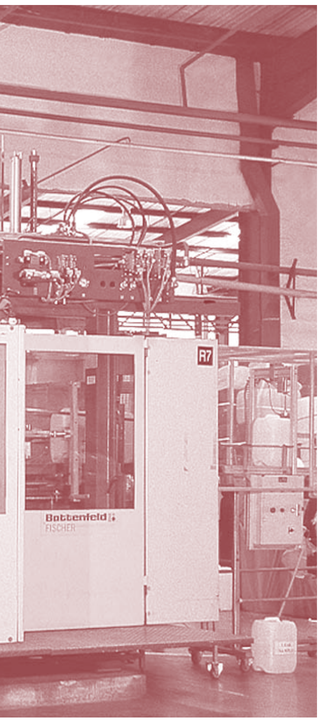
RALCO

RALCO CORPORATION BERHAD

(Company No. 333101-V)

ANNUAL REPORT 2006

Contents



Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of the Company will be held at the East VIP Lounge, Kuala Lumpur Golf & Country Club, No.10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Tuesday, 12 June 2007 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 2006 together with the Auditors report thereon. **(Resolution No. 1)**

2) To approve the payment of Directors' Fees amounting to RM80,000.00 for the year ended 31 December 2006. **(Resolution No. 2)**

3) To re-elect the following Directors retiring pursuant to the Company's Articles of Association :-

   a) Mr. Tan Kie Lu who retires under Article 64; **(Resolution No. 3)**
   b) Mr. Sui Diong Hoe who retires under Article 69; **(Resolution No. 4)**
   c) Mr. Lee Thiam who retires under Article 69; and **(Resolution No. 5)**
   d) Mr. Ang Poo Guan who retires under Article 69. **(Resolution No. 6)**

4) To re-appoint Messrs Moores Rowland as auditors and to authorise the directors to fix their remuneration. **(Resolution No. 7)**

5) Special Business **(Resolution No. 8)**

   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,

CHIA MOH MUI
MARGARET JOSEPH
Secretaries

21 May 2007
Kuala Lumpur

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll, to vote instead of him. A proxy may but need not be a member of the Company.

2. The instrument appointing a proxy shall be deposited at the Registered Office at 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 8, 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 TheTwelfth Annual General Meeting

Pursuant to paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad

1) The details of directors standing for re-election as per the Notice of Annual General Meeting are disclosed in the Profile of Directors.

2) No individual (other than the abovementioned directors) is seeking election or re-election as a director of the Company at the 12th Annual General Meeting of the Company.

Corporate Information

Board of Directors

Mr. Heng Hong Chai (Chairman)
Mr. Sui Diong Hoe
Mr. Tan Kie Lu
Mr. Heng Chee Wei, A.M.P.
Mr. Lee Thiam
Mr. Ang Poo Guan

Company Secretaries

Ms. Chia Moh Mui (MAICSA 7009897)
Ms. Margaret Joseph (LS 01683)

Registered Office

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

Principle Place Of Business

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

Registrar

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

Auditors

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

Principal Bankers

CIMB Bank Berhad
Malayan Banking Berhad
United Overseas Bank (Malaysia) Bhd

Stock Exchange Listing

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

Legal Form And Place Of Incorporation

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

Domicile

Malaysia

Corporate Structure

RALCO CORPORATION BERHAD
(333101-V)

- 100% Ralco Holdings Sdn Bhd
- 100% Ralco Plastic Sdn Bhd
  - 100% Ralco Compounding Sdn Bhd
  - 100% Ralco E.U.T Properties Sdn Bhd
  - 78% Ralco Australia Pty Ltd
  - 50% Ralco Properties Sdn Bhd
- 100% Ralco Coolers Sdn Bhd
- 100% Ralco Media Sdn Bhd
- 100% Ralco Bidara Sdn Bhd
- 100% Ralco Construction Sdn Bhd

Profile Of Directors

Details Of Directors

	HENG HONG CHAI	SUI DIONG HOE	TAN KIE LU
Directorship	Executive Director	Executive Director	Independent Non-Executive Director
Age	54 years old	52 years old	56 years old
Nationality & Race	Malaysian/Chinese	Malaysian/Chinese	Malaysian/Chinese
Qualification	–	Associate Member of the Association of Chartered Certified Accountant, United Kingdom and Member of the Malaysian Institute of Accountants	–
Working experience & occupation for the past 5 years	1996 - Present Executive Chairman, Ralco Corporation Bhd He has been actively involved in the plastic industry for more than 25 years, having his earlier training in Mapo Industries Sdn Bhd which involves in the manufacturing of plastic drums	Jan 2007 – Present Executive Director, Ralco Corporation Bhd He is also a director of several private companies involving in investment and consultancy services.	1987 – Present Director and shareholder of KJ Engineering Sdn Bhd It is part of the multinational Veolia Enviroment Group which is involved in energy, water, waste management and transport
Other directorships of public companies	Nil	Timberwell Berhad	Nil
Family relationship with any director and/or major shareholder of RALCO	Nil	Nil	Nil
Any conflict of interest with the listed issuer	Nil	Nil	Nil
List of convictions for offences within the past 10 years other than traffic offence, if any	Nil	Nil	Nil
Details of any Board Committee to which he belong	Member of the Audit Committee	Nil	Chairman of the Remuneration Committee and member of the Nomination Committee

Profile Of Directors (cont'd)

	HENG CHEE WEI, A.M.P.	LEE THIAM	ANG POO GUAN
Directorship	Senior Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director
Age	36 years old	49 years old	59 years old
Nationality & Race	Malaysian/Chinese	Malaysian/Chinese	Malaysian/Chinese
Qualification	Member of The Malaysian Institute of Accountants	–	Bachelor of Agriculture Science (Hons.), Universiti Malaya
Working experience & occupation for the past 5 years	2000 – Present Senior Operations Manager, Federal Express Services (M) Sdn Bhd 1999 – 2000 - Finance Manager, Sis Distribution (M) Sdn Bhd 1996 – 1999 - Senior Associate, Pricewaterhouse Coopers	1988 – Present Managing Director of SPL Trans Sdn Bhd and Director and Shareholder of several other private companies	1996 – Present Chief Executive Officer of Malpac Holdings Berhad 1980 – 1996 Senior, Vice President of United Overseas Bank (Last Position)
Other directorships of public companies	Nil	Nil	Kai Peng Holdings Bhd
Family relationship with any director and/or major shareholder of RALCO	Nil	Nil	Nil
Any conflict of interest with the listed issuer	Nil	Nil	Nil
List of convictions for offences within the past 10 years other than traffic offence, if any	Nil	Nil	Nil
Details of any Board Committee to which he belong	Chairman of the Audit and Nomination Committee and member of the Remuneration Committee	Member of the Audit, Nomination and Remuneration Committee	Member of the Audit Committee

Profile Of Directors (cont'd)

HENG HONG CHAI
(Executive Director)

Mr. Heng Hong Chai, a Malaysian, aged 54, was appointed to the Board on 25 May 1996 and assumed his current position as Chairman / Managing Director since then. He was 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 had been actively involved in the plastic industry for more than 26 years having his earlier training in Mapo Industries Sdn Bhd which is involved in the manufacturing of plastic containers and Kemplex Plastic Industries Sdn Bhd which is involved in the manufacturing of plastic drums. Over the years he had acquired wide experience in plastic blow and injection moulding process and techniques. In addition, he had attended numerous training programmes on the latest plastic blow and injection moulding technology in various countries such as Taiwan, Thailand, Europe and Germany. 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.

SUI DIONG HOE
(Executive Director)

Mr. Sui Diong Hoe, a Malaysian, aged 52, was appointed to the Board on 10 January 2007 and also appointed as the Executive Director of the Company on the same date. Mr. Sui is an associate member of the Association of Chartered Certified Accountant, United Kingdom and a Member of the Malaysian Institute of Accountants. He is also a director of several private companies involving in investment and consultancy services. Mr. Sui is a director of Timberwell Berhad, public company listed on the Second Board of the Bursa Securities Malaysia Berhad. 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
(Independent Non-Executive Director)

Mr. Tan Kie Lu, a Malaysian, aged 56, was appointed to the Board on 23 September 1997. He attended four board meetings held in the financial year. Currently, he is a shareholder and director of KJ Engineering Sdn Bhd, a subsidiary of the multinational Veolia Enviroment Group which is principally involved in energy, water, waste management and transport. 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.

Profile Of Directors (cont'd)

HENG CHEE WEI, A.M.P.
(Senior Independent
Non-Executive Director)

Mr. Heng Chee Wei, a Malaysian, aged 36, 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 to 2000. He was formerly 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.

LEE THIAM
(Independent Non-Executive Director)

Mr. Lee Thiam, a Malaysian, aged 49, was appointed to the Board on 10 January 2007. Currently, he is the Managing Director of SPL Trans Sdn Bhd and also director and shareholder of several other private companies. 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.

ANG POO GUAN
(Independent Non-Executive Director)

Mr. Ang Poo Guan, a Malaysian, aged 59, was appointed to the Board on 26 February 2007. Mr. Ang holds a Bachelor of Agriculture Science (Hons.) from Universiti Malaya. He is currently a Chief Executive Officer of Malpac Holdings Berhad, a Main Board public listed company. He was formerly attached with United Overseas Bank from 1980 to 1996 with the last position held being Senior Vice President. Mr. Ang is a director of Kai Peng Holdings Berhad, a public company listed on the Second Board of the Bursa Securities Malaysia Berhad. 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 2006.

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 six (6) members :
Two Executive Directors
Four Non-Executive, 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 9 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.

Corporate Governance (cont'd)

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 2006, 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. Dato' Dr. Md Khir Bin Abdul Rahman (appointed on 1 July 2006)	2 / 2
2. Tan Kie Lu	4 / 5
3. Heng Chee Wei	5 / 5
4. Tan Chuan Koon @ Thuan Khoon	5 / 5

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

Lee Thiam - Director : Non-Executive, Independent (appointed on 10 January 2007)
Tan Kie Lu - Director : Non-Executive, Independent
Tan Chuan Koon @ Thuan Khoon - Director : Non-Executive, Independent (resigned on 15 January 2007)

APPOINTMENT TO THE BOARD (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

All the Directors had attended the Mandatory Accreditation Programme and Continuous Education Programme (CEP) as prescribed by Bursa Malaysia Securities Berhad (Bursa Securities). As the CEP has been retracted by Bursa Securities with effect from 1 January 2005, the Board will assess the training needs of the Directors and ensure fulfillment of such training deemed appropriate by the Board. During the financial period, the Directors had attended various training programmes and seminars organised by the relevant regulatory authorities and professional bodies to broaden their knowledge and to keep abreast with the relevant changes in law, regulations and the business environment.

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, Independent

DIRECTORS' REMUNERATION (cont'd)

As Members

Heng Chee Wei	- Director : Non-Executive, Senior Independent
Tan Chuan Koon @ Thuan Khoon	- Director : Non-Executive, Independent (resigned on 15 January 2007)
Lee Thiam	- Director : Non-Executive, Independent (appointed on 10 January 2007)

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

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

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

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

	Salary (RM)	Fee (RM)	EPF (RM)	Total (RM)
Executive Director	180,000	10,000	21,600	211,600
Non-Executive Directors	–	70,000	–	70,000

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.

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 16 to 19 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 20 to 21 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 28 to the financial statements.

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 RM9, 600.00.

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 2006 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 Depository Receipt ("ADR") or Global Depository 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:

As Chairman

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

As Members

Heng Hong Chai	- Director : Executive
Ang Poo Guan	- Director : Non-Executive, Independent (appointed on 26 February 2007)
Lee Thiam	- Director : Non-Executive, Independent (appointed on 10 January 2007)
Tan Chuan Koon @ Thuan Khoon	- Director : Non-Executive, Independent (resigned on 15 January 2007)
Dato' Dr Md Khir Bin Abdul Rahman	- Director : Non-Executive, Independent (resigned on 15 January 2007)

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;

(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.

FUNCTIONS (cont'd)

(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 2006, 5 Audit Committee meetings were held. The record of attendance of its members during their membership is as follows:

	Name	Total
1.	Heng Chee Wei	5 / 5
2.	Heng Hong Chai	5 / 5
3.	Dato' Dr Md Khir Bin Abdul Rahman (appointed on 1 July 2006)	2 / 2
4.	Tan Chuan Koon @ Thuan Khoon	5 / 5

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL PERIOD

During the financial year ended 31 December 2006, 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 2005 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 2006 pursuant to Paragraph 15.27 (b) of the Listing Requirements of Bursa Malaysia Securities Berhad.

This statement has been reviewed by the external auditors in compliance with Paragraph 15.24 of the Listing Requirements of Bursa Malaysia Securities Berhad. Based on their review, the external auditors have reported that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of the internal control of the Group.

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 2006.

OVERVIEW

The Malaysian economy recorded a slight GDP growth of 5.5% compared to 5.0% in the previous year. The financial year under review was a very challenging year for the Group and the plastic industry.

Plastic resins used as raw material is a direct derivative from crude oil. During the year, we have seen the prices of crude oil stabilise which enable the Management to take position on the price. Prompt management and close monitoring of crude oil prices will continue to play a vital role in the Group's turnaround plan.

FINANCIAL RESULTS

For the financial year under review, the Group achieved a gross revenue of RM103.9 million which is about 43% improvement against the prior year's gross revenue of RM72.8 million. The Group incurred a loss before tax of RM2.1 million against a loss of RM4.0 million in the prior year. Operations in the plastic manufacturing sector improved with a contribution of RM1.5 million profit before tax in 2006 as compared with a loss before tax of RM3.1 million in the previous year. This is mainly due to the synergistic efforts by the production and marketing divisions of the plastic manufacturing sector which resulted in higher revenue and cost savings.

OUTLOOK AND PROSPECTS

The stabilising cost of resins has helped lower cost of production and hence spurred the Group to a better performance. The Group had put in continuous effort and focus on the growth of our market share in the plastic industry. During the year under review, cost reduction exercises and efficiency-enhancement programmes continued and had provided positive cost reduction measures and better quality products. In order to further enhance the Group's competitive edge in the market.

As for Ralco Australia Pty Ltd ("RAPL"), we have managed this subsidiary through the changing economic conditions in Western Australia ("WA"). Whilst the economy of WA recorded remarkable economic results in 2006 due to the strong demand for iron ore, costs of doing business in this environment had also increased steeply. In particular increased labour costs and high staff turnover were problems faced by RAPL. As such, in line with the Group's business strategy to streamline and focus our resources in our core business in plastic manufacturing operations, the Board had on 26 February 2007 authorised the management to secure a purchaser for RAPL. On the same rationale, we have on 12 April 2007 entered into an agreement to dispose our investment in Ralco Media Sdn Bhd as announced to Bursa on 12 April 2007.

OUTLOOK AND PROSPECTS (cont'd)

As for Ralco Bidara Sdn Bhd ("RBSB"), we have launched our pioneer property development project "Taman Bidara Emas" in Melaka in March 2007.

The Board is of the view that the Group's strength and expertise remained in its manufacturing operations and the Group will continue to move forward towards better opportunities and returns. Barring any unforeseen circumstances, the Board is cautiously optimistic that the Group, having taken such effective measures will be able to return to profitability in the year ahead.

CORPORATE SOCIAL RESPONSIBILITIES

The Group wishes to fulfill its corporate social responsibility on helping to enhance the conditions of our society, the environment as well as creating awareness of this cultural belief and responsibility. During the year, ongoing donations were made to various worthy causes, welfare organizations, schools and medical care.

ACKNOWLEDGEMENT

Dato' Dr Md Khir Bin Abdul Rahman and Mr. Tan Chuan Koon @ Thuan Khoon, resigned from the Board on 15 January, 2007. The Board would like to record its thanks and appreciation for their valued contributions to the Group and wish them well in their future endeavors. Mr. Lee Thiam, Mr. Sui Diong Hoe and Mr.Ang Poo Guan were appointed to the Board on 10 January 2007 and 26 February 2007 respectively.

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 to 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.

Lastly, I would like to thank my fellow Board members for their support, guidance and contribution to the Group.

HENG HONG CHAI

Chairman
3 May 2007

Group Financial Highlights
For The Year Ended 31 December 2006

	2006 RM'000	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000
INCOME STATEMENT					
Gross Revenue	**103,927**	72,792	72,877	68,312	52,595
(Loss)/Profit Before Tax	**(2,150)**	(4,028)	(6,724)	1,819	6,581
(Loss)/Profit After Tax	**(4,284)**	(2,806)	(5,181)	1,140	6,065
BALANCE SHEET					
Property, Plant and Equipment	**51,163**	51,401	55,186	57,939	47,107
Investment Property	**1,430**	–	–	–	–
Deferred Assets	**–**	62	63	34	30
Net Current Assets/(Liabilities)	**(5,976)**	1,101	1,433	(6,525)	(2,692)
Total Assets Employed	**46,617**	52,564	56,682	51,448	44,445
Shareholders' Fund	**41,327**	44,310	47,184	41,934	40,839
Minority Interest	**61**	662	851	793	748
Non-Current Liabilities	**5,229**	7,592	8,647	8,721	2,858
Total Funds Employed	**46,617**	52,564	56,682	51,448	44,445
PER RM 1 ORDINARY SHARE					
(Loss)/Earnings Per Share (sen)	**(8.78)**	(6.24)	(16.12)	3.48	28.67
Gross Dividend Per Share (sen)	**–**	–	–	–	–
Net Tangible Assets Per Share (RM)	**0.99**	1.07	1.14	2.04	1.98

FINANCIAL CALENDAR

Financial Year End	:	31 December 2006
Announcement of Quarterly Result		
– 1st Quarter Performance Unaudited	:	30 May 2006
– 2nd Quarter Performance Unaudited	:	28 August 2006
– 3rd Quarter Performance Unaudited	:	28 November 2006
– 4th Quarter Performance Unaudited	:	26 February 2007
Announcement of Annual Audited Results	:	30 April 2007
Issue of Annual Report	:	21 May 2007
12th Annual General Meeting	:	12 June 2007

Financial Statements

Directors' Report
For The Year Ended 31 December 2006

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 2006.

PRINCIPAL ACTIVITIES

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

The principal activities of the subsidiaries are indicated in Note 5 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
Net loss for the year	(4,284,466)	(301,972)
Attributable to:		
Shareholders of the Company	(3,684,007)	(301,972)
Minority interests	(600,459)	–
	(4,284,466)	(301,972)

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 other than as disclosed in the consolidated statement of changes in equity.

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 Lee Thiam	(appointed on 10-1-2007)
Mr Sui Diong Hoe	(appointed on 10-1-2007)
Mr Ang Poo Guan	(appointed on 26-2-2007)
Dato' Dr Md Khir Bin Abdul Rahman	(appointed on 1-7-2006 and resigned on 15-1-2007)
Mr Tan Chuan Koon @ Thuan Khoon	(resigned on 15-1-2007)

In accordance with the Company's Articles of Association, Messrs Lee Thiam, Sui Diong Hoe and Ang Poo Guan who were appointed to the board subsequent to the date of the last annual general meeting, retire at the forthcoming annual general meeting together with Mr Tan Kie Lu who retires by rotation. All the retiring directors, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN SHARES

According to the register of directors' shareholdings required to be kept under section 134 of the Companies Act, 1965, 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 or its related corporations during the financial year except as follows:

	---- Number of ordinary shares of RM1 each ----			
	At 1-1-2006	**Bought**	**Sold**	**At 31-12-2006**
Mr Heng Hong Chai				
- direct interest	12,221,378	–	6,495,600	5,725,778
Mr Tan Kie Lu				
- direct interest	3,207,420	–	3,098,000	109,420

	---------------- Number of warrants ----------------			
	At 1-1-2006	**Bought**	**Sold**	**At 31-12-2006**
Mr Heng Hong Chai				
- direct interest	3,055,344	–	200,100	2,855,244
Mr Tan Kie Lu				
- direct interest	801,855	–	774,500	27,355

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 director is a member, or with a company in which the director has a substantial financial interest.

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

OTHER STATUTORY INFORMATION

(a) Before the income statements and balance sheets of the Company and of the Group were made out, the directors took reasonable steps:

   (i) to ascertain the action taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts but that adequate allowance had been made for doubtful debts; and

   (ii) to ensure that any current assets which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Company and of the Group had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances:

   (i) which would render it necessary to write off any debt or the amount of 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 subsidiaries 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 subsidiaries which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (cont'd)

(d) No contingent or other liability of the Company or its subsidiaries 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 subsidiaries to meet their obligations as and when they fall due.

(e) At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Company and of the Group which would render any amount stated in the respective financial statements misleading.

(f) In the opinion of the directors:

  (i) the results of the operations of the Company and of the Group for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the change in accounting policy due to the adoption of the new FRS 140 as disclosed in Note 1(a) to the financial statements; 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

23 April 2007

Report Of The Auditors To The Members
Financial Statements – 31 December 2006

We have audited the financial statements of the Company set out on pages 31 to 75. These financial statements are the responsibility of the Company's directors.

It is our responsibility 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 content 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 MASB Approved Accounting Standards for Entities Other Than Private Entities 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 2006 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 subsidiaries 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

23 April 2007

Balance Sheets
– 31 December 2006

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
NON-CURRENT ASSETS					
Property, plant and equipment	3	51,163,091	51,401,517	14,026	38,299
Investment properties	4	1,430,000	–	–	–
Investments in subsidiaries	5	–	–	24,378,733	23,227,733
Deferred tax asset	6	–	62,219	–	62,219
		52,593,091	51,463,736	24,392,759	23,328,251
CURRENT ASSETS					
Property development costs	7	7,335,566	–	–	–
Inventories	8	12,337,872	10,262,672	–	–
Trade and other receivables	9	30,422,498	27,487,350	10,096	5,851
Current tax assets		179,485	195,241	40,942	40,942
Amount owing by a subsidiary	5	–	–	25,392,945	26,779,213
Fixed deposit	10	277,250	–	–	–
Cash and bank balances	11	540,532	738,273	26,403	28,143
		51,093,203	38,683,536	25,470,386	26,854,149
TOTAL ASSETS		103,686,294	90,147,272	49,863,145	50,182,400
EQUITY					
Share capital	12	41,960,000	41,960,000	41,960,000	41,960,000
Exchange translations reserve, non-distributable		(355,580)	(257,265)	–	–
(Accumulated loss)/ Unappropriated profit		(277,765)	2,607,668	7,310,862	7,612,834
Equity attributable to shareholders of the Company		41,326,655	44,310,403	49,270,862	49,572,834
Minority interests		61,205	661,664	–	–
TOTAL EQUITY		41,387,860	44,972,067	49,270,862	49,572,834

Balance Sheets
– 31 December 2006 (cont'd)

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
NON-CURRENT LIABILITIES					
Hire purchase liabilities	13	**271,549**	–	**–**	–
Bank term loans	14	**2,706,084**	4,819,521	**–**	–
Long term creditor	15	**–**	2,231,002	**–**	–
Deferred tax liabilities	16	**2,251,371**	541,806	**–**	–
		5,229,004	7,592,329	**–**	–
CURRENT LIABILITIES					
Trade and other payables	17	**26,919,312**	10,719,936	**116,283**	93,066
Amount owing to subsidiaries	5	**–**	–	**476,000**	516,500
Hire purchase liabilities	13	**58,110**	–	**–**	–
Bank borrowings	18	**30,030,970**	26,862,940	**–**	–
Current tax liabilities		**61,038**	–	**–**	–
		57,069,430	37,582,876	**592,283**	609,566
TOTAL LIABILITIES		**62,298,434**	45,175,205	**592,283**	609,566
TOTAL EQUITY AND LIABILITIES		**103,686,294**	90,147,272	**49,863,145**	50,182,400

Notes to and forming part of the financial statements are set out on pages 38 to 75
Auditors' Report – Page 30

Income Statements

For The Year Ended 31 December 2006

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Gross revenue	19	**103,926,645**	72,791,857	**924,000**	924,000
Cost of sales	20	**(93,729,740)**	(68,516,922)	**–**	–
Gross profit		**10,196,905**	4,274,935	**924,000**	924,000
Other operating income		**1,566,881**	1,633,509	**–**	–
Selling and distribution costs		**(2,857,991)**	(2,112,777)	**–**	–
Administrative and general expenses		**(9,143,429)**	(6,128,843)	**(1,163,753)**	(1,034,875)
Other operating expenses		**(320,619)**	(368,598)	**–**	–
Finance costs	21	**(1,591,972)**	(1,326,572)	**–**	–
Loss before tax	22	**(2,150,225)**	(4,028,346)	**(239,753)**	(110,875)
Tax (expense)/income	23	**(2,134,241)**	1,222,487	**(62,219)**	(511)
Net loss for the year		**(4,284,466)**	(2,805,859)	**(301,972)**	(111,386)
Attributable to:					
Shareholders of the company		**(3,684,007)**	(2,616,589)	**(301,972)**	(111,386)
Minority interests		**(600,459)**	(189,270)	**–**	–
Net loss for the year		**(4,284,466)**	(2,805,859)	**(301,972)**	(111,386)
Loss per share attributable to equity holders of the Company:	24				
Basic (sen)		**(8.78)**	(6.24)		
Diluted (sen)		**–**	–		

Notes to and forming part of the financial statements are set out on pages 38 to 75
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Consolidated Statement Of Changes In Equity
For The Year Ended 31 December 2006

	Attributable to Equity Holders of the Company					
	Share capital RM	Exchange translation reserve RM	Unappropriated profit/ (Accumulated loss) RM	Total RM	Minority interests RM	Total RM
At 1 January 2005	41,960,000	–	5,224,257	47,184,257	850,869	48,035,126
Acquisition of a subsidiary	–	–	–	–	65	65
Exchange translation differences	–	(257,265)	–	(257,265)	–	(257,265)
Net loss recognised directly in equity	–	(257,265)	–	(257,265)	65	(257,200)
Net loss for the year	–	–	(2,616,589)	(2,616,589)	(189,270)	(2,805,859)
Total recognised income and expense for the year	–	(257,265)	(2,616,589)	(2,873,854)	(189,205)	(3,063,059)
At 31 December 2005	41,960,000	(257,265)	2,607,668	44,310,403	661,664	44,972,067
Effect of adopting FRS 140 (Note 1 (a))	–	–	798,574	798,574	–	798,574
At 1 January 2006, restated	41,960,000	(257,265)	3,406,242	45,108,977	661,664	45,770,641
Exchange translation differences	–	(98,315)	–	(98,315)	–	(98,315)
Net loss recognised directly in equity	–	(98,315)	–	(98,315)	–	(98,315)
Net loss for the year	–	–	(3,684,007)	(3,684,007)	(600,459)	(4,284,466)
Total recognised income and expense for the year	–	(98,315)	(3,684,007)	(3,782,322)	(600,459)	(4,382,781)
At 31 December 2006	**41,960,000**	**(355,580)**	**(277,765)**	**41,326,655**	**61,205**	**41,387,860**

Notes to and forming part of the financial statements are set out on pages 38 to 75
Auditors' Report – Page 30

Statement Of Changes In Equity

For The Year Ended 31 December 2006

	Share capital RM	Unappropriated profit RM	Total RM
At 1 January 2005	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
Net loss for the year	–	(301,972)	(301,972)
At 31 December 2006	**41,960,000**	**7,310,862**	**49,270,862**

Notes to and forming part of the financial statements are set out on pages 38 to 75
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Cash Flow Statements
For The Year Ended 31 December 2006

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	**(2,150,225)**	(4,028,346)	**(239,753)**	(110,875)
Adjustments for:				
Depreciation	**6,412,954**	6,778,227	**24,273**	24,963
Gain on disposal of property, plant and equipment	**(19,775)**	(8,299)	**–**	–
Property, plant and equipment written off	**1,900**	1	**–**	–
Allowance for doubtful debts written back	**(19,965)**	(14,215)	**–**	–
Bad debts written off	**–**	6,400	**–**	–
Interest expenses	**1,569,726**	1,326,572	**–**	–
Hire purchase term charges	**22,246**	–	**–**	–
Unrealised gain on foreign exchange	**(508,655)**	(55,007)	**–**	–
Operating profit/(loss) before working capital changes	**5,308,206**	4,005,333	**(215,480)**	(85,912)
Changes in property development costs	**(7,335,566)**	–	**–**	–
Changes in inventories	**(2,075,200)**	617,478	**–**	–
Changes in receivables	**(2,755,013)**	(5,339,933)	**(4,245)**	–
Changes in payables	**13,597,889**	2,670,396	**23,217**	666
Cash generated from/(utilised in) operations	**6,740,316**	1,953,274	**(196,508)**	(85,246)
Interest paid	**(1,102,702)**	(754,936)	**–**	–
Tax paid	**(327,693)**	(51,326)	**–**	–
Net cash from/(used in) operating activities	**5,309,921**	1,147,012	**(196,508)**	(85,246)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(6,556,341)**	(2,993,871)	**–**	–
Acquisition of subsidiaries, net of cash (Note 25)	**(3,000)**	(232)	**(3,000)**	–
Subscription for additional shares in subsidiaries	**–**	–	**(1,148,000)**	–
Proceeds from disposal of property, plant and equipment	**167,174**	8,300	**–**	–
Repayment from/(Advances to) a subsidiary	**–**	–	**1,386,268**	(92,995)
Net cash (used in)/from investing activities	**(6,392,167)**	(2,985,803)	**235,268**	(92,995)

Cash Flow Statements
For The Year Ended 31 December 2006 (cont'd)

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of bank term loans	**(1,985,487)**	(1,880,876)	**–**	–
Payment of hire purchase instalments	**(27,223)**	–	**–**	–
Interest paid	**(467,024)**	(571,636)	**–**	–
Hire purchase term charges paid	**(22,246)**	–	**–**	–
(Repayment to)/Advances from a subsidiary	**–**	–	**(40,500)**	40,500
Net cash (used in)/from financing activities	**(2,501,980)**	(2,452,512)	**(40,500)**	40,500
NET CHANGES IN CASH AND CASH EQUIVALENTS	**(3,584,226)**	(4,291,303)	**(1,740)**	(137,741)
EFFECT OF CHANGES IN EXCHANGE RATE	**604,655**	(256,968)	**–**	–
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	**(2,873,229)**	1,675,042	**28,143**	165,884
CASH AND CASH EQUIVALENTS CARRIED FORWARD	**(5,852,800)**	(2,873,229)	**26,403**	28,143
Represented by:				
FIXED DEPOSIT	**277,250**	–	**–**	–
CASH AND BANK BALANCES	**540,532**	738,273	**26,403**	28,143
BANK OVERDRAFTS	**(6,670,582)**	(3,611,502)	**–**	–
	(5,852,800)	(2,873,229)	**26,403**	28,143

During the financial year, the Group acquired property, plant and equipment amounting to RM6,913,223 (2005: RM2,993,871) of which RM356,882 (2005:Nil) was financed under hire purchase and the balance of RM6,556,341 (2005:RM2,993,871) was paid by cash.

Notes to and forming part of the financial statements are set out on pages 38 to 75
Auditors' Report – Page 30

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board. At the beginning of the current financial year, the Company and the Group had adopted the following new and revised Financial Reporting Standards ("FRSs") which are mandatory and applicable to the Company and the Group for financial periods beginning on or after 1 January 2006:

FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

In the opinion of the directors, the adoption of these FRSs other than as described below does not result in significant changes in the accounting policies of the Company and the Group, or has significant impact on the financial statements of the Company and the Group except for the presentation of the balance sheets of the Company and the Group upon the adoption of FRS 101 and the reclassification of investment properties upon adoption of the FRS 140. The principal changes in accounting policies and their effects resulting from the adoption of the following FRSs are discussed below:

(i) FRS 3, Business Combinations, FRS 136, Impairment of Assets and FRS 138, Intangible Assets

FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 January 2006.

Prior to 1 January 2006, goodwill or negative goodwill, if any, was taken to the income statement as and when they arose if the amount involved was immaterial. Where goodwill was considered to be capable of generating future economic benefits, it was capitalised in the financial statements and review for impairment annually while negative goodwill was retained in the consolidated balance sheet and credited to the income statement over a suitable period in relation to the particular circumstances which give rise to it. At each balance sheet date, the Group assessed if there was any indication of impairment of the cash-generating unit to which the goodwill is attached. The adoption of FRS 3 and FRS 136 has had no impact on the financial statements of the Group for the financial year ended 31 December 2006 and amounts reported for 2005 or prior periods as the Group did not have any goodwill or negative goodwill brought forward at 1 January 2006.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

In accordance with the transitional provisions of FRS 3, the Group has applied the revised accounting policy for goodwill prospectively from 1 January 2006. The new accounting policy on the recognition and measurement of goodwill is disclosed in Note 1(e).

(ii) FRS 101, Presentation of Financial Statements

Prior to 1 January 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the consolidated statement of changes in equity. FRS 101 also requires disclosure, on the face of the consolidated statement of changes in equity, total recognised income and expense for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

These changes in presentation have been applied retrospectively, and accordingly, the comparatives have been restated. These changes in presentation have no impact on the Company's financial statements.

(iii) FRS 140, Investment Property

Prior to 1 January 2006, investment properties were included in property, plant and equipment and were stated at cost less accumulated depreciation and accumulated impairment losses. Upon the adoption of FRS 140, investment properties are now classified separately and stated at fair value and gains and losses arising from changes in fair value are recognised in the income statement in the year in which they arise.

The Group has applied FRS 140 in accordance with the transitional provisions. The change in accounting policy has had no impact on amounts reported for 2005 or prior periods as the Group had not previously disclosed publicly the required fair value information annually in its financial statements. Accordingly, the comparatives are not restated. Instead, the changes have been accounted for by restating the following opening balances of the Group at 1 January 2006:

	Group RM
Increase in unappropriated profit	798,574
Increase in deferred tax liability (Note 16)	42,030

Had there not been a change in accounting policy, the net loss attributable to the shareholders of the Company for the year ended 31 December 2006 at the Group level would increase by RM7,276 arising from annual depreciation charges for the year which would have been charged to the income statement for the year.

The Group has not opted for early adoption of the following new and revised FRSs which are applicable to the Group:

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of preparation (cont'd)

(i) FRS 117, Leases and FRS 124 , Related Party Disclosures, which are effective for financial periods beginning on or after 1 October 2006; and

(ii) FRS 139, Financial Instruments : Recognition and Measurement, which has been deferred to an effective date yet to be announced.

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

The financial statements of the Company and the Group are presented in Ringgit Malaysia ("RM") which is also the functional currency of the Company. The financial statements of foreign operations that have a functional currency other than RM have been translated and are presented in RM.

(b) Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 3 : Depreciation of plant and machinery
  : Classification between property, plant and equipment and investment properties
- Note 4 : Classification of investment properties
- Note 5 : Measurement of impairment loss on investments in subsidiaries

(c) Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over the another entity.

In the Company's balance sheet, investments in subsidiaries are stated at cost less accumulated impairment losses, unless the investment is classified as held for sale or included in a disposal group that is classified as held for sale. On disposal of the such investments, the difference between net disposal proceeds and their carrying amounts is included in income statement.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all its subsidiaries made up to the end of the financial year. Uniform accounting policies are adopted for like transactions and events in similar circumstances. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

All subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group balances, transactions, income and expenses are eliminated in full on consolidation and the consolidated financial statements reflect external transactions only. Unrealised profits and losses resulting from intra-group transactions that are recognised in assets are also eliminated in full. The temporary differences arising from the elimination of unrealised profits and losses are recognised in accordance with Note 1(s).

Acquisition of subsidiaries are accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of a business combination to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed and equity instruments issued, plus any costs directly attributable to the acquisition. The excess of the cost of a business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities recognised, over the Group's cost of a business combination is recognised immediately in the consolidated income statement after reassessment.

Minority interests represent the portion of profit or loss and net assets of subsidiaries, attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Company. Minority interests are presented separately in the consolidated balance sheet within equity while minority interests in the profit or loss of the Group are separately disclosed in the consolidated income statement.

(e) Intangible assets

Goodwill

Goodwill, if any, acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Property, plant and equipment

(i) Measurement basis

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

(ii) Depreciation

Freehold land and capital work-in-progress are not depreciated. 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 to their residual values 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	12% - 20%

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

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodies in the items of property, plant and equipment.

(iii) Changes in estimates

The residual values of motor vehicles were revised by the Group during the year and the effects of these changes is disclosed in Note 3.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Leases

(i) Finance leases - assets acquired under hire purchase agreements

Assets financed by hire purchase arrangements which transfer substantially all the risks and rewards of ownership to the Group, are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. On initial recognition, assets acquired by way of hire purchase are stated at an amount equal to the lower of their fair values and the present values of the minimum hire purchase payments at the inception of the hire purchase agreements. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

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

(ii) Operating leases

Operating leases are those leases other than finance leases. Lease payments under operating leases are charged to the income statement on a straight line basis over the period of the lease.

(h) Investment properties

Investment properties are properties which are held either to earn rentals or for capital appreciation or both and are measured initially at cost, including transaction costs. Properties that are occupied by the companies in the Group are accounted for as owner-occupied under property, plant and equipment rather than as investment properties. Subsequent to initial recognition, the investment properties are stated at fair value, which is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gain or losses arising from changes in the fair value of the investment properties are recognised as income or expense in the income statement in the period in which they arise.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

An investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the financial year in which it arises.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Property development costs

Property development costs comprise land and all costs which includes cost directly attributable to the development activities and other costs that can be allocated on a reasonable basis to such activities as well as interest expenses incurred during the period of development.

Property development revenue and expenses are recognised in the income statement using the percentage of completion method, which is applied in circumstances where the outcome of the development activities can be reliably estimated. The stage of completion is estimated by the proportion of cost incurred to-date bear to estimated total costs and for this purpose only those costs that reflect actual development work performed are included as costs incurred to-date.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defect liability period, is recognised as an expense immediately.

Property development costs which are not recognised as an expense, are recognised as an asset and are measured at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on the first in first out basis. Cost comprises the landed costs of goods purchased and in the case of work-in-progress and finished goods, comprises materials, direct labour, other direct charges and an appropriate proportion of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Receivables

Receivables are stated at anticipated realisable values. Known bad debts are written off and an estimate is made for doubtful debts based on a review of all outstanding amounts at the balance sheet date.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Impairment of assets

The carrying amounts of assets other than financial assets, investment properties that are measured at fair value, deferred tax asset and inventories 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. For goodwill, if any, that has an indefinite useful life, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are charged to the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit or groups of units on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments to the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill, if any, is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each balance sheet date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

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.

(m) Share capital

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

Dividends on ordinary shares, when declared or proposed by the directors of the Company are disclosed 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.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Payables

Payables are stated at cost and are recognised when there is a contractual obligation to deliver cash or another financial asset to settle the obligation.

(o) Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the functional currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RM, which is also the Company's functional currency.

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the income statement for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operations, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in the income statement. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operations, are recognised in the income statement for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operations, regardless of the currency of the monetary item, are recognised in the income statement in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are recognised in income statement for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Foreign currencies (cont'd)

(iii) Foreign operations

The result and financial position of foreign operations that have a functional currency other than the presentation currency of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for balance sheet presented are translated at the closing rates prevailing at the balance sheet date;

- Income and expenses for income statement are translated at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations, if any, on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

(p) 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

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and discounts and is recognised in the income statement when significant risks and rewards of ownership have been transferred to the customers.

(ii) Project contract services

Revenue from project contract services is recognised on an accrual basis when services are rendered.

(iii) Sale of development properties

Revenue from sale of development properties is recognised on the percentage of completion method and represents the proportionate sales value of development properties sold attributable to the percentage of development work performed during the financial year.

(iv) Management fees

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

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2006 (cont'd)

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Revenue recognition (cont'd)

(v) Rental income

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

(q) 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 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.

(r) Borrowing costs

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

(s) Tax expense

The tax expense in the income statement comprises current tax and deferred tax. Current tax is an estimate of tax payable in respect of taxable profit for the year based on tax rate enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax 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 is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Tax expense (cont'd)

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, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Current and deferred tax is recognised as an income or an expense in the income statement or is credited or charged directly to equity if the tax relates to items that are credited or charged, whether in the same or different period, directly to equity.

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, deposit held on call with a licensed financial institution, 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.

(u) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

(i) Financial instruments recognised in the balance sheet

The recognised financial instruments of the Group comprise cash and cash equivalents, bank borrowings, hire purchase liabilities, 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 subsidiaries which represent present obligations existing at the balance sheet date but are not recognised in the financial statements at inception because it is not probable that an outflow of economic benefits will be required to settle the obligations.

2. 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.

The Group has been financing its operations mainly through financing 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.

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.

(ii) Foreign currency exchange risk

The Group is exposed to foreign currency exchange risk as a result of transactions denominated in foreign currencies other than its functional currency 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.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iii) Interest rate risk

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

The Group's exposure to interest rate risk in respect of its fixed deposit placed with licensed financial institution, bank borrowings and hire purchase liabilities.

Interest rate arising from fixed deposit placed with a licensed financial institution, which is short term in nature, is managed by sourcing for the highest interest rate in the market from amongst licensed financial institutions after taking into account the duration and availability of surplus funds from operations.

Interest rate risk arising from bank borrowings is subject to floating interest rates with the interest rate spread above the bank's base lending rate agreed before the facility is accepted.

The Group does not consider interest rate risk arising from hire purchase financing, which carried fixed interest rates, as having significant impact on the financial statements of the Group as the amounts financed are not significant.

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

(iv) Liquidity and cash flow risk

Prudent liquidity risk management implies maintaining sufficient cash, deposit and the availability of funding through an adequate amount of committed credit facilities. The Group's exposure to liquidity and cash flow risk is monitored on an ongoing basis. Due to the nature of the business, the Group aims at maintaining flexibility in funding by keeping committed credit lines available to meet its liquidity requirement while ensuring an effective working capital requirement within the Group.

3. PROPERTY, PLANT AND EQUIPMENT

Group 2006 Cost	Freehold land and buildings RM	Long term leasehold land and buildings RM	Plant and machinery RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Motor vehicles RM	Total RM
At 1 January	1,971,325	23,526,897	69,954,907	1,901,096	1,442,676	1,094,686	1,045,103	100,936,690
Effect of adopting FRS 140								
- elimination of accumulated depreciation	–	(94,596)	–	–	–	–	–	(94,596)
- reclassification to investment property (Note 4)	–	(589,396)	–	–	–	–	–	(589,396)
At 1 January, restated	1,971,325	22,842,905	69,954,907	1,901,096	1,442,676	1,094,686	1,045,103	100,252,698
Additions	–	72,204	5,969,106	70,436	298,664	69,672	433,141	6,913,223
Disposals	–	–	(188,505)	–	–	–	–	(188,505)
Write-off	–	–	–	–	(69,847)	–	–	(69,847)
At 31 December	1,971,325	22,915,109	75,735,508	1,971,532	1,671,493	1,164,358	1,478,244	106,907,569
Accumulated depreciation								
At 1 January	97,259	3,370,156	41,540,323	1,452,200	1,014,393	1,085,128	975,714	49,535,173
Effect of adopting FRS 140	–	(94,596)	–	–	–	–	–	(94,596)
At 1 January, restated	97,259	3,275,560	41,540,323	1,452,200	1,014,393	1,085,128	975,714	49,440,577
Charge for the year	39,382	438,091	5,554,341	156,021	127,107	12,391	85,621	6,412,954
Disposals	–	–	(41,106)	–	–	–	–	(41,106)
Write-off	–	–	–	–	(67,947)	–	–	(67,947)
At 31 December	136,641	3,713,651	47,053,558	1,608,221	1,073,553	1,097,519	1,061,335	55,744,478
Net book value								
At 31 December	**1,834,684**	**19,201,458**	**28,681,950**	**363,311**	**597,940**	**66,839**	**416,909**	**51,163,091**

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2006 (cont'd)

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

Group

2005	Freehold land and buildings RM	Long term leasehold land and buildings RM	Plant and machinery RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Cost									
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

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

Company

2006 **Cost**	**Furniture and fittings RM**	**Office equipment RM**	**Renovation RM**	**Total RM**
At 1 January	267,993	8,070	443,904	719,967
Addition/Disposal	–	–	–	–
At 31 December	267,993	8,070	443,904	719,967
Accumulated depreciation				
At 1 January	232,115	5,649	443,904	681,668
Charge for the year	22,659	1,614	–	24,273
At 31 December	254,774	7,263	443,904	705,941
Net book value				
At 31 December	**13,219**	**807**	**–**	**14,026**
2005				
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

The following property, plant and equipment of certain subsidiaries stated at net book value are charged to licensed banks for banking facilities granted to the said subsidiaries:

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

	Group 2006 RM	Group 2005 RM
Freehold land and building	**1,571,684**	–
Long term leasehold land and buildings	**4,717,913**	4,771,655
Plant and machinery	**7,285,199**	8,412,915
	13,574,796	13,184,570

During the financial year, the Group revised the residual values of its motor vehicles. The revision was accounted for prospectively as a change in accounting estimate and as a result, the depreciation charges for motor vehicles for the current financial year have been reduced by RM30,270 for the Group. The effect on future periods is not disclosed as it is impracticable to estimate the revised residual values of motor vehicles for future periods.

The cost of plant and machinery for the manufacture of plastic products is depreciated on a straight line basis over the assets' useful lives. The management estimated the useful lives of these plant and machinery to be 10 years. These are common life expectancies applied in the plastic industry. Any changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. However, the management does not expect such changes to have significant impact on the financial statements of the Group.

Included in the long term leasehold land and buildings of the Group is a leasehold land and building with a net book value of RM2,487,118 (2005 : RM2,518,989) where an insignificant portion of the building is held to earn rentals whilst a significant portion was used for administrative purposes by companies within the Group. Accordingly, this property is still classified as property, plant and equipment rather than as investment property.

4. INVESTMENT PROPERTIES

	2006 RM	2005 RM
At 1 January		
Effect of adopting FRS 140	**–**	–
- Reclassification from property, plant and equipment (Note 3)	**589,396**	–
- Fair value adjustment at 1 January	**840,604**	–
	1,430,000	–
At 1 January, restated	**1,430,000**	–

4. INVESTMENT PROPERTIES (cont'd)

	2006 RM	2005 RM
At 1 January, restated	**1,430,000**	–
Addition/Disposal	**–**	–
Changes in fair value	**–**	–
At 31 December	**1,430,000**	–
Included in the above are:		
Leasehold land	**1,167,200**	–
Leasehold industrial building	**262,800**	–
	1,430,000	–

The investment properties, which were previously classified under property, plant and equipment, have been reclassified as investment properties during the financial year upon the adoption of FRS 140.

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both. The Group has adopted the fair value model in measuring the above investment properties with effect from 1 January 2006. The fair value of the investment properties at the end of the financial year was determined based on valuation carried out by an independent firm of professional valuers using the open market value basis, which reasonably reflect market conditions of similar properties at the balance sheet date.

The above investment properties represent a leasehold land with a double storey industrial building erected thereon and are leased to a third party during the financial year under review. No contingent rents are charged by the Group.

The title deed to the above properties has yet to be issued by the relevant authority.

5. INVESTMENTS IN SUBSIDIARIES

	Company 2006 RM	2005 RM
Unquoted shares, at cost	**24,378,733**	23,227,733

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

5. INVESTMENTS IN SUBSIDIARIES (cont'd)

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

		Gross equity interest 2006 %	Gross equity interest 2005 %	Principal activities
	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**	78	Servicing the remote power industry specialising in diesel and renewable power generation
	Ralco Media Sdn Bhd	**100**	–	Acquisition of advertising concessions at shopping mall and other public utilities for rental
	Ralco Bidara Sdn Bhd	**100**	–	Property development
	Ralco Construction Sdn Bhd	**100**	–	To carry on business of contractors to erect and construct houses, buildings or works description of any land
	Ralco Holdings Sdn Bhd	**100**	100	Inactive
	Ralco Coolers Sdn Bhd	**100**	100	Inactive

* Held through Ralco Plastic Sdn Bhd
@ Subsidiary audited by associated firm of Moores Rowland

(a) Impairment test for investments in subsidiaries in the Company's financial statements

The Company carries out impairment tests on the carrying value of its investments in subsidiaries when there is any indication that the investment is impaired. The Company's assessment on whether there is an indication, is based on external as well as internal sources of information. If there is an indication of impairment, impairment loss on the value of the investment is made to determine the recoverable amount of the investment.

(b) Key assumptions used in the indicative values (value-in-use) calculations

The recoverable amount of the investment is determined based on indicative values (value-in-use) calculated using the free cash flow projections based on the financial models approved by the management.

The key assumptions/estimates used for the indicative values calculations are as follows:

Discount rate	–	9.06%
Growth rate	–	5% - 20%

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2006 (cont'd)

6. DEFERRED TAX ASSET

	Group/Company	
	2006	2005
	RM	RM
At 1 January	**62,219**	62,730
Transfer to income statement	**(62,219)**	(511)
At 31 December	**–**	62,219

The deferred tax asset comprises:

Deductible temporary differences		
- on unused tax losses	**–**	37,656
- on unabsorbed capital allowances	**–**	35,287
	–	72,943
Taxable temporary difference between net book value and tax written down value of property, plant and equipment	**–**	(10,724)
	–	62,219

At 31 December 2006, the Group and the Company have not recognised deferred tax assets arising from the following temporary differences as it is not probable that future taxable profit will be available against which the assets can be utilised:

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Deductible temporary differences relating to				
- unused tax losses	**296,507**	105,267	**73,966**	–
- unabsorbed capital allowances	**76,398**	694	**32,766**	–
	372,905	105,961	**106,732**	–
Taxable temporary differences between net book value and tax written down value of property, plant and equipment	**(37,482)**	–	**(3,647)**	–
	335,423	105,961	**103,085**	–

7. PROPERTY DEVELOPMENT COSTS

	Group 2006 RM	Group 2005 RM
At 1 January 2006	–	–
Costs incurred during the year		
Freehold land, at cost	**2,995,718**	–
Development and construction costs	**5,681,930**	–
	8,677,648	–
Less:		
Costs recognised as an expense in the income statement during the year	**1,342,082**	–
At 31 December 2006	**7,335,566**	–

8. INVENTORIES

	Group 2006 RM	Group 2005 RM
Raw materials	**2,214,657**	4,757,874
Finished goods	**10,123,215**	5,504,798
	12,337,872	10,262,672

9. TRADE AND OTHER RECEIVABLES

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Gross trade receivables	**26,459,046**	24,763,626	–	–
Less:				
Allowance for doubtful debts	**519,498**	539,463	–	–
	25,939,548	24,224,163	–	–
Other receivables	**2,744,619**	2,246,134	**2,165**	–
Deposits	**1,582,762**	776,698	**5,851**	5,851
Prepayments	**155,569**	240,355	**2,080**	–
	30,422,498	27,487,350	**10,096**	5,851

9. TRADE AND OTHER RECEIVABLES (cont'd)

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
The currency exposure profiles of trade receivables are as follows:				
Ringgit Malaysia	**21,122,894**	21,763,573	**–**	–
Singapore Dollar	**3,406,987**	1,482,755	**–**	–
Australian Dollar	**1,929,165**	998,139	**–**	–
US Dollar	**–**	519,159	**–**	–
	26,459,046	24,763,626	**–**	–
The currency exposure profiles of other receivables are as follows:				
Ringgit Malaysia	**475,427**	250,147	**2,165**	–
Australian Dollar	**2,269,192**	1,995,987	**–**	–
	2,744,619	2,246,134	**2,165**	–
The currency exposure profiles of deposits are as follows:				
Ringgit Malaysia	**1,163,722**	360,838	**5,851**	5,851
Australian Dollar	**419,040**	415,860	**–**	–
	1,582,762	776,698	**5,851**	5,851

Trade receivables comprise amounts receivable from sale of goods and services rendered to customers and outstanding rentals receivable from tenants. 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.

Other receivables, deposits and prepayments are from the normal business transactions of the Group.

Included in the deposits of the Group are amounts totalling RM472,128 (2005 : Nil) which represents deposits paid for the acquisition of property, plant and equipment.

10. FIXED DEPOSIT

The fixed deposit is placed with a licensed bank and has maturity period of less than one year. The effective interest rate of the fixed deposit is 3% per annum.

11. CASH AND BANK BALANCES

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
The currency exposure profiles of cash and bank balances are as follows:				
Ringgit Malaysia	**363,813**	316,111	**26,403**	28,143
Singapore Dollar	**164,921**	375,156	**–**	–
Australian Dollar	**8,870**	44,199	**–**	–
Euro	**2,399**	2,399	**–**	–
Indonesian Rupiah	**398**	277	**–**	–
Saudi Riyal	**131**	131	**–**	–
	540,532	738,273	**26,403**	28,143

12. SHARE CAPITAL

	2006	**2005**
	RM	**RM**
Authorised		
100,000,000 ordinary shares of RM1 each	**100,000,000**	100,000,000
Issued and fully paid		
41,960,000 ordinary shares of RM1 each	**41,960,000**	41,960,000

At 31 December 2006, there were 10,490,000 (2005 : 10,490,000) unexercised warrants in issue which entitle the registered holders to subscribe for one new ordinary share of RM1 each for every warrant held. The salient terms of the warrants 2004/2009 are as follows:

(a) The warrants are issued in registered form and constituted by a Deed Poll dated 7 September 2004 and entitle the registered holders to subscribe for one (1) new ordinary share of RM1 each in the Company at an exercise price of RM1 per ordinary share for every warrant held.

(b) The warrants may be exercised at any time during the exercise period of five (5) years from the date of issue of the warrants on 22 November 2004 to 22 November 2009.

(c) Upon exercise of the warrants into new ordinary shares, such shares shall rank pari passu in all respects with the existing ordinary shares of the Company in issue at the date of allotment of the new ordinary shares except that the new ordinary shares shall not be entitled to dividends, rights, allotments and/or other distributions, the entitlement date of which precedes or falls on the relevant exercise date of the warrants and will be subject to all the provisions of the Articles of Association of the Company.

(d) The exercise price and/or number of unexercised warrants shall be adjusted in the event of alteration to the share capital, capital distribution or issue of shares in accordance with the provisions of the Deed Poll.

13. HIRE PURCHASE LIABILITIES

	Group	
	2006 RM	2005 RM
Outstanding hire purchase instalments due:		
- not later than one year	**74,181**	–
- later than one year and not later than five years	**319,767**	–
	393,948	–
Less:		
Unexpired term charges	**64,289**	–
Outstanding principal amount due	**329,659**	–
Less:		
Outstanding principal amount due not later than one year (included in current liabilities)	**58,110**	–
Outstanding principal amount due later than one year and not later than five years	**271,549**	–

The effective interest rates of the hire purchase liabilities are between 4.68% and 6.63% (2005 : Nil) per annum.

14. BANK TERM LOANS

	Group	
	2006 RM	2005 RM
Bank term loans bearing effective interest rate of 8.00% (2005 : 7.25%) per annum, repayable by equal monthly instalments commencing August 2003	**2,664,799**	3,841,501
Bank term loans bearing effective interest rate of 8.00% (2005 : 7.25%) per annum, repayable by equal monthly instalments commencing April 2004	**2,192,673**	3,001,458
	4,857,472	6,842,959
Less:		
Repayments due within 12 months (included in Note 18)	**2,151,388**	2,023,438
Repayments due after 12 months	**2,706,084**	4,819,521

The bank term loans of a subsidiary are secured by a first party legal charge over a leasehold land and building of the said subsidiary and a specific debenture on certain plant and machinery of the said subsidiary referred to in Note 3. All the bank term loans are also guaranteed by the Company.

15. LONG TERM CREDITOR

The long term sundry creditor, which was fully repaid during the year, was denominated in US Dollar and was interest free.

16. DEFERRED TAX LIABILITIES

	Group	
	2006	2005
	RM	RM
At 1 January	**541,806**	1,805,657
Effect of adopting FRS 140 [Note 1(a)]	**42,030**	–
At 1 January, restated	**583,836**	1,805,657
Transfer from/(to) income statement	**1,667,535**	(1,263,851)
At 31 December	**2,251,371**	541,806

The deferred tax liabilities comprise:

	Group	
	2006	2005
	RM	RM
Taxable temporary differences		
- between net book value and tax written down value of property, plant and equipment	**6,415,515**	5,468,781
- other temporary differences	**132,250**	15,402
- relating to investment properties	**61,414**	–
	6,609,179	5,484,183
Less:		
Deductible temporary difference on unabsorbed capital allowances	**4,357,808**	4,942,377
	2,251,371	541,806

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Trade payables	**19,383,440**	8,543,445	**–**	–
Other payables	**5,824,561**	1,283,819	**12**	12
Deposits	**53,950**	53,950	**–**	–
Accruals	**1,657,361**	838,722	**116,271**	93,054
	26,919,312	10,719,936	**116,283**	93,066

17. TRADE AND OTHER PAYABLES (cont'd)

	Group	
	2006	2005
	RM	RM
The currency exposure profiles of trade payables are as follows:		
Ringgit Malaysia	**13,965,264**	6,309,291
US Dollar	**5,298,308**	1,895,923
Australian Dollar	**119,868**	338,231
	19,383,440	8,543,445
The currency exposure profiles of other payables are as follows:		
Ringgit Malaysia	**5,483,102**	845,761
Australian Dollar	**333,855**	387,553
US Dollar	**7,604**	24,271
Euro	**–**	23,591
Singapore Dollar	**–**	2,643
	5,824,561	1,283,819
The currency exposure profiles of accruals are as follows:		
Ringgit Malaysia	**1,370,466**	814,625
Australian Dollar	**286,895**	22,404
Singapore Dollar	**–**	1,693
	1,657,361	838,722

Trade payables comprise amounts outstanding for trade purchases, sub-contractors claims on contract works performed and retention sums payable. The normal credit periods granted by trade suppliers and sub-contractors are from 7 to 90 days whereas retention sums are payable upon the expiry of the defect liability periods of the respective construction contracts. The defect liability periods of the construction contracts are 18 months.

Other payables, deposits and accruals are from the normal business transactions of the Company.

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2006 (cont'd)

18. BANK BORROWINGS

	Group 2006 RM	Group 2005 RM
Bills payable, unsecured, bearing effective interest rates of 3.71% to 4.32% (2005 : 2.94% to 3.65%) per annum	**21,209,000**	21,228,000
Bank overdrafts		
- secured, bearing effective interest rates of 8.25% to 9.75% (2005 : 7.50%) per annum	**2,810,340**	832,765
- unsecured, bearing effective interest rates of 8.00% to 8.25% (2005 : 7.25% to 7.50%) per annum	**3,860,242**	2,778,737
	6,670,582	3,611,502
	27,879,582	24,839,502
Current portion of bank term loans (Note 14)	**2,151,388**	2,023,438
	30,030,970	26,862,940

The bills payable and bank overdrafts of the subsidiaries totalling RM25,069,242 (2005 : RM24,006,737) are unsecured but guaranteed by the Company while the secured bank overdrafts of other subsidiaries are secured by way of a supplementary loan agreement cum assignment over the leasehold property and a freehold land and building of the said subsidiaries referred to in Note 3 and are also guaranteed by the Company.

19. GROSS REVENUE

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Sale of goods	**99,125,749**	70,571,493	**–**	–
Project contract services	**3,243,114**	2,011,664	**–**	–
Property development revenue from sale of development units	**1,342,082**	–	**–**	–
Rental income from investment properties	**215,700**	208,700	**–**	–
Management fees	**–**	–	**924,000**	924,000
	103,926,645	72,791,857	**924,000**	924,000

Notes To And Forming Part Of The Financial Statements
For The Year Ended 31 December 2006 (cont'd)

20. COST OF SALES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Cost of goods sold	**89,196,739**	67,269,213	**–**	–
Direct operating costs relating to project contract services	**3,094,817**	1,129,326	**–**	–
Property development costs relating to development units sold	**1,342,082**	–	**–**	–
Direct operating costs of investment properties	**96,102**	118,383	**–**	–
	93,729,740	68,516,922	**–**	–

Included in direct operating costs of investment properties of the Group are repairs and maintenance of RM2,737 (2005:Nil).

21. FINANCE COSTS

	Group	
	2006 RM	2005 RM
Interest on bank term loans	**467,024**	571,636
Interest on bank overdrafts	**316,573**	235,986
Interest on bill payable	**786,129**	518,950
Hire purchase term charges	**22,246**	–
	1,591,972	1,326,572

22. LOSS BEFORE TAX

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Loss before tax is stated after charging:				
Auditors' remuneration				
- current year	**90,012**	69,705	**10,500**	9,200
- underestimated in prior year	**–**	700	**–**	700
Bad debts written off	**–**	6,400	**–**	–
Depreciation	**6,412,954**	6,778,227	**24,273**	24,963
Directors' remuneration				
- fees	**80,000**	62,666	**80,000**	62,666
- other emoluments	**252,000**	235,200	**–**	–
Hire of plant and machinery	**40,462**	–	**–**	–
Preliminary expenses	**10,875**	–	**–**	–
Property, plant and equipment written off	**1,900**	1	**–**	–
Rental of equipment	**9,600**	9,600	**9,600**	9,600
Rental of premises	**249,480**	272,334	**162,000**	162,000

22. LOSS BEFORE TAX (cont'd)

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
and crediting:				
Allowance for doubtful debts written back	**19,965**	14,215	**–**	–
Gain on disposal of property, plant and equipment	**19,775**	8,299	**–**	–
Gain on foreign exchange				
- realised	**809,768**	11,933	**–**	–
- unrealised	**508,655**	55,007	**–**	–
Rental income from				
- investment properties	**215,700**	208,700	**–**	–
- plant and machinery	**186,952**	1,117,546	**–**	–

23. TAX (EXPENSE)/INCOME

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Current tax expense				
- current year	**(138,345)**	(40,853)	**–**	–
- overestimated in prior years	**2,456**	–	**–**	–
	(135,889)	(40,853)	**–**	–
Overseas				
- current year	**–**	–	**–**	–
- underestimated in prior year	**(268,598)**	–	**–**	–
	(404,487)	(40,853)	**–**	–
Deferred tax (expense)/income relating to origination and reversal of temporary differences during the year	**(329,273)**	1,117,224	**(62,219)**	13,596
Deferred tax expense (under)/ overestimated in prior year	**(1,400,481)**	146,116	**–**	(14,107)
	(1,729,754)	1,263,340	**(62,219)**	(511)
	(2,134,241)	1,222,487	**(62,219)**	(511)

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

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

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Accounting loss	**(2,150,225)**	(4,028,346)	**(239,753)**	(110,875)
Tax at the applicable tax rate of 28.0% (2005:28.8%) for the Group and 28% (2005: 28%) for the Company	**602,950**	1,160,169	**67,131**	31,045
Less:				
Tax effect of expenses not deductible in determining taxable profit	**1,128,664**	405,917	**18,472**	17,449
Deferred tax income arising from originating and reversal of temporary differences not recognised during the year	**167,105**	41	**40,729**	–
Effect of derecognition of deferred tax asset previously recognised	**62,219**	–	**62,219**	–
	(755,038)	754,211	**(54,289)**	13,596
Add:				
Tax effect of other income not taxable in determining taxable profit	**127,021**	322,160	**–**	–
	(628,017)	1,076,371	**(54,289)**	13,596
Add/(Less):				
Tax effect of reduction in future applicable tax rate	**160,399**	–	**(7,930)**	–
	(467,618)	1,076,371	**(62,219)**	13,596
Add/(Less):				
Current tax expense under-estimated in prior years	**(266,142)**	–	**–**	–
Deferred tax expense (under)/overestimated in prior year	**(1,400,481)**	146,116	**–**	(14,107)
Tax (expense)/income for the year	**(2,134,241)**	1,222,487	**(62,219)**	(511)

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.

24. LOSS PER SHARE

(i) Basic loss per share

The basic loss per share has been calculated based on consolidated net loss for the year attributable to equity holders of the Company of RM3,684,007 (2005: RM2,616,589) and on 41,960,000 (2005 : 41,960,000) number of ordinary shares in issue during the year.

(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.

25. ANALYSIS OF ACQUISITION OF SUBSIDIARIES

During the financial year, the Company incorporated the following new subsidiaries:

(i) Ralco Media Sdn Bhd ("RMSB")

The Company subscribed 1,000 ordinary shares of RM1 each, representing 100% of the initial issued and paid-up share capital of RMSB, a company incorporated in Malaysia, at a cash consideration of RM1,000. RMSB was incorporated on 13 January 2006 and its principal activity is acquisition of advertising concessions at shopping mall and other public utilities for rental.

(ii) Ralco Bidara Sdn Bhd ("RBSB")

The Company subscribed 1,000 ordinary shares of RM1 each, representing 100% of the initial issued and paid-up share capital of RBSB, a company incorporated in Malaysia, at a cash consideration of RM1,000. RBSB was incorporated on 4 April 2006 and its principal activity is property development.

(iii) Ralco Construction Sdn Bhd ("RCSB")

The Company subscribed 1,000 ordinary shares of RM1 each, representing 100% of the initial issued and paid-up share capital of RCSB, a company incorporated in Malaysia, at a cash consideration of RM1,000. RCSB was incorporated on 6 April 2006 and its principal activity is to carry on business of contractors to erect and construct houses, buildings or works description of any land.

In 2005, the Group, through its wholly-owned subsidiary, Ralco Plastic Sdn Bhd, subscribed for 78 shares of AUD1 each, representing 78% of the issued and paid-up share capital of Ralco Australia Pty Ltd, a company incorporated in Australia at a cash consideration of AUD78 (RM232).

The above acquisitions were accounted for using the acquisition method of accounting. There is no goodwill or negative goodwill arising from the said acquisitions.

The effects of the newly incorporated subsidiaries during the year on the consolidated net profit, the consolidated financial position and the consolidated cash flow statement are as follows:

25. ANALYSIS OF ACQUISITION OF SUBSIDIARIES (cont'd)

(a) Effect on consolidated net profit for the year

	Subsidiaries incorporated in 2006 RM	Subsidiaries incorporated in 2005 RM
Gross revenue	**1,342,082**	2,200,584
Loss before tax	**(662,973)**	(953,859)
Tax expense	**(61,038)**	–
Loss after tax	**(724,011)**	(953,859)
Minority interest	**–**	253,055
Increase in Group's net loss	**(724,011)**	(700,804)

(b) Effect on consolidated financial position at 31 December

	Subsidiaries incorporated in 2006 RM	Subsidiaries incorporated in 2005 RM
Non-current assets	**525,557**	1,663,681
Current assets	**7,691,562**	1,518,770
Current liabilities	**(3,910,369)**	(559,963)
Minority interest	**–**	252,990
Increase in Group's share of net assets	**4,306,750**	2,875,478

(c) Effect on consolidated cash flow statement for the year

	Subsidiaries incorporated in 2006 RM	Subsidiaries incorporated in 2005 RM
Net assets acquired:		
Current assets	**3,000**	297
Minority interest	**–**	(65)
Total purchase consideration	**3,000**	232
Less:		
Cash and bank balances acquired	**–**	–
Net cash flows on acquisition	**3,000**	232

26. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Salaries, wages, allowances and bonuses				
- Executive directors	**225,000**	210,000	**–**	–
- Other employees	**11,042,315**	7,328,150	**692,026**	598,542
Defined contribution plan	**704,251**	494,484	**72,086**	65,958
Social security costs				
- SOCSO contributions	**58,514**	47,075	**7,157**	6,634
Other benefits	**443,558**	511,705	**–**	–
	12,473,638	8,591,414	**771,269**	671,134

27. CAPITAL COMMITMENTS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Approved capital expenditure in respect of property, plant and equipment contracted but not provided in the financial statements	**525,000**	–	**–**	–

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Company has a controlling related party relationship with its subsidiaries.

Transactions with subsidiaries during the year are as follows:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 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.

28. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

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

	Company	
	2006	**2005**
	RM	**RM**
Outstanding advances owing by Ralco Plastic Sdn Bhd	**25,392,945**	26,779,213
Outstanding advances owing to		
- Ralco Coolers Sdn Bhd	**476,000**	476,000
- Ralco Properties Sdn Bhd	**–**	40,500

29. CONTINGENT LIABILITIES

	Group		Company	
	2006	**2005**	**2006**	**2005**
	RM	**RM**	**RM**	**RM**
Unsecured corporate guarantees in respect of				
- banking facilities granted to subsidiaries	**–**	–	**43,450,000**	43,450,000
- trade facilities granted to a subsidiary	**–**	–	**9,551,000**	9,551,000
	–	–	**53,001,000**	53,001,000

30. 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
Property development	–	The development of residential and commercial properties
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.

30. SEGMENT ANALYSIS (cont'd)

Year ended 31 December 2006	**Plastic products RM**	**Gensets RM**	**Property development RM**	**Others RM**	**Group RM**
Revenue					
Sales	97,821,797	4,547,066	6,463,124	1,395,300	110,227,287
Less:					
Inter-segment sales	–	–	5,121,042	1,179,600	6,300,642
External sales	97,821,797	4,547,066	1,342,082	215,700	103,926,645
Results					
Segment operating profit/(loss)	3,521,777	(2,332,938)	(128,796)	(1,618,296)	(558,253)
Finance costs					(1,591,972)
Loss before tax					(2,150,225)
Tax expense					(2,134,241)
Net loss for the year					(4,284,466)
Other information					
Segment assets	86,620,743	4,678,871	7,629,724	4,756,956	103,686,294
Segment liabilities	54,472,190	2,906,669	3,841,504	1,078,071	62,298,434
Capital expenditure	5,797,847	543,806	6,431	565,139	6,913,223
Depreciation	6,191,642	116,177	781	104,354	6,412,954
Year ended 31 December 2005					
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
Results					
Segment operating loss	(1,005,767)	(833,892)	–	(862,115)	(2,701,774)
Finance costs					(1,326,572)
Loss before tax					(4,028,346)
Tax income					1,222,487
Net loss for the year					(2,805,859)

30. SEGMENT ANALYSIS (cont'd)

Year ended 31 December 2005	Plastic products RM	Gensets RM	Property development RM	Others RM	Group RM
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

(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
2006			
Malaysia	99,379,579	6,369,417	99,007,423
Asia Pacific	4,547,066	543,806	4,678,871
	103,926,645	**6,913,223**	**103,686,294**
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

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

31. FINANCIAL INSTRUMENTS

(i) Credit risk

At balance sheet date, the Group did not have any significant exposure to any individual customer or counterparty nor any major concentration of credit risk related to any financial assets.

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

31. FINANCIAL INSTRUMENTS (cont'd)

(ii) Fair values

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries referred to in Note 29. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

The carrying amounts of the financial assets and liabilities of the Company and of the Group at 31 December 2006 approximated their fair values.

32. SUBSEQUENT EVENTS

Subsequent to year end,

(a) a wholly-owned subsidiary of the Company, Ralco Plastic Sdn Bhd, subscribed 1,000 ordinary shares of RM1 each, representing 100% of the initial issued and paid-up share capital of Ralco Compounding Sdn Bhd, a new company incorporated in Malaysia, at cash consideration of RM1,000. The intended principal activity of the newly incorporated subsidiary is manufacturing of and trading in calcium carbonate.

(b) the Company entered into a conditional Share Sale Agreement with Datuk Ismail Bin Adam and Encik Mohd Taib Bin Ab Wahab for the proposed disposal of 100,000 ordinary shares of RM1 each, representing 100% of the issued paid-up share capital of Ralco Media Sdn Bhd, a subsidiary of the Company, at a cash consideration of RM50,000.

33. COMPARATIVE FIGURES

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

	As restated RM	As previously stated RM
Consolidated income statement for the year ended 31 December		
Cost of sales	(68,516,922)	(68,519,636)
Gross profit	4,274,935	4,272,221
Administrative and general expenses	(6,128,843)	(6,126,129)

34. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements of the Company and of the Group were authorised for issue by the directors on 23 April 2007.

Statement By Directors

In the opinion of the directors, the financial statements set out on pages 31 to 75 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 2006 and of their results and cash flows for the year then ended; and

(b) in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards for Entities Other Than Private Entities.

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

HENG HONG CHAI	**TAN KIE LU**
Director	Director

23 April 2007

Statutory Declaration

I, Heng Hong Chai, being the director primarily responsible for the financial management of Ralco Corporation Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 31 to 75 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 23 April 2007	)	
	)	
	)	
	)	**HENG HONG CHAI**

Before me:
W092
Robert Lim Hock Kee

Commissioner for Oaths

List Of Group's Properties
As At Year 2006

Location	Type (Existing Use)	Tenure (Expiring Date)	Land Area (Built-up Area)	Net Book Value (RM)	Approximate Age of Property (No. of Years)	Date of Last Revaluation / Acquisition
Lot 1476 Kawasan Perusahaan Nilai 71800 Nilai Negeri Sembilan	Land and Building (Factory)	Leasehold (20/08/2089)	18,200 sq. meters	11,053,798	14	10/06/1991
Lot 1478 Kawasan Perusahaan Nilai 71800 Nilai Negeri Sembilan	Land and Building (Factory)	Leasehold (20/08/2089)	4,464 sq. meters	2,747,894	14	12/12/1995
No. 11, Jalan PJS 11/28-B Bandar Sunway 46150 Petaling Jaya Selangor	Land and Building (Head Office)	Leasehold (11/03/2095)	(1,418 sq. meters)	2,487,119	11	24/09/1993
No. 14, Jalan PJS 11/18 Bandar Sunway 46150 Petaling Jaya Selangor	Land and Building (Rental)	Leasehold (28/12/2096)	(501.7 sq. meters)	1,430,000	13	10/10/1991 (R)*
PT. 5001, 5536, 5490, 5491, 5535 Mukim Labu 71800 Nilai Negeri Sembilan	Land and Building 5 One-Storey Terrace House (Workers Hotel)	Freehold	(95 sq. meters each)	263,000	12	06/09/1993
No. 7, Jalan Bistari 2 Taman Industri Jaya 81300 Skudai Johor Bahru	Land and Building (Factory)	Leasehold (03/09/2911)	4,047 sq. meters	2,791,211	4	20/03/2003 (R)**
661, Dundas Road Forrestfield 6058 Western Australia	Land and Building (Workshop)	Freehold	2,100 sq. meters	1,581,616	2	04/04/2005 (R)***

Notes:
(R)* - Last revaluation was performed on 02/06/2006
(R)** - Last revaluation was performed on 19/05/2003
(R)*** - Last revaluation was performed on 29/05/2006

Statement Of Directors' Interests

As At 23 April 2007

Directors Shareholding as per the Register of Directors' Shareholdings As At 23 April 2007

No.	Name of Director	Number of Ordinary Shares of RM1.00 each Direct Interest	%	Indirect Interest	%
1.	Heng Hong Chai	–	–	–	–
2.	Tan Kie Lu	109,420	0.26	–	–
3.	Heng Chee Wei	–	–	–	–
4.	Sui Diong Hoe	1,867,338	4.45	–	–
5.	Lee Thiam	–	–	–	–
6.	Ang Poo Guan	–	–	–	–

No.	Name of Director	Number of Warrants Direct Interest	%	Indirect Interest	%
1.	Heng Hong Chai	–	–	–	–
2.	Tan Kie Lu	27,355	0.26	–	–
3.	Heng Chee Wei	–	–	–	–
4.	Sui Diong Hoe	2,077,138	19.80	–	–
5.	Lee Thiam	–	–	–	–
6.	Ang Poo Guan	–	–	–	–

Shareholdings Structure
As At 23 April 2007

Analysis Of Shareholdings As At 23 April 2007

Authorised Share Capital	:	**RM100,000,000**
Issued and Paid-up Share Capital	:	**RM41,960,000**
Class of Shares	:	**Ordinary Shares of RM1.00 each**
Total Number of Shares Issued	:	**41,960,000 Shares**
Voting Rights	:	**1 Vote per Ordinary Share**

Size Of Shareholdings

Range	No. of Shareholders	%	No. of Shares	% of Issued Capital
1 - 99	15	1.00	580	0.00
100 - 1,000	83	5.50	54,980	0.13
1,001 - 10,000	1,204	79.79	3,662,670	8.73
10,001 - 100,000	174	11.53	4,918,579	11.72
100,001 - 2,097,999 *	31	2.05	14,601,381	34.80
2,098,000 and above **	2	0.13	18,721,810	44.62
Total	1,509	100.00	41,960,000	100.00

Remark:
* Less than 5% of the issued capital
** 5% and above of the issued capital

Substantial Shareholders as per the Register of Substantial Shareholders As At 23 April 2007

No.	Name of Substantial Shareholder	Number of Ordinary Shares of RM1.00 each: Direct Interest	%	Indirect Interest	%
1.	Tiong King Sing	13,041,810	31.08	–	–
2.	Ria Kirana Sdn Bhd	5,680,000	13.54	–	–

Shareholdings Structure
As At 23 April 2007 (cont'd)

Thirty (30) Largest Shareholders As At 23 April 2007

No.	Name	No. of Shares	%
1.	OSK Nominees (Tempatan) Sdn Bhd *Account for Tiong King Sing*	13,041,810	31.08
2.	OSK Nominees (Tempatan) Sdn Bhd *Account for Ria Kirana Sdn Bhd*	5,680,000	13.54
3.	Chong Sze San	2,000,000	4.77
4.	OSK Nominees (Tempatan) Sdn Bhd *Account for Sui Diong Hoe*	1,767,338	4.21
5.	Duclos Sdn Bhd	1,636,800	3.90
6.	Kenanga Nominees (Asing) Sdn Bhd *Account for International Scientific (Private) Limited*	964,945	2.30
7.	Aatif Asgher Hirji	955,400	2.28
8.	Lee Ngee Moi	751,600	1.79
9.	Siow Hock Lee	740,000	1.76
10.	Chia May Fong	712,800	1.70
11.	OSK Nominees (Tempatan) Sdn Bhd *Account for Pau Chiong Ung*	506,000	1.21
12.	OSK Nominees (Tempatan) Sdn Bhd *Account for Loh Tung Sing*	470,000	1.12
13.	Harmony Chime Sdn Bhd	421,800	1.01
14.	Public Nominees (Tempatan) Sdn Bhd *Account for Nge Nyit Hua*	393,500	0.94
15.	DB (Malaysia) Nominee (Asing) Sdn Bhd *Account for Contend Investments Limited*	375,000	0.89
16.	Ching Gek Lee	310,000	0.74
17.	Gek Lee Enterprise Sdn Bhd	300,000	0.72
18.	Syarikat Rimba Timur (RT) Sdn Bhd	275,000	0.66
19.	Kenanga Nominees (Asing) Sdn Bhd *Account for Chan Wang Joo @ Tan Wang Joo*	218,000	0.52
20.	OSK Nominees (Tempatan) Sdn Bhd *Account for Lee Thiam Fah*	165,600	0.39
21.	Mayban Securities Nominees (Asing) Sdn Bhd *Account for Ng Yee Hoon @ Ng Yam Hoon*	150,000	0.36
22.	Sharifah Asiah Binti Syed Aziz Baftim	150,000	0.36
23.	Chong Chee Meng	145,500	0.35
24.	OSK Nominees (Tempatan) Sdn Bhd *Account for Lee Thiam Loy*	143,578	0.34
25.	Public Nominees (Tempatan) Sdn Bhd *Account for Pau Chiong Wo*	140,000	0.33
26.	Chee Chee Pin	138,000	0.33
27.	Cheong Kuang Huang	122,100	0.29
28.	Law Suk Peng	120,000	0.29
29.	Loh Ban Seng Minimart Sdn Bhd	120,000	0.29
30.	Ban Hock Seng Sdn Bhd	110,000	0.26
	Total	33,024,771	78.73

Warrant Holdings Structure
As At 23 April 2007

Analysis Of Warrant Holdings As At 23 April 2007

Size Of Warrant Holdings

Range	No. of Warrant Holders	%	No. of Warrants	% of Issued Capital
1 - 99	6	1.73	288	0.00
100 - 1,000	147	42.49	109,925	1.05
1,001 - 10,000	134	38.73	543,950	5.19
10,001 - 100,000	45	13.01	1,740,899	16.60
100,001 - 524,499 *	7	2.02	1,834,900	17.49
524,500 and above **	7	2.02	6,260,038	59.67
Total	346	100.00	10,490,000	100.00

Remark:
* Less than 5% of the issued capital
** 5% and above of the issued capital

Thirty (30) Largest Warrant Holders As At 23 April 2007

No.	Name	No. of Warrants	%
1.	OSK Nominees (Tempatan) Sdn Bhd *Account for Sui Diong Hoe*	1,357,638	12.94
2.	OSK Nominees (Tempatan) Sdn Bhd *Account for Tiong King Sing*	1,567,400	14.94
3.	Lee Ngee Moi	1,037,200	9.89
4.	Tan Lee Gek	759,000	7.24
5.	OSK Nominees (Asing) Sdn Bhd *Account for Tan Boon Chiang*	729,000	6.95
6.	Sui Diong Hoe	719,500	6.86
7.	Chia May Fong	611,300	5.83
8.	OSK Nominees (Tempatan) Sdn Bhd *Account for Hew Tien Shoong*	376,900	3.59
9.	Aatif Asgher Hirji	267,000	2.55

Warrant Holdings Structure
As At 23 April 2007 (cont'd)

Thirty (30) Largest Warrant Holders As At 23 April 2007 (cont'd)

No.	Name	No. of Warrants	%
15.	Lee Chee Beng	100,000	0.95
16.	Beh Lai Keow	96,000	0.92
17.	Dinah Doong Weng Lee	91,644	0.87
18.	Tok Boon Seong	84,800	0.81
19.	Ling Yok Lang	81,000	0.77
20.	Ngo Tek Phang	78,000	0.74
21.	Ching Gek Lee	75,000	0.72
22.	OSK Nominees (Tempatan) Sdn Bhd *Account for Ria Kirana Sdn Bhd*	70,500	0.67
23.	Gek Lee Enterprise Sdn Bhd	65,000	0.62
24.	Syarikat Rimba Timur (RT) Sdn Bhd	60,000	0.57
25.	Patrick Chiong Sui Chai	50,000	0.48
26.	Lian Bee Gek	45,000	0.43
27.	Cimsec Nominees (Tempatan) Sdn Bhd *Account for Ching Seng Fatt*	40,000	0.38
28.	Cheong Kuang Huang	39,500	0.38
29.	Cimsec Nominees (Tempatan) Sdn Bhd *Account for Lee Peng Teik*	31,000	0.30
30.	Law Suk Peng	30,000	0.29
	Total	9,232,382	88.03

RALCO

RALCO CORPORATION BERHAD (333101-V)
Incorporated In Malaysia

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 **Twelfth Annual General Meeting** of the Company will be held at the **East VIP Lounge, Kuala Lumpur Golf & Country Club, No.10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Tuesday, 12 June 2007 at 10.00am** or at any adjournment thereof.

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

RESOLUTIONS		FOR	AGAINST
Resolution 1	To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 31 December 2006		
Resolution 2	To approve the payment of Directors' Fees amounting to RM80,000.00		
Resolution 3	To re-elect Mr. Tan Kie Lu as Director pursuant to Article 64 of the Company's Articles of Association		
Resolution 4	To re-elect Mr. Sui Diong Hoe as Director pursuant to Article 69 of the Company's Articles of Association		
Resolution 5	To re-elect Mr. Lee Thiam as Director pursuant to Article 69 of the Company's Articles of Association		
Resolution 6	To re-elect Mr. Ang Poo Guan as Director pursuant to Article 69 of the Company's Articles of Association		
Resolution 7	To re-appoint Messrs Moores Rowland as the Company's Auditors		
Resolution 8	Approval pursuant to Section 132D		

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.

Number of Shares

Dated this ________ day of __________ 2007

____
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

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RALCO CORPORATION BERHAD (Company No. 333101-V)

RALCO
CORPORATION
BERHAD
(Company No. 333101-V)

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