecured corporate guarantees in respect of				
– banking facilities granted to subsidiary companies	–	–	43,450,000	47,700,000
– trade facilities granted to a subsidiary company	–	–	9,551,000	9,551,000
	–	–	53,001,000	57,251,000

23. SEGMENT ANALYSIS

Segmental reporting

(a) Primary reporting format - business segment

The Group's operations comprise the following business segments:

Plastic products	–	Manufacturing and sale of plastic products
Gensets	–	Servicing the remote power industry specialising in diesel and renewable power generation
Others	–	Property investment & management services

Transactions between segments were entered into in the normal course of business and were established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties. The effects of such inter-segmental transactions are eliminated on consolidation.

Year ended 31 December 2005	Plastic products RM	Gensets RM	Others RM	Group RM
Revenue				
Sales	70,382,573	2,200,584	1,388,300	73,971,457
Less:				
Inter-segment sales	–	–	1,179,600	1,179,600
External sales	70,382,573	2,200,584	208,700	72,791,857

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2005 (cont'd)

23. SEGMENT ANALYSIS (cont'd)

Year ended 31 December 2005	Plastic products RM	Gensets RM	Others RM	Group RM
Results				
Segment operating loss	(1,005,767)	(833,892)	(862,115)	(2,701,774)
Finance costs				(1,326,572)
Loss from ordinary activities before tax				(4,028,346)
Tax income				1,222,487
Loss from ordinary activities after tax				(2,805,859)
Minority interests				189,270
Net loss for the year				(2,616,589)
Other information				
Segment assets	83,395,896	3,182,451	3,568,925	90,147,272
Segment liabilities	43,598,697	559,963	1,016,545	45,175,205
Capital expenditure	1,302,941	1,686,518	4,412	2,993,871
Depreciation	6,688,266	22,837	67,124	6,778,227
Year ended 31 December 2004				
Revenue				
Sales	72,673,051	–	1,383,300	74,056,351
Less:				
Inter-segment sales	–	–	1,179,600	1,179,600
External sales	72,673,051	–	203,700	72,876,751
Results				
Segment operating loss	(3,798,762)	–	(1,520,731)	(5,319,493)
Finance costs				(1,404,734)
Loss from ordinary activities before tax				(6,724,227)
Tax income				1,542,810
Loss from ordinary activities after tax				(5,181,417)
Minority interests				(58,260)
Net loss for the year				(5,239,677)

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2005 (cont'd)

23. SEGMENT ANALYSIS (cont'd)

Year ended 31 December 2004	Plastic products RM	Gensets RM	Others RM	Group RM
Other information				
Segment assets	87,244,609	–	3,782,699	91,027,308
Segment liabilities	41,928,972	–	1,063,210	42,992,182
Capital expenditure	4,744,184	–	–	4,744,184
Depreciation	6,962,199	–	67,022	7,029,221

(b) Secondary reporting format - geographical segment

The Group operates mainly in Asia. In determining the geographical segments of the Group, revenue is based on the geographical location of customers. Total assets and capital expenditure are based on the geographical locations of the assets.

	Revenue RM	Capital expenditure RM	Total assets RM
2005			
Malaysia	70,591,273	1,307,353	86,964,821
Asia Pacific	2,200,584	1,686,518	3,182,451
	72,791,857	2,993,871	90,147,272
2004			
Malaysia	72,876,751	4,744,184	91,027,308
Asia Pacific	–	–	–
	72,876,751	4,744,184	91,027,308

All inter-segment transactions have been carried out in the normal course of the business and have been established under negotiated terms.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2005 (cont'd)

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 and services are rendered on deferred credit terms and when the properties of the Group are rented and the collection of rental is on deferred terms.

The Group's exposure to credit risk is monitored on an ongoing basis. Credit risk arising from sale of goods and services rendered 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 has credit policies in place to manage its credit risk exposure relating to collection of rental on deferred terms. Tenant is required to place 3 month rental and utilities deposits when the tenancy agreement is signed.

The Group does not require collateral in respect of financial assets and considers the risk of material loss from the 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.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2005 (cont'd)

24. FINANCIAL INSTRUMENTS (cont'd)

(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. However, exposure to foreign currency exchange risk is continuously monitored by the management.

(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 and also arises from amount owing to a long term creditor. This risk is manageable as the Group is confident of generating sufficient cash inflows from its operations in future and together with the flexibility allowed by the long term creditor in the repayment of the amount owing by the Group, this will enable the Group to meet its committed liabilities as well as working capital requirements.

(b) Fair values

The carrying amounts of the financial assets and liabilities of the Company and of the Group at 31 December 2005 approximated their fair values.

Notes To And Forming Part Of The Financial Statements For The Year Ended 31 December 2005 (cont'd)

25. SUBSEQUENT EVENT

Subsequent to year end, the Company incorporated 3 new wholly-owned subsidiary companies in Malaysia as follows:

	Issued and paid-up share capital of RM1 each	Intended principal activities
Ralco Media Sdn Bhd	1,000	Media advertising
Ralco Bidara Sdn Bhd	250,000	Property development
Ralco Construction Sdn Bhd	1,000	Construction activities

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 26 April 2006.

Statement By Directors

In the opinion of the directors, the financial statements set out on pages 29 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 2005 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

26 April 2006

Statutory Declaration

I, Heng Hong Chai, being the director primarily responsible for the financial management of Ralco Corporation Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 29 to 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 26 April 2006

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

Before me:

W092

Robert Lim Hock Kee
Commissioner for Oaths

List Of Group's Properties

As At Year 2005

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	11,308,456	13
Lot 1478 Kawasan Perusahaan Nilai 71800 Nilai Negeri Sembilan	Land and Building (Factory)	Leasehold (20/08/2089)	4,464 sq. meters	2,753,951	13
No. 11, Jalan PJS 11/28B Bandar Sunway 46150 Petaling Jaya Selangor	Land and Building (Headoffice)	Leasehold (11/03/2095)	(1,418 sq. meters)	2,518,990	10
No. 14, Jalan PJS 11/18 Bandar Sunway 46150 Petaling Jaya Selangor	Land and Building (Rental)	Leasehold (28/12/2096)	(501.7 sq. meters)	589,397	12
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)	269,966	11
No. 7, Jalan Bistari 2 Taman Industri Jaya 81300 Skudai Johor Bahru	Land and Building (Factory)	Leasehold (03/09/2911)	4,047 sq. meters	2,818,859	3
661, Dundas Road Forrestfield 6058 Western Australia	Land and Building (Workshop)	Freehold	2,100 sq. meters	1,718,431	1

Shareholdings Structure

Analysis Of Shareholdings As At 2 May 2006

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	90	4.65	53,547	0.13
1,001 – 10,000	1,585	81.91	4,999,420	11.91
10,001 – 100,000	226	11.68	5,815,042	13.86
100,001 to less than 5%	30	1.55	16,128,613	38.44
5% and above	4	0.21	14,963,378	35.66
Total	1,935	100.00	41,960,000	100.00

List Of Substantial Shareholders As At 2 May 2006

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

Shareholdings Structure (cont'd)

Thirty (30) Largest Shareholders As At 2 May 2006

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.	Kenanga Nominees (Asing) Sdn Bhd Account for International Scientific (Private) Limited	964,945	2.30
9.	Aatif Asgher, Hirji	955,400	2.28
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	300,000	0.72
20.	Syarikat Rimba Timur (RT) Sdn Bhd	275,000	0.66
21.	Bong Nyon	233,000	0.56
22.	Susan Anne Scott	200,000	0.48
23.	Chee Chee Pin	180,000	0.43
24.	Mayban Securities Nominees (Asing) Sdn Bhd Account for Ng Yee Hoon @ Ng Yam Hoon	150,000	0.36
25.	Chong Chee Meng	145,500	0.35
26.	Lee Boon Huat	140,000	0.33
27.	Law Suk Peng	120,000	0.29
28.	Loh Ban Seng Minimart Sdn Bhd	120,000	0.29
29.	Ban Hock Seng Sdn Bhd	110,000	0.26
30.	A.A. Assets Nominees (Tempatan) Sdn Bhd Account for Wong Hong Ting	106,500	0.25
Total		31,050,491	74.02

Warrant Holdings Structure

Analysis Of Warrant Holdings As At 2 May 2006

Size Of Warrant Holdings

Range	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrants
1 – 1,000	209	45.73	160,085	1.53
1,001 – 10,000	182	39.82	687,500	6.55
10,001 – 100,000	50	10.94	1,561,483	14.89
100,001 to less than 5%	11	2.41	2,743,150	26.15
5% and above	5	1.10	5,337,782	50.88
Total	457	100.00	10,490,000	100.00

Thirty (30) Largest Warrant Holders As At 2 May 2006

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.	Tan Lee Gek	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

Warrant Holdings Structure (cont'd)

Thirty (30) Largest Warrant Holders As At 2 May 2006 (cont'd)

No.	Warrant Holders	No. of Warrants	% of Warrants
16.	Lee Chee Beng	100,000	0.95
17.	Tok Boon Seong	84,800	0.81
18.	Lim Poh Hock	80,000	0.76
19.	Ong Har Hong	79,500	0.76
20.	Ching Gek Lee	75,000	0.72
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.	Amsec Nominees (Tempatan) Sdn Bhd Account for Lim See Kian	40,000	0.38
25.	Kwong Sheau Shan	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		9,050,587	86.28

Form Of Proxy



I/We, _____ NRIC No. _____

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 **Eleventh 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 Monday, 26 June 2006 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. Heng Chee Wei as Director	RESOLUTION 3		
4.	Re-election of Mr. Tan Chuan Koon @ Thuan Khoon as Director	RESOLUTION 4		
5.	Re-appointment of Messrs Moores Rowland as auditor	RESOLUTION 5		
6.	Approval pursuant to Section 132D	RESOLUTION 6		

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 _____ 2006

Number of Shares

Signature(s) of Member(s)

NOTES :

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

Please Fold Along This Line

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)

