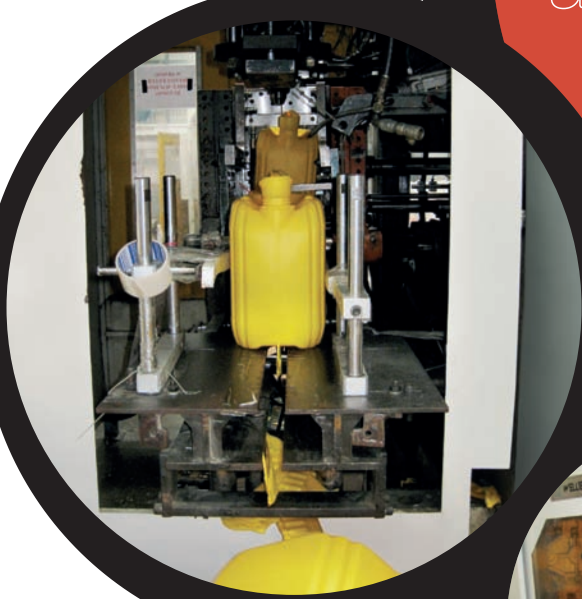
annual report

2008



RALCO

RALCO CORPORATION BERHAD

(Company No. 333101-V)

www.ralco.net

Contents

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting of Ralco Corporation Berhad ("Company") will be held at Tioman Room, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur on Thursday, 25th day of June 2009 at 2.00 p.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2008 together with the Reports of the Directors and Auditors thereon. **RESOLUTION 1**

2. To approve the payment of Directors' fees of RM133,000 for the financial year ended 31 December 2008. **RESOLUTION 2**

3. To re-elect Mr. Ang Poo Guan, the Director retiring by rotation pursuant to Article 64 of the Company's Articles of Association. **RESOLUTION 3**

4. To re-elect Datuk Lim Si Cheng who retires in accordance with Article 69 of the Company's Articles of Association. **RESOLUTION 4**

5. To appoint Auditors and to authorise the Directors to fix their remuneration. **RESOLUTION 5**

   Notice of Nomination pursuant to section 172 (11) of the Companies Act, 1965, a copy of which is annexed hereto as Annexure "A" in the 2008 Annual Report has been received by the Company for the nomination of Messrs. RSM Robert Teo, Kuan & Co. (AF: 0768) who have given their consent to act, for appointment as Auditors and of the intention to propose the following ordinary resolution:-

   "THAT Messrs. RSM Robert Teo, Kuan & Co. (AF: 0768) be and are hereby appointed as Auditors of the Company in place of retiring Auditors, Messrs. Moores Rowland [AF0539] to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

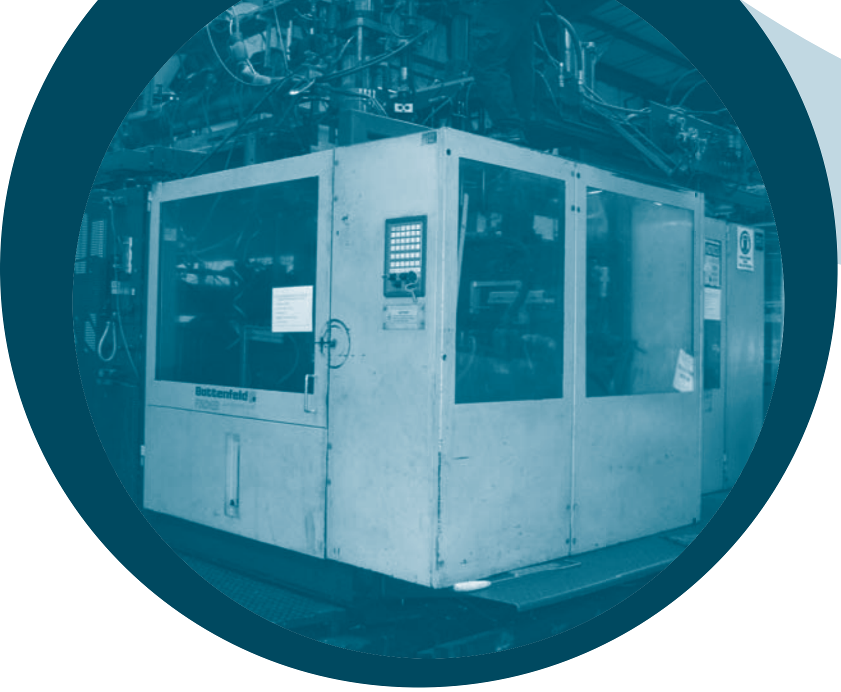
AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions:-

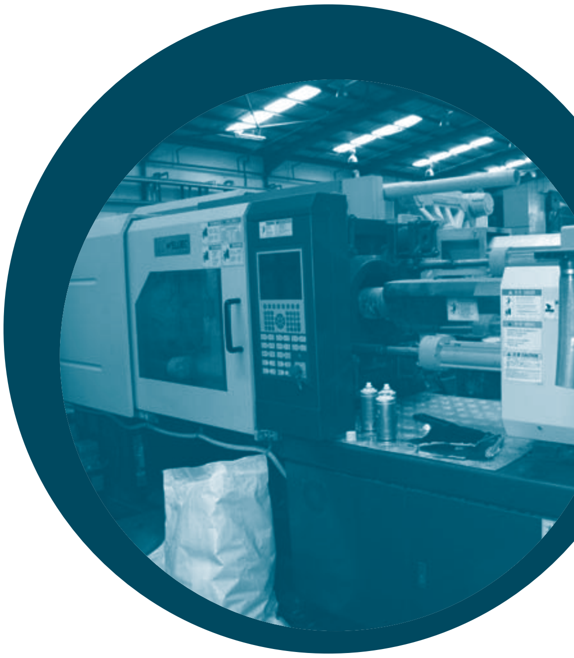
6. **Ordinary Resolution**
   Authority to issue shares pursuant to Section 132D of the Companies Act, 1965 **RESOLUTION 6**

   "THAT, subject to Section 132D of the Companies Act, 1965 and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company at any time until the conclusion of the next Annual General Meeting 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 to be issued does not exceed ten per centum (10%) of the total issued and paid-up share capital of the Company for the time being AND THAT the Directors are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad."

7. To transact any other ordinary business of the Company for which due notice shall have been given.



Notice of Annual General Meeting (cont'd)



BY ORDER OF THE BOARD

CHIA SIEW CHIN (MIA 2184)
AIDA BINTI KARIM (LS0008384)
Secretaries

Kuala Lumpur
4 June 2009

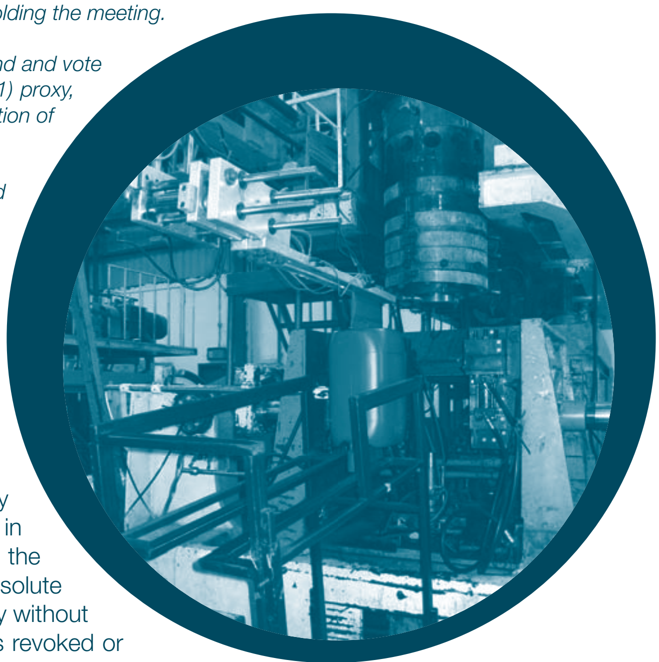
NOTES:

1. *A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his behalf. A proxy may but need not be a member of the Company.*

2. *The duly completed instrument appointing the proxy must be deposited at the registered office of the Company at Suite 27-03, 27th Floor, Menara Keck Seng, 203 Jalan Bukit Bintang, 55100 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time appointed for holding the meeting.*

3. *A member shall be entitled to appoint more than one proxy to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.*

4. *The instrument appointing a proxy shall be in writing under the hand of the appointor duly authorized in writing or if such appointor is a corporation, under its common seal or under the hand of its attorney.*



EXPLANATORY NOTES ON SPECIAL BUSINESS:

(a) The proposed Ordinary Resolution 6, if passed, will give the Directors of the Company authority to issue and allot ordinary shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for the time being for such purposes as the Directors in their absolute discretion consider to be in the best interest of the Company without having to convene a general meeting. This authority, unless revoked or varied by the Company at the general meeting, will expire at the next Annual General Meeting of the Company.

OSK Nominees (Tempatan) Sdn. Berhad (6023-A)

Date: 14 May 2009

Board of Directors
Ralco Corporation Berhad
Registered Office Of
Suite 27-03-27th Floor
Menara Keck Seng
203 Jalan Bukit Bintang
55100 Kuala Lumpur
Wilayah Persekutan

Dear Sir

SPECIAL NOTICE
-Proposed Nomination of Auditors

We being the registered shareholder holding 14.96% pledged securities account for Ria Kirana Sdn. Bhd. in Ralco Corporation Berhad, hereby give our notice in pursuant to Section 172(11) of the Companies Act, 1965 for the nomination of the following proposed new auditors in place of the retiring auditors, Messrs Moores Rowland, and to pass the following ordinary resolution at the forthcoming annual general meeting to be held by the Company:

"THAT Messrs. RSM Robert Teo, Kuan & Co (AF0768) be and are hereby appointed as Auditors of the Company in place of retiring auditors, Messrs Moores Rowland (AF0539) to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

Thank you.

Yours faithfully
OSK NOMINEES (TEMPATAN) SDN. BERHAD
(Pledged securities account for Ria Kirana Sdn. Bhd.)

Lim Ah Lay
Director

Statement Accompanying Notice of Annual General Meeting

1. Directors who are standing for re-election as Directors at the Fourteenth Annual General Meeting of the Company:-

   Pursuant to Article 64 of the Company's Articles of Association
   Mr. Ang Poo Guan

   Pursuant to Article 69 of the Company's Articles of Association
   Datuk Lim Si Cheng

2. Details of the profile of Directors seeking for re-election are set out in the Profile of Directors on pages 6 & 7 of this Annual Report.

3. Six (6) Board meetings were held during the financial year ended 31 December 2008. Details of attendance of the Directors at Board meetings are set out on page 9 of this Annual Report.

4. Details of Board meetings are as follows:

Date of meeting	Time
28 February 2008	9.00 a.m.
22 April 2008	9.30 a.m.

   All the above meetings were held at No. 11, Jalan PJS 11/28, Bandar Sunway, 46150 Petaling Jaya, Selangor Darul Ehsan.

Date of meeting	Time
29 May 2008	12.00 noon
1 July 2008	9.30 a.m.
26 August 2008	11.35 a.m.
25 November 2008	11.35 a.m.

   All the above meetings were held at 903 & 904, Level 9, Bangunan TH Uptown 3, No. 3 Jalan SS21/39, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan.

5. None of the Directors have any family relationship with the other Directors and/or Major Shareholders of the Company.

6. None of the Directors have been convicted for offences within the past ten (10) years other than traffic offences, if any.

7. None of the directors have any conflict of interest in the Company.

8. None of the Directors hold any directorship in other public companies except for Mr. Sui Diong Hoe, Mr. Ang Poo Guan and Encik Mohd Khasan Bin Ahmad.

9. Details of the interest of Directors in the securities of the Company and/or in a related corporation are set out on pages 74 & 77 of this Annual Report.

Corporate Information

BOARD OF DIRECTORS

Datuk Lim Si Cheng
Chairman, Independent Non-Executive Director

Sui Diong Hoe
Managing Director

Heng Chee Wei
Senior Independent Non-Executive Director

Mohd Khasan bin Ahmad
Independent Non-Executive Director

Lee Thiam
Independent Non-Executive Director

Ang Poo Guan
Independent Non-Executive Director

SECRETARIES

Chia Siew Chin (MIA 2184)
Company Secretary
Aida binti Karim (LS0008384)
Assistant Secretary

REGISTERED OFFICE

Suite 27-03, 27th Floor
Menara Keck Seng
203 Jalan Bukit Bintang
55100 Kuala Lumpur
Wilayah Persekutuan
Tel : 603-2145 6828
Fax : 603-2115 0828

REGISTRAR

System & Securities Sdn. Bhd.
Plaza 138, Suite 18.03
18th Floor, 138 Jalan Ampang
50450 Kuala Lumpur
Tel: 603-2161 5466
Fax: 603-2163 6968

AUDITORS

Moores Rowland (AF : 0539)
Chartered Accountants
Wisma Selangor Dredging
7th Floor, South Block
142-A Jalan Ampang
50450 Kuala Lumpur
Tel: 603-2161 5222
Fax: 603-2161 3909

PRINCIPAL BANKERS

CIMB Bank Berhad
United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Second Board of the
Bursa Malaysia Securities Berhad

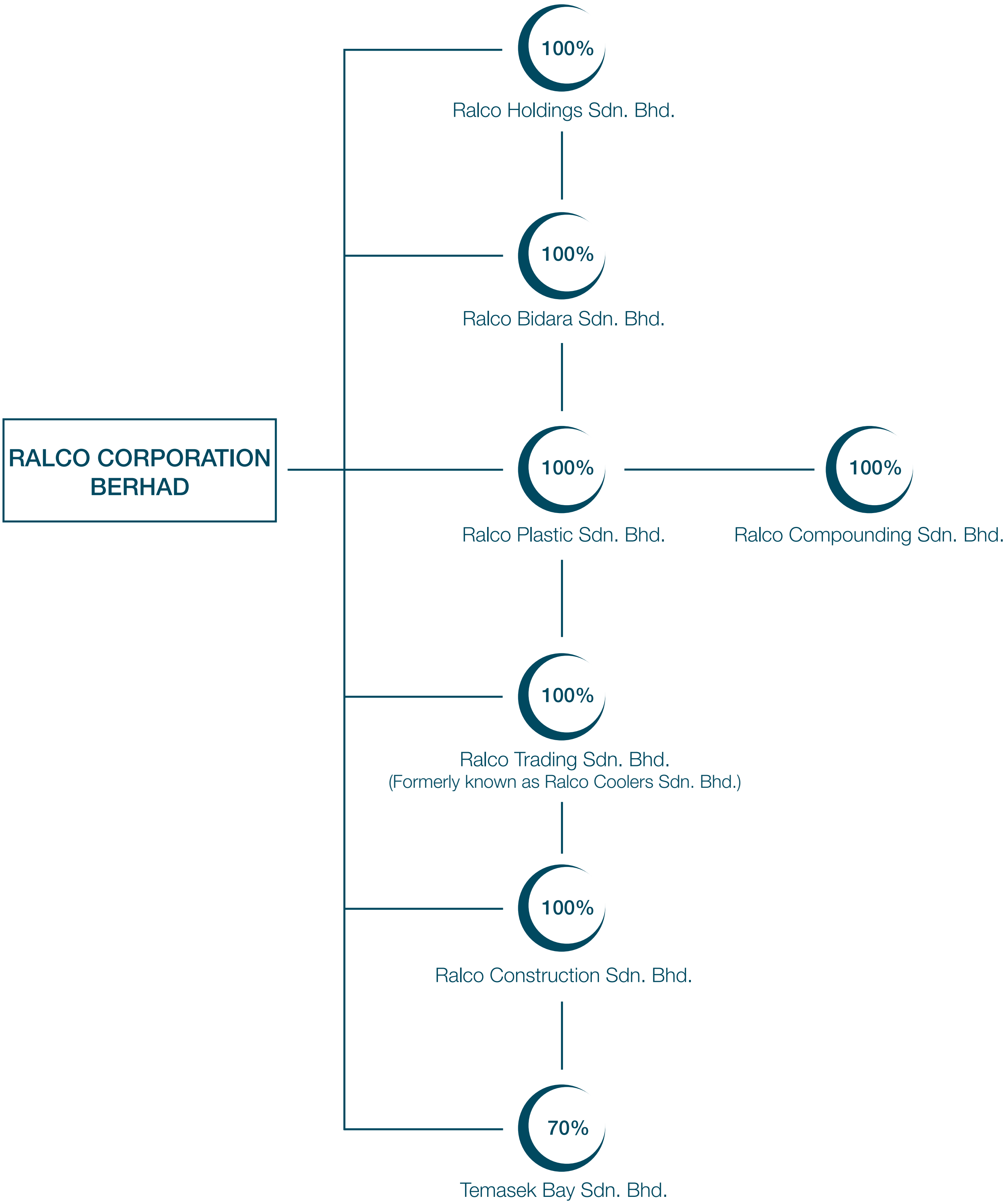
STOCK NAME

RALCO

BURSA SECURITIES STOCK NO.

7498

Corporate Structure



Profile of Directors

DATUK LIM SI CHENG, PJN., PIS
Chairman, Independent Non-Executive Director
Aged 59, Malaysian

Datuk Lim Si Cheng was appointed to the Board and Chairman to the Board on 16 June 2008. He started his career as journalist in 1968. He was a State Assembly of Bandar Segamat from 1982 to 1990. He was a Johor State Executive Councillor from 1986 to 1990 before appointed as Political Secretary to Minister of Transport in 1990. In 1995, he was elected as Member of Parliament Kulai, Johor and in 1999, he served as Deputy Speaker to the House of Representatives, Parliament Malaysia until February 2008. He does not hold any directorship in any other public companies. He has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Group. He has no family relationship with any other directors or major shareholders of the Group and has not been convicted for any offences within the past ten (10) years other than for traffic offence, if any. He does not have interest in the securities of the Group.

Details of number of Board meetings attended by him during the financial year are set out in page 9 of this Annual Report.

SUI DIONG HOE
Managing Director
Aged 54, Malaysian

Mr. Sui Diong Hoe was appointed to the Board and Executive Director on 10 January 2007 and subsequently redesignated as Managing Director with effect from 29 May 2008. He is an associate member of the Association of Chartered Certified Accountant, United Kingdom and a Member of the Malaysian Institute of Accountants. He also sits on the Boards of several private limited companies involving in investment and consultancy services. He is a director of Timberwell Berhad, a public company listed on the Second Board of the Bursa Malaysia Securities Berhad. He has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Group. He has no family relationship with any other directors or major shareholders of the Group and has not been convicted for any offences within the past ten (10) years other than for traffic offences, if any. He has direct shareholding of 2,024,238 ordinary shares of RM1.00 each in the Company.

Details of number of Board meetings attended by him during the financial year are set out in page 9 of this Annual Report.

HENG CHEE WEI, A.M.P.
Senior Independent Non-Executive Director
Aged 38, Malaysian

Mr. Heng Chee Wei was appointed to the Board on 8 August 2001. He is a member of the Malaysian Institute of Accountants and 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 with PricewaterhouseCoopers from 1996 to1999. He does not hold any directorship in any other public companies. He has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Group. He has no family relationship with any other directors or major shareholders of the Group and has not been convicted for any offences within the past ten (10) years other than for traffic offence, if any. He does not have interest in the securities of the Group.

Mr. Heng is also the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee and also, identified by the Board as a senior independent non-executive director.

Details of number of Board meetings attended by him during the financial year are set out in page 9 of this Annual Report.

Profile of Directors (cont'd)

MOHD KHASAN BIN AHMAD
Independent Non-Executive Director
Aged 48, Malaysian

En. Mohd Khasan Bin Ahmad was appointed to the Board on 19 September 2007. He graduated from Universiti Teknologi Mara with a Degree in Accountancy and is a member of the Malaysian Institute of Accountants. He served in Bank Negara Malaysia for a period of about seven (7) years, the last two (2) years of which he was seconded to the then Capital Issues Committee as its Principal Assistant Secretary. Subsequently, he joined the Securities Commission for a period of about six (6) years and his last capacity was as an Assistant Manager in its Issues and Investment Division. During the tenure of his above appointments, he was involved in various corporate exercises ranging from initial public offerings, mergers and acquisitions, reverse take-overs, issuance of bonds and other capital raising exercises. He then joined the private sector in 1997 and held various senior management positions. He is also the Director of Ta Win Holdings Berhad, Farm's Best Berhad, Crest Builder Holdings Berhad and Wellcall Holdings Berhad. He has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Group. He has no family relationship with any other directors or major shareholders of the Group nor has been convicted for any offences within the past ten (10) years other than for traffic offences, if any. He does not have interest in the securities of the Group.

Details of number of Board meetings attended by him during the financial year are set out in page 9 of this Annual Report.

LEE THIAM
Independent Non-Executive Director
Aged 51, Malaysian

Mr. Lee Thiam was appointed to the Board on 10 January 2007. He is currently the Managing Director of SPL Trans Sdn. Bhd. and technical adviser for Tropitec Sdn. Bhd. He also sits on the Board of Directors and shareholder of various private companies. He does not hold any directorships in any other public listed companies. 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 (10) years other than for traffic offence, if any. He does not have direct interest in the securities of the Group.

Mr. Lee is a member of Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Details of number of Board meetings attended by him during the financial year are set out in page 9 of this Annual Report.

ANG POO GUAN
Independent Non-Executive Director
Aged 61, Malaysian

Mr. Ang Poo Guan was appointed to the Board on 26 February 2007. He graduated from Universiti Malaya in 1972 with a Bachelor of Agriculture Science (Hons). Upon graduation, he joined a plantation management company for a short stint before joining an agricultural development bank in 1973. In 1980, he joined a foreign commercial bank where he rose to the position of Senior Vice President. In 1996, he left the banking sector to join a stock broking firm where he was appointed Chief Executive Officer cum Director. He is currently the Chief Executive Officer in a main board public-listed company. He also holds directorship in a public-unlisted company and various private limited companies. He has not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Group. He has no family relationship with any other directors or major shareholders of the Group and has not been convicted for any offences within the past ten (10) years other than for traffic offences, if any. He does not have interest in the securities of the Group.

Mr. Ang is a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Details of number of Board meetings attended by him during the financial year are set out in page 9 of this Annual Report.

Corporate Governance Statement

The Board of Directors of Ralco Corporation Berhad ("the Board") continues to recognise 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. It remains committed to ensure that the highest standards of accountability and transparency are practiced throughout the Group as the underlying principle in discharging its responsibilities.

The Board is pleased to present below how the Group has applied the principles of corporate governance and the extent of compliance with the principles and best practices set out in the Malaysian Code on Corporate Governance. These principles and best practices have been applied consistently throughout the financial year ended 31 December 2008 except where otherwise stated herein.

1. BOARD OF DIRECTORS

The Board

The Board acknowledges its principal 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 Board also has full control of and acknowledge its responsibilities for the overall strategy and standards of conduct of the Group's business, risks management, succession planning, strategic planning, formulation of policies, annual budget, review of financial and operational performance, investor relation programme and systems of internal control of the Group.

Board composition and Balance

The Board comprises of six (6) Directors, which includes one (1) Chairman, Independent Non-Executive Director, one (1) Managing Director, one (1) Senior Independent Non-Executive Director and three (3) Independent Non-Executive Directors. The current Board composition complies with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Company is led by an experienced Board with a broad range of skills, knowledge and expertise to effectively facilitate the discharge of the Board's stewardship.

The Independent Non-Executive Directors with their different backgrounds and specialisation bring along wide range of skills, finance and technical expertise. These allow them to exercise independent advice, view and judgement on the issues of strategy, performance, resources, including key appointments and standards of conduct and to bear on the decision-making process of the Group to ensure that a balanced and unbiased deliberation process is in place to safeguard the interests of the shareholders and other stakeholders of the Company. As and when a potential conflict of interest arises, it is mandatory practice for the Directors concerned to declare their interest and abstain from the decision-making process.

There is a clear division of responsibilities between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the Managing Director is responsible for the overall operations of the Group and the implementation of the Board's strategies and policies.

Board meetings

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. All the proceedings at the Board meetings are properly minuted and signed by the Chairman. The Board follows formal schedules for meeting and Board members are adequately provided with status report and Board papers to assist them to make the best decisions in the best interest of the Company at all times.

Corporate Governance Statement (cont'd)

During the financial year ended 31 December 2008, a total of six (6) Board meetings were held. The following is the record of attendance of the Directors during their tenure:-

Name of Directors	Designation	Date of Appointment	Date of Resignation	Number of Meetings Attended
Datuk Lim Si Cheng	Chairman, Independent Non-Executive Director	16 June 2008	-	3 / 3
Sui Diong Hoe	Managing Director	10 January 2007		6 / 6
Heng Chee Wei	Senior Independent Non-Executive Director	8 August 2001	-	6 / 6
Mohd Khasan bin Ahmad	Independent Non-Executive	19 September 2007	-	5 / 6
Lee Thiam	Independent Non-Executive	10 January 2007	-	6 / 6
Ang Poo Guan	Independent Non-Executive	26 February 2007	-	6 / 6

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

Supply of information

The Board is briefed in a timely manner on all matters requiring their deliberation and approval. Prior to all Board meetings, the Board members are given timely notice of meetings, which set out the agenda and accompanied by the relevant reports and documents for their perusal, so that the Directors have ample time to review the matters to be deliberated. The proceedings of the Board meetings and resolutions passed are recorded in the minutes and kept at the registered office of the Company. The Board has timely access to relevant information pertaining to the Group's business affairs to enable the Board to discharge its responsibilities effectively. The Board is also regularly updated on statutory as well as regulatory requirements pertaining to their duties and responsibilities as well as appropriate procedures for management of meetings.

Where necessary, senior management staffs may be invited to attend Board meetings to furnish the Board with their comments and advice on the relevant matters tabled. All Directors have access to the advice and services of the Company Secretary and may seek independent professional advice, whenever required, in furtherance of their duties.

Appointment to the Board

The appointment of any additional Director is made as and when it is deemed necessary by the existing Board with the recommendation of the Nomination Committee. The Committee is responsible to review the required mix of skills, knowledge, expertise, experience, professionalism, integrity and for recommendation of independent non-executive directors, the Nomination Committee evaluate the ability to discharge such responsibilities before making a recommendation to the Board. The Members and Terms of Reference of the Nomination Committee are set out on page 20 of this Annual Report.

Re-election of Directors

In accordance with the Articles of Association of the Company, one-third (1/3) of the Directors shall retire from office at every annual general meeting ("AGM") at least once in every three (3) years, but shall be eligible for re-election. The Directors to retire in each AGM are the directors who have been longest in office since their appointment or re-appointment. The retiring Directors can offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to re-election by the shareholders at the next AGM following their appointment. This is also in compliance with the Listing Requirements of Bursa Securities.

Corporate Governance Statement (cont'd)

Directors' Training

All the Directors had attended the Mandatory Accreditation Programme conducted by a body approved by the Bursa Securities as well as the Continuing Education Programme (whenever required). They are committed to continue with training and education programs on annual basis to keep themselves abreast with new regulatory developments, listing requirements and on various issues facing the changing business environment within which the Company operates and the latest developments for enhancement of their roles and responsibilities as Directors.

During the financial year ended 31 December 2008, few seminars and courses were identified for the Directors' continuous training programme for purpose of enabling them to effectively discharge their duties to the Group and/or that are relevant to the Group's business activities. The Directors also did attend various trainings conducted by their respective in-house companies and/or by external professionals. Amongst those training programmes attended by the respective Directors are as follows:

Name of Director	Course attended	Date of seminar
Datuk Lim Si Cheng	Mandatory Accreditation Programme for Directors of Public Listed Companies	23 & 24 September 2008
Sui Diong Hoe	Addressing the Recent Changes & Implication of the Companies Act 1965	19 November 2008
	Related Party Transaction	16 May 2008
	Understand how Banks Approve and Structure Loans	5 & 6 May 2008
	Strata Title Act: Latest Amendments and Guidelines and How They Affect Developers and Property Owners	28 July 2008
Heng Chee Wei	Assessing & Understanding the Practice Management on Financial Planning	2 December 2008
Mohd Khasan Bin Ahmad	Understand how Banks Approve and Structure Loans	5 & 6 May 2008
	Changes in Financial Reporting Standards 2004 (FRSs)	17 August 2007
Lee Thiam	Addressing the Recent Changes & Implication of the Companies Act 1965	19 November 2008
Ang Poo Guan	2008 PLC Directors' Training	27 September 2008

The Directors will continue to attend seminars and other relevant programmes which are deemed suitable to further enhance their skills and knowledge and to stay abreast with current issues.

2. BOARD COMMITTEES

The Board delegates certain functions and responsibilities to several Board Committees, namely Audit Committee, Nomination Committee and Remuneration Committee, to support and assist in discharging its responsibilities. These Committees operate under approved terms of reference or guidelines set out by the Board. All Committees report to the Board on matters considered and their recommendations thereon. The ultimate responsibility for the final decision on all matters, however, lies with the Board. The Board may form other committees delegated with specific authorities to act on its behalf, whenever require.

3. DIRECTORS REMUNERATION

The Remuneration Committee comprising mainly of Non-Executive Directors is responsible to establish a formal and transparent procedure for developing the remuneration policy and determining the remuneration packages of Executive Directors as well as fixing the remuneration packages of individual directors so as to ensure that it attracts and retains the suitable directors to lead, control and manage the Group effectively. In the case of Executive Directors, the component parts of the remuneration are structured so as to link rewards to the Company and individual performance. For Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors. The Members and Terms of Reference of the Remuneration Committee are presented on page 21 of this Annual Report.

Corporate Governance Statement (cont'd)

Directors' fee is recommended by the Board for the approval by shareholders of the Company at AGM.

Details of Directors' remuneration for the financial year ended 31 December 2008, in aggregation and analysed into bands of RM50,000 are as follows:-

	Salaries and other emoluments (RM)	Fees (RM)	Employees Provident Fund (RM)	Total (RM)
Executive Director	360,000	24,000	50,400	434,400
Non-Executive Directors	-	109,000	-	109,000

	Number of Directors	
Range of Remuneration (RM)	Executive	Independent Non-Executive
Below RM50,000	-	5
RM200,001 – RM250,000	1	-

4. SHAREHOLDERS

Shareholders' 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 Senior Independent Non-Executive Director is primarily responsible to communicate with the shareholders.

The AGM is the principal forum of dialogue and interaction with the shareholders. Shareholders are provided with the Company's Annual Report before the meeting. At each AGM, the Board presents the progress and performance of the Company and shareholders are given the opportunity to raise questions or to seek for information of the Company. During the meeting, the Chairman, Board members and external auditors are available to respond to shareholders' queries.

5. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Company's financial statements were prepared in accordance with the requirements and provisions of the Companies Act 1965 and applicable approved accounting standards in Malaysia. The Board aims to present a balanced and clear assessment of the Group's position and prospect to the Company's shareholders through the annual financial statements and quarterly announcements. The Board discusses and reviews the recommendations proposed by the Audit Committee prior to the adoption of the financial statements of the Group. The Statement explaining the Director's responsibility for preparing the financial statements is set out in page 17 of this Annual Report.

Internal Control

The Board acknowledges its overall responsibility for maintaining a sound internal control system for the Group to achieve its objectives within an acceptable risk profile as well as safeguarding shareholders' investment and the Group's assets. An overview of the state of internal control within the Group is set out in the Statement on Internal Control on pages 18 to 19 of this Annual Report. The Board has collectively approved this statement.

Relationship with Auditors

The Board has established a formal and transparent relationship with the auditors. The Audit Committee recommends the appointment of the external auditors and their remuneration. The appointment of the external auditors is subject to the approval of shareholders in general meetings whilst their remuneration is determined by the Board. The role of the Audit Committee is further described in the Audit Committee Report on pages 14 to 17 of this Annual Report.

6. CORPORATE SOCIAL RESPONSIBILITY

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

Additional Compliance Information

1. **Utilisation of Proceeds and Corporate Proposal**

   The Company did not carry out any corporate proposals nor utilise proceeds derived from the corporate proposals during the financial year.

2. **Share Buy-Back**

   The Company did not carry out any share buy-back during the financial year.

3. **Options, Warrants or Convertible Securities**

   The Company did not issue any option, warrants or convertible securities during the financial year.

4. **American Depository Receipt (ADR) or Global Depository Receipt (GDR)**

   The Company did not sponsor any ADR or GDR programme during the financial year.

5. **Imposition of Sanctions and/or Penalties**

   There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the regulatory bodies.

6. **Non-Audit Fees**

   The amount of non-audit fees paid to the external auditors for the financial year ended 31 December 2008 was RM14,800.00.

7. **Variation in Results**

   There were no material variations between audited and unaudited results for the financial year ended 31 December 2008.

8. **Profit Forecast and Profit Guarantee**

   The Company did not issue any profit forecast and profit guarantee during the financial year.

9. **Material Contracts**

   There were no material contracts (not being contract entered into the ordinary course of business) subsisting as at and entered into since the end of previous financial year, by the Company and its subsidiaries, which involved the interest of the Directors and major shareholders.

10. **Revaluation Policy on Landed Properties**

    The Company and the Group did not have a policy on regular revaluation of land and buildings.

Audit Committee Report

The objective of the Audit Committee of the Board is to assist the Board in fulfilling its fiduciary responsibilities relating to internal control, corporate accounting and reporting practices of 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.

1. COMPOSITION

In line with the Malaysian Code of Corporate Governance, which was revised on 1 October 2007, all three (3) members of the Audit Committee are Independent Non-Executive Directors.

As at the date of this Annual Report, the composition of the Audit Committee is as follows:

Name of Members	Designation
Heng Chee Wei	Chairman - Senior Independent Non-Executive Director
Lee Thiam	Member - Independent Non-Executive Director
Ang Poo Guan	Member - Independent Non-Executive Director

Mr. Heng Chee Wei, Chairman of the Audit Committee is a member of the Malaysian Institute of Accountants. In this respect, the Company is in compliance with Paragraph 15.10(1)(c)(i) of the Listing Requirements of Bursa Securities.

2. TERMS OF REFERENCE

- **Membership**

  The Audit Committee shall be appointed by the Board from amongst its Directors and shall consist of not less than three (3) Directors, the majority of whom shall be independent non-executive directors. The composition of the Audit Committee shall fulfil the requirements as prescribed in the Listing Requirements of Bursa Securities.

  The terms of office of the Committee members shall continue to run and be reviewed by the Board at least once in every three (3) years.

  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 three (3), the Board shall within three (3) months appoint such number of new members as may be required to make up the shortfall.

- **Chairman**

  The Chairman of the Audit Committee must be an independent non-executive director and shall be appointed by its members.

- **Company Secretary**

  The Company Secretary shall also act as Secretary to the Audit Committee. Minutes of each meeting shall be make available to each member of the Board.

- **Meetings and Minutes**

  The Audit Committee shall meet at least four (4) times annually and shall invite others such as directors, internal auditors, external auditors and employees of the Group to attend any meeting as it deems fit. Further meetings may be called at any time at the request of any member or of the external auditors or of the internal auditors.

  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. The Chairman of the Audit Committee shall report on each meeting to the Board.

Audit Committee Report (cont'd)

- **Rights and Authority**

  In conducting its duties and responsibilities, the Audit Committee shall have:

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

  (a) to review the nature and scope of the audit with external auditors before the audit commences;
  (b) to review and evaluate the system of internal controls with external auditors;
  (c) to review the audit report prepared by the external auditors, the major findings and management's responses thereto;
  (d) to review the adequacy of the scope, function and the assistance given by the employees of the Group to the external auditors and whether it is necessary to carry out its work;
  (e) to discuss and review the external auditor's management letter and management's response;
  (f) to review 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;
  (g) to review 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;
  (h) to review the quarterly and annual financial statements of the Group and Company focusing on the matters set out below, prior to the consideration and approval by the Board:
    (i) changes in or implementation of accounting policies and practices;
    (ii) significant adjustments arising from the audit;
    (iii) going concern assumption; and
    (iv) compliance with accounting standards and regulatory requirements.
  (i) to discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss;
  (j) to consider any related-party transactions and conflict of interest situation that may arise within the Company and Group and with any related parties outside the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
  (k) to review any resignation from the external auditors of the Group;
  (l) to consider whether there exist any grounds supported by evidence to believe that the Group's external auditors are not suitable for re-appointment;
  (m) to consider the appointment, resignation and dismissal of external auditors (if any) and the audit fee; and
  (n) any other matters as may be directed by the Board from time to time.

Audit Committee Report (cont'd)

3. SUMMARY OF ATTENDANCE AND ACTIVITIES DURING THE FINANCIAL YEAR

During the financial year under review, five (5) Audit Committee meetings were held. The details of the attendance of the meetings are as follows:

Name of Members	Designation	Date of Appointment	Date of Resignation	Number of Meetings Attended
Heng Chee Wei	Chairman - Senior Independent Non-Executive Director	13 August 2001	-	5 / 5
Lee Thiam	Member - Independent Non-Executive Director	10 January 2007	-	5 / 5
Ang Poo Guan	Member - Independent Non-Executive Director	26 February 2007	-	5 / 5

The Audit Committee discharged its duties in accordance with its Terms of Reference during the year. The main activities undertaken by the Audit Committee during the year were as follows:-

- **Financial Results**

  (i) reviewed the unaudited quarterly financial results of the Group with the management team prior to making recommendations for the Board's approval and subsequent announcements.

  (ii) reviewed the public reprimand imposed by Bursa Securities on 9 October 2008 for breach of paragraph 9.16(1) of the Listing Requirements of Bursa Securities as announced to Bursa Securities on 9 October 2008.

  (iii) reviewed the annual audited financial statements of the Company with the external auditors prior to submission to the Board for their consideration and approval. The review was, inter-alia, to ensure compliance with:
  (a) provisions in the Companies Act 1965;
  (b) Listing Requirements of Bursa Securities;
  (c) applicable approved accounting standards in Malaysia; and
  (d) other legal and regulatory requirements.

  In the review of the annual audited financial statements, the Audit Committee discussed with management team and the external auditors the accounting principles and standards that were applied and their judgement of the items that may affect the financial statements as well as issues and reservations arising from the statutory audit.

- **Internal Audit**

  The Company has engaged the external internal auditors to assist in internal audit function. The Audit Committee deliberated with the internal auditors the internal audit reports, audit findings, audit recommendations made and management's responses to these recommendations and actions taken to improve the system of internal control and procedures.

- **External Auditors**

  (i) reviewed with the external auditors the audit planning memorandum covering the audit objectives and approach, audit plan, key audit areas and relevant technical pronouncements and accounting standards issued by Malaysian Accounting Standards Board.

Audit Committee Report (cont'd)

(ii) reviewed with external auditors the results of the audit of the audited financial statements and the audit report in particular, accounting issues and significant audit adjustments arising from the external audit.

The Audit Committee meets the external auditors without Managing Director at least twice (2) a year.

- **Related Party Transactions**

  The Audit Committee has reviewed the related party transactions and conflict of interest situation that may arise within the Company or Group.

4. INTERNAL AUDIT

The Internal Auditor reports directly to the Audit Committee whose principal responsibilities are to undertake independent reviews of the internal control system, which includes the following:-

(i) review and appraise the adequacy, integrity and effectiveness of the current system of internal control of the Group.

(ii) performed 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.

(iii) 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 Auditor has carried out various risk-based audit reviews of the key processes of operations and provided recommendations to ensure all key risks and controls have been addressed.

Statement of Directors' Responsibilities in Respect of the Audited Financial Statements

The Companies Act, 1965 ("the Act") requires the Directors to lay before the Company at its AGM, the financial statements, which includes the consolidated balance sheet and consolidated income statement of the Group for each financial year, made out in accordance with the applicable approved accounting standards and the provisions of the Act. This is also in line with Paragraph 15.27(a) of the Listing Requirements of Bursa Securities.

The Directors are required to take reasonable steps in ensuring that the consolidated financial statements give a true and fair view of the state of affairs of the Group for each financial year.

In the preparation of the financial statements for financial year ended 31 December 2008, the Directors are satisfied that the Company has adopted appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgements and estimates that are prudent and reasonable. The Directors also confirm that all applicable approved accounting standards have been complied with.

The Directors are required under the Act to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company, and to cause such records to be kept in such manner as to enable them to be conveniently and properly audited.

Statement on Internal Control

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets. Set out below is the Board Statement on Internal Control as a Group, made in compliance with the Listing Requirements of Bursa Securities and the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

1. BOARD RESPONSIBILITY

The Board acknowledges the importance of maintaining a sound system of internal control and effective risk management practices in the Group to ensure good corporate governance. The Board affirms its responsibility for reviewing the adequacy and integrity of the Group's system of internal control and management information systems, including systems for compliance with applicable laws, rules, directives, guidelines and risk management practices.

This statement had been reviewed by the external auditors in compliance with Paragraph 15.24 of the Listing Requirements of Bursa Securities.

The Board affirms its overall responsibility for the Group's system of internal control and for reviewing the adequacy and integrity of those systems whilst the role of management is to implement the policies on risk and control set by the Board.

In view of the limitations that are inherent in any system of internal control, this system is designed to manage rather than eliminate the risk of failure to achieve business objectives. However the Board recognizes that such system only provides reasonable and not absolute assurance against material misstatement or loss.

2. THE GROUP'S SYSTEM OF INTERNAL CONTROL

- **Risk Management Framework**

  The Board maintains continuous commitment in strengthening the Group's risk management framework and processes. Day-to-day risk management of the individual operating units are delegated to the Managing Director and respective senior managements. In this regard, the Managing Director is responsible for timely identification of the Group's risks of each business units and implementation of systems to manage these risks. Periodic meetings are held to assess and monitor the Group's risk as well as discuss, deliberate and appropriately addressed matters associated with strategic, financial and operational facets of the Group. Any significant weaknesses identified during the review together with the improvement measures to strengthen the internal controls were reported to the Audit Committee.

- **Monitoring Mechanisms and Management Style**

  Scheduled periodic meetings of the Board, Board Committees and management represent the main platform by which the Group's performance and conduct are monitored. The daily running of the business is entrusted to the Managing Director, senior managements and their respective management teams. Under the purview of the Managing Director, the heads of the respective departments of the Group are empowered with the responsibility of managing their respective operations.

  The Board is responsible for setting the business direction and for overseeing the conduct of the Group's operations through its various Board Committees and management reporting mechanisms. Through these mechanisms, the Board is informed of all major control issues pertaining to internal controls, regulatory compliance and risk taking.

Statement on Internal Control (cont'd)

- **Internal Audit Function**

  The Board recognises that effective monitoring on a continuous basis is a vital component of a sound internal control system. The Group has outsourced its internal audit function to Messrs H Corp Management Sdn. Bhd., which reports to the Audit Committee.

  An internal audit is carried out based on the internal audit plan that was reviewed by the Audit Committee and approved by the Board of Directors. The internal audit approach examined evaluated and ensured compliance with the Group's policies, procedures and system of controls. It has also evaluated the adequacy and effectiveness of the internal control system and assessed the consequences of any potential risks and suggested improvements required.

  During the financial year under review, any weaknesses in internal controls have been appropriately addresses and senior managements will continue to ensure that appropriate action is taken to enhance and strengthen the internal control environment.

- **Other Key Elements of the Group's System of Internal**

  The Board is committed to maintaining a strong internal control structure for the proper conduct of the Group's business operations. The key elements include:

  - the responsibilities of the committees to the Board and management are clearly defined in the organisation structure to ensure the effective discharge of their roles and responsibilities towards the Group.

  - the limits of authority of the Group has been defined and adopted accordingly.

  - policies and controls for the Group's operations including information systems controls have been defined and adopted. Procedures are in place to ensure that assets are subject to proper physical controls.

  - annual detailed budgets have been reviewed and approved by the Board each year. Management accounts containing actual and budget results and revised forecasts for the year are prepared and reported to the Board.

  - monthly and periodic reporting structures have been put in place on key financial and operational statistics.

  - the Group's internal audit function is an on-going review process of the operations to access the effectiveness of the control environment and to highlight significant risks as well as areas requiring improvements. Follow-up reviews on previous audit reports are carried out to ensure that appropriate actions are taken to address internal control weaknesses highlighted.

  - the Audit Committee meets regularly to review the adequacy, integrity and effectiveness of the system of internal control of the Group, discuss risk management issues and ensures that weaknesses controls highlighted are appropriately addressed by the management.

  The system of internal control was generally satisfactorily and has not resulted in any material loss, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

Nomination Committee

Chairman	:	**Heng Chee Wei** *(Senior Independent Non-Executive Director)*
Members	:	**Lee Thiam** *(Independent Non-Executive Director)*
		Ang Poo Guan *(Independent Non-Executive Director)*

Terms of Reference :

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

Remuneration Committee

Chairman	:	**Heng Chee Wei** *(Senior Independent Non-Executive Director)*
Members	:	**Lee Thiam** *(Independent Non-Executive Director)*
		Ang Poo Guan *(Independent Non-Executive Director)*

Terms of Reference :

- to review annually the remuneration packages as well as reviews and recommends all other director fees/attendance fees of the Executive Directors and furnishes recommendations to the Board on specific adjustments in remuneration and/or reward payments.
- to consider all aspects of the executive directors' performance and employment for recommendation of remuneration and incentives, drawing from outside advice if necessary.
- to carry out other responsibilities, functions or assignments as may be defined by the Board from time to time.

Group Financial Highlights
For the year ended 31 December 2008

	2008 RM'000	2007 RM'000	2006 RM'000	2005 RM'000	2004 RM'000
INCOME STATEMENT					
Gross Revenue	**111,118**	100,793	103,927	72,792	72,877
(Loss)/Profit Before Tax	**1,148**	(13,845)	(2,150)	(4,028)	(6,724)
(Loss)/Profit After Tax	**1,148**	(11,743)	(4,284)	(2,806)	(5,181)
BALANCE SHEET					
Property, Plant and Equipment	**33,664**	38,712	51,163	51,401	55,186
Prepaid lease repayment	**3,232**	3,256	-	-	-
Deferred Assets	**-**	-	-	62	63
Net Current Assets/(Liabilities)	**(4,058)**	(9,299)	(5,976)	1,101	1,433
Total Assets Employed	**32,838**	32,669	46,617	52,564	56,682
Shareholders' Fund	**31,088**	29,939	41,327	44,310	47,184
Minority Interest	**29**	-	61	662	851
Non-Current Liabilities	**1,721**	2,730	5,229	7,592	8,647
Total Funds Employed	**32,838**	32,669	46,617	52,564	56,682
PER RM 1 ORDINARY SHARE					
(Loss)/Earnings Per Share (sen)	**2.74**	(27.99)	(8.78)	(6.24)	(16.12)
Gross Dividend Per Share (sen)	**-**	-	-	-	-
Net Tangible Assets Per Share (RM)	**0.74**	0.71	0.99	1.07	1.14

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of Ralco Corporation Berhad, I am pleased to present the Annual Report 2008, incorporating the Financial Statements of the Group and the Company for the financial year ended 31 December 2008.

Performance Review

This had been a year full of challenges to the global financial market and for the plastic industry. The collapse of the United States subprime mortgage industry has resulted in massive deleveraging and contraction in credit and the banking crisis in the world. Looking back, our strategy in disposing non-core business subsidiaries in year 2007 had proven to be on the right track in light of the collapse of the financial market in the year 2008.

Financial Results

The Group achieved credible results despite a turbulent year in 2008. The Group recorded a gross revenue of RM111.1 million representing an increase of 10% against the prior year's gross revenue of RM100.8 million.

The Group managed to turnaround with a pre tax profit of RM1.1 million for the financial year ended 31 December 2008 compared to a pre tax loss of RM13.8 million in the previous year.

Outlook and Prospect

Despite the global meltdown, we are continuously on the look-out for opportunities that complement existing operations to increase shareholders' value. Simultaneously, the Group continued to implement various measures to ensure more efficient and sustainable operations.

Notwithstanding the tough operating condition, the Group will continue to practise prudence, risk management and we remain optimistic of the long term prospects of our business.

Corporate Social Responsibilities

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

Acknowledgement

On behalf of the Board, I would like to express my deepest heartfelt appreciation to all our valued customers, shareholders, financiers, suppliers, business associates and relevant Government authorities for their continued confidence and support extended to the Group over the past year.

My sincere gratitude also goes to the members of the Board of Directors, management and staff for the untiring hard work, commitment and dedication which have resulted in a profitable year for the Group. I would continue to work hand in hand to realise shareholders' value and enable every one of us to share our continuous growth prospects.

Datuk Lim Si Cheng, PJN., PIS
Chairman

4 June 2009

Reports and Financial Statements
for the year ended 31 December 2008

Directors' Report

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 2008.

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 6 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 profit/(loss) for the year	1,147,870	(228,860)
Attributable to :		
Shareholders of the Company	1,149,015	(228,860)
Minority interests	(1,145)	-
	1,147,870	(228,860)

DIVIDEND

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

DIRECTORS

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

Mr Lee Thiam
Mr Sui Diong Hoe
Mr Ang Poo Guan
Mr Heng Chee Wei
En Mohd Khasan Bin Ahmad
Datuk Lim Si Cheng (appointed on 16-6-2008)

In accordance with the Company's Articles of Association, Datuk Lim Si Cheng who was appointed to the board subsequent to the date of the last annual general meeting, retires at the forthcoming annual general meeting together with Mr Ang Poo Guan who retires by rotation. Both the retiring directors, being eligible, offer themselves for re-election.

Directors' Report (cont'd)

DIRECTORS' INTERESTS IN SHARES

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

	----- Number of ordinary shares of RM1 each -----			
	At 1-1-2008	Bought	Sold	At 31-12-2008
The Company				
Mr Sui Diong Hoe				
- direct interest	1,867,338	76,600	-	1,943,938
- deemed interest	-	-	-	-

	----------- Number of warrants 2004/2009 -----------			
	At 1-1-2008	Bought	Sold	At 31-12-2008
Mr Sui Diong Hoe	2,077,138	-	-	2,077,138
Mr Lee Thiam	7,833	-	-	7,838

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 as disclosed in Notes 21 and 27 to the financial statements) 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 bad 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

Directors' Report (cont'd)

(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 and 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 and its subsidiaries which has arisen since the end of the financial year.

(d) No contingent or other liability of the Company and of the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company and of the Group to meet their obligations as and when they fall due.

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

(f) In the opinion of the directors:

(i) the results of the operations of the Company and of the Group for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company and of the Group for the financial year in which this report is made.

AUDITORS

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

Signed on behalf of the directors in accordance
with a directors' resolution dated 23 April 2009

SUI DIONG HOE
Director

LEE THIAM
Director

Independent Auditors' Report

to the members of Ralco Corporation Berhad (Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Ralco Corporation Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 30 to 71.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended.

Independent Auditors' Report (cont'd)

to the members of Ralco Corporation Berhad (Incorporated in Malaysia)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment material to the consolidated financial statements or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

MOORES ROWLAND
No. AF: 0539
Chartered Accountants

GAN MORN GHUAT
No. 1499/5/09 (J)
Partner

Kuala Lumpur

23 April 2009

Balance Sheets
31 December 2008

	Note	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
NON-CURRENT ASSETS					
Property, plant and equipment	3	33,663,528	38,711,849	3,266	3,647
Prepaid lease payments	4	3,232,277	3,256,313	-	-
Investment properties	5	-	-	-	-
Investments in subsidiaries	6	-	-	34,598,733	34,278,733
		36,895,805	41,968,162	34,601,999	34,282,380
CURRENT ASSETS					
Property development costs	7	8,193,301	7,896,649	-	-
Inventories	8	3,190,864	8,106,233	-	-
Trade and other receivables	9	25,586,253	26,237,045	151,641	16,440
Amount owing by a subsidiary	6	-	-	13,285,148	14,911,661
Current tax assets		-	48,726	-	-
Short term deposits	10	1,965,740	285,753	906,048	-
Cash and bank balances	11	829,544	387,067	162,338	93,239
		39,765,702	42,961,473	14,505,175	15,021,340
TOTAL ASSETS		76,661,507	84,929,635	49,107,174	49,303,720
EQUITY					
Share capital	12	41,960,000	41,960,000	41,960,000	41,960,000
(Accumulated loss)/Unappropriated profit		(10,872,120)	(12,021,135)	6,483,290	6,712,150
Equity attributable to shareholders of the Company		31,087,880	29,938,865	48,443,290	48,672,150
Minority interests		28,855	-	-	-
TOTAL EQUITY		31,116,735	29,938,865	48,443,290	48,672,150
NON-CURRENT LIABILITIES					
Hire purchase liabilities	13	1,529,000	1,843,660	-	-
Bank term loans	14	192,100	886,167	-	-
Deferred tax liabilities	15	-	-	-	-
		1,721,100	2,729,827	-	-
CURRENT LIABILITIES					
Trade and other payables	16	25,166,731	29,431,336	188,884	155,570
Amount owing to a subsidiary	6	-	-	475,000	476,000
Hire purchase liabilities	13	366,578	329,181	-	-
Bank borrowings	17	18,290,363	22,440,278	-	-
Current tax liabilities		-	60,148	-	-
		43,823,672	52,260,943	663,884	631,570
TOTAL LIABILITIES		45,544,772	54,990,770	663,884	631,570
TOTAL EQUITY AND LIABILITIES		76,661,507	84,929,635	49,107,174	49,303,720

Notes to and forming part of the financial statements are set out on pages 36 to 71
Auditors' Report - Pages 28 and 29

Income Statements
for the year ended 31 December 2008

	Note	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Gross revenue	18	111,118,296	100,792,885	1,485,000	912,000
Cost of sales	19	(101,017,941)	(100,587,375)	-	-
Gross profit		10,100,355	205,510	1,485,000	912,000
Other operating income		1,079,630	572,034	6,048	-
Selling and distribution costs		(3,007,713)	(2,982,394)	-	-
Administrative and general expenses		(5,488,071)	(8,236,212)	(1,719,908)	(1,460,712)
Finance costs	20	(1,536,331)	(1,323,539)	-	-
Loss on disposal of subsidiaries		-	(2,080,295)	-	(50,000)
Profit/(Loss) before tax	21	1,147,870	(13,844,896)	(228,860)	(598,712)
Tax income	22	-	2,101,526	-	-
Net profit/(loss) for the year		1,147,870	(11,743,370)	(228,860)	(598,712)
Attributable to:					
Shareholders of the company		1,149,015	(11,743,370)	(228,860)	(598,712)
Minority interests		(1,145)	-	-	-
Net profit/(loss) for the year		1,147,870	(11,743,370)	(228,860)	(598,712)
Profit/(Loss) per ordinary share attributable to equity holders of the Company:	23				
Basic (sen)		2.74	(27.99)		
Diluted (sen)		-	-		

Notes to and forming part of the financial statements are set out on pages 36 to 71
Auditors' Report - Pages 28 and 29

Consolidated Statement of Changes in Equity

for the year ended 31 December 2008

	<------ Attributable to Equity Holders of the Company ----->					
	Share capital RM	**Exchange translation reserve RM**	**Accumulated loss RM**	**Total RM**	**Minority interests RM**	**Total RM**
At 1 January 2007	41,960,000	(355,580)	(277,765)	41,326,655	61,205	41,387,860
Disposal of subsidiaries	-	355,580	-	355,580	(61,205)	294,375
Net gain/(loss) recognised directly in equity	-	355,580	-	355,580	(61,205)	294,375
Net loss for the year	-	-	(11,743,370)	(11,743,370)	-	(11,743,370)
Total recognised income and expense for the year	-	355,580	(11,743,370)	(11,387,790)	(61,205)	(11,448,995)
At 31 December 2007	41,960,000	-	(12,021,135)	29,938,865	-	29,938,865
Ordinary shares subscribed by minority interests	-	-	-	-	15,000	15,000
Issue of ordinary shares to minority interests	-	-	-	-	15,000	15,000
Net profit for the year	-	-	1,149,015	1,149,015	(1,145)	1,147,870
At 31 December 2008	41,960,000	-	(10,872,120)	31,087,880	28,855	31,116,735

Notes to and forming part of the financial statements are set out on pages 36 to 71
Auditors' Report - Pages 28 and 29

Statement of Changes in Equity
for the year ended 31 December 2008

	Share capital RM	Unappropriated profit RM	Total RM
At 1 January 2007	41,960,000	7,310,862	49,270,862
Net loss for the year	-	(598,712)	(598,712)
At 31 December 2007	41,960,000	6,712,150	48,672,150
Net loss for the year	-	(228,860)	(228,860)
At 31 December 2008	41,960,000	**6,483,290**	48,443,290

Notes to and forming part of the financial statements are set out on pages 36 to 71
Auditors' Report - Pages 28 and 29

Cash Flow Statements

for the year ended 31 December 2008

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before tax	1,147,870	(13,844,896)	(228,860)	(598,712)
Adjustments for:				
Depreciation	5,486,261	5,798,210	380	14,179
Amortisation of prepaid lease payments	24,036	24,036	-	-
Inventories written down	486,311	-	-	-
Loss on disposal of property, plant and equipment	105,786	1,302,616	-	-
Property, plant and equipment written off	19,156	3,619	1	-
Loss on disposal of subsidiaries	-	2,080,295	-	50,000
Allowance for doubtful debts	145,829	-	-	-
Allowance for doubtful debts written back	-	(21,000)	-	-
Bad debts written off	-	1,880,694	-	-
Interest income	(19,511)	-	(6,048)	-
Interest expenses	1,404,220	1,263,383	-	-
Hire purchase term charges	132,111	60,156	-	-
Unrealised gain on foreign exchange	(191,627)	-	-	-
Operating profit/(loss) before working capital changes	8,740,442	(1,452,887)	(234,527)	(534,533)
Changes in property development costs	(296,652)	(561,083)	-	-
Changes in inventories	4,429,058	4,231,639	-	-
Changes in receivables	696,590	665,799	(135,201)	(6,344)
Changes in payables	(5,029,683)	(18,952,447)	33,314	39,287
Cash generated from/(utilised in) operations	8,539,755	(16,068,979)	(336,414)	(501,590)
Interest received	19,511	-	6,048	-
Interest paid	(1,263,868)	(908,215)	-	-
Tax paid	(60,148)	(32,814)	-	-
Tax refunded	48,726	40,942	-	40,942
Net cash from/(used in) operating activities	7,283,976	(16,969,066)	(330,366)	(460,648)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(658,351)	(1,639,544)	-	(3,800)
Proceeds from disposal of property, plant and equipment	155,469	884,893	-	-
Acquisition of subsidiary, net of cash (Note 24)	15,000	-	(35,000)	-
Subscription for additional shares in a subsidiary	-	-	(285,000)	-
Shares issued to minority interests	15,000	-	-	-
Disposal of subsidiaries, net of cash (Note 24)	-	5,594,086	-	50,000
Advances to subsidiaries	-	-	(28,280)	-
Repayment from a subsidiary	-	-	1,654,793	481,284
Net cash (used in)/from investing activities	(472,882)	4,839,435	1,306,513	527,484

Cash Flow Statements (cont'd)

for the year ended 31 December 2008

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Advances from a former director	-	11,000,000	-	-
Repayment to a former director	(91,922)	(3,419,789)	-	-
Repayment of bank term loans	(1,825,070)	(2,142,448)	-	-
Payment of hire purchase instalments	(337,263)	(112,609)	-	-
Term loan interest paid	(140,352)	(355,168)	-	-
Hire purchase term charges paid	(132,111)	(60,156)	-	-
Repayment to a subsidiary	-	-	(1,000)	-
Net cash (used in)/from financing activities	(2,526,718)	4,909,830	(1,000)	-
NET CHANGES IN CASH AND CASH EQUIVALENTS	4,284,376	(7,219,801)	975,147	66,836
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	(13,072,601)	(5,852,800)	93,239	26,403
CASH AND CASH EQUIVALENTS CARRIED FORWARD	(8,788,225)	(13,072,601)	1,068,386	93,239
Represented by:				
SHORT TERM DEPOSITS	1,965,740	285,753	906,048	-
CASH AND BANK BALANCES	829,544	387,067	162,338	93,239
BANK OVERDRAFTS	(11,583,509)	(13,745,421)	-	-
	(8,788,225)	(13,072,601)	1,068,386	93,239

During the financial year, the Group acquired property, plant and equipment amounting to RM718,351 (2007 : RM3,924,994) of which RM60,000 (2007 : RM2,285,450) was financed under hire purchase and the balance of RM658,351 (2007 : RM1,639,544) was paid by cash.

Notes to and Forming Part of the Financial Statements
for the year ended 31 December 2008

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements comply with applicable approved Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Boards and the provisions of the Companies Act 1965. The significant accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following revised and amended FRSs which are mandatory and applicable to the Group and the Company for financial periods beginning on or after 1 July 2007:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net investment in Foreign Operations
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

In the opinion of the directors, the adoption of these FRSs does not result in significant changes in the accounting policies of the Group and the Company, or has significant impact on the financial statements of the Group and the Company.

The Group has not opted for early adoption of the following new and revised FRSs and Issues Committee Interpretations ("IC Interpretations"), which are applicable to the Group:

(i) FRS 8 Operating Segments, which is effective for financial periods beginning on or after 1 July 2009; and

(ii) FRS 7 Financial Instruments : Disclosures, FRS 139 Financial Instruments : Recognition and Measurement and IC Interpretation 10 : Interim Financial Reporting and Impairment, which are effective for financial periods beginning on or after 1 January 2010.

Measurement basis

The measurement bases applied in the preparation of the financial statements of the Group and the Company 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 Group and the Company are presented in Ringgit Malaysia ("RM") which is also the functional currency of the Group and the Company.

(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.

Notes to and Forming Part of the Financial Statements (cont'd)
for the year ended 31 December 2008

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Use of estimates and judgements (cont'd)

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.

Areas of estimation uncertainty

- Note 6 : Measurement of impairment loss on investments in subsidiaries
- Note 7 : Property development activities
- Note 9 : Estimate made for allowance for doubtful debts on trade receivables.

(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 another entity.

In the Company's balance sheet, investments in subsidiaries are stated at cost less any 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 such investments, the difference between net disposal proceeds and their carrying amounts is included in income statement.

(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.

Notes to and Forming Part of the Financial Statements (cont'd)
for the year ended 31 December 2008

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

(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 any 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 is not depreciation. Depreciation is calculated to write off the cost of other property, plant and equipment on 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%

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.

Notes to and Forming Part of the Financial Statements (cont'd)
for the year ended 31 December 2008

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Leases

(i) Finance leases - the Group as lessee

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 referred to in Note 1(f)(ii).

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 - the Group as lessee

Lease payments under operating lease are recognised as an expense on a straight-line basis over the lease term. The aggregate benefits of incentives provided by the lessors, if any, are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Land which normally has an indefinite economic life and held under a leasehold title to which the title is not expected to pass to the Group at the end of the lease term is treated as an operating lease. The minimum lease payments or payments made up-front on entering into or acquiring a leasehold land that is treated as an operating lease, are accounted for as prepaid lease payments and where necessary, such payments are allocated between land and building elements in proportion to their relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease.

No amortisation is provided on prepaid lease payments with a remaining lease period of more than 100 years. The prepaid lease payments with a remaining lease period of less than 100 years are amortised on a straight-line basis over the lease periods of between 89 and 99 years in accordance with the pattern of benefits provided. Any gains or losses on surrender or disposal of the leasehold interest in land are recognised in the income statement in the financial year in which they arise.

(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. Gains 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.

Notes to and Forming Part of the Financial Statements (cont'd)

for the year ended 31 December 2008

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.

(l) Impairment of assets

The carrying amounts of assets other than financial assets 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.

Notes to and Forming Part of the Financial Statements (cont'd)
for the year ended 31 December 2008

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Impairment of assets (cont'd)

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.

(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.

Notes to and Forming Part of the Financial Statements (cont'd)

for the year ended 31 December 2008

1. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

(o) Foreign currencies (cont'd)

(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 Group'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 operations, 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.

(iii) Foreign operations

The results 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 each balance sheet presented are translated at the closing rates prevailing at the balance sheet date;

- Income and expenses for each 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.

Notes to and Forming Part of the Financial Statements (cont'd)

for the year ended 31 December 2008

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Revenue recognition

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

(iii) Management fees

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

(iv) Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method.

(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"). 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.

Notes to and Forming Part of the Financial Statements (cont'd)

for the year ended 31 December 2008

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

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, deposits held on call with a licensed financial institutions, 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.

Notes to and Forming Part of the Financial Statements (cont'd)
for the year ended 31 December 2008

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Financial instruments

(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 from licensed financial institutions as well as internally generated funds. The Group does not find it necessary to enter into derivative transactions based on its current level of operations.

The main risks arising from the financial instruments of the Group are stated below. The management of the Group monitors its financial position closely with an objective to minimise potential adverse effects on the financial performance of the Group. The management reviews and agrees on policies for managing each of these risks and they are summarised below. These policies have remained unchanged during the financial year under review.

(a) Credit risk

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

The entire financial assets of the Group are exposed to credit risk except for cash and bank balances and fixed deposits which are place with licensed financial institutions in Malaysia.

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 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.

Notes to and Forming Part of the Financial Statements (cont'd)
for the year ended 31 December 2008

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

(b) 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 rates risk in respect of its fixed deposits placed with licensed financial institutions, bank borrowings and hire purchase liabilities.

Interest rate risk arising from fixed deposits placed with licensed banks, which are all 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 these rates are fixed at inception.

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

(c) 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.

(d) Liquidity and cash flow risk

Prudent liquidity risk management implies maintaining sufficient cash, deposits 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.

Notes to and Forming Part of the Financial Statements (cont'd)
for the year ended 31 December 2008

3. PROPERTY, PLANT AND EQUIPMENT

Group 2008	Land and buildings RM	Plant and machinery RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Motor vehicles RM	Total RM
Cost							
At 1 January	16,956,887	75,390,439	1,941,792	1,483,796	1,124,136	1,164,061	98,061,111
Additions	-	483,710	6,240	28,491	119,746	80,164	718,351
Disposals	-	(312,186)	(1,450)	(12,885)	-	-	(326,521)
Write-off	-	(2,550)	(6,260)	-	(466,754)	-	(475,564)
At 31 December	16,956,887	75,559,413	1,940,322	1,499,402	777,128	1,244,225	97,977,377
Accumulated depreciation							
At 1 January	3,533,867	51,507,995	1,703,682	1,105,427	1,093,390	404,901	59,349,262
Charge for the year	378,340	4,699,308	82,375	116,307	14,358	195,573	5,486,261
Disposals	-	(59,958)	(1,450)	(3,858)	-	-	(65,266)
Write-off	-	(935)	(6,260)	-	(449,213)	-	(456,408)
At 31 December	3,912,207	56,146,410	1,778,347	1,217,876	658,535	600,474	64,313,849
Net carrying amount At 31 December	13,044,680	19,413,003	161,975	281,526	118,593	643,751	33,663,528

Notes to and Forming Part of the Financial Statements (cont'd)
for the year ended 31 December 2008

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

Group

2007	Land and buildings RM	Plant and machinery RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Motor vehicles RM	Total RM
Cost							
At 1 January	21,293,097	75,735,508	1,971,532	1,671,493	1,164,358	1,478,244	103,314,232
Disposal of subsidiaries	(4,459,550)	(431,460)	(61,021)	(221,670)	(63,072)	(417,895)	(5,654,668)
Additions	123,340	2,797,504	34,731	50,096	22,850	896,473	3,924,994
Disposals	-	(2,711,113)	-	(11,711)	-	(792,761)	(3,515,585)
Write-off	-	-	(3,450)	(4,412)	-	-	(7,862)
At 31 December	16,956,887	75,390,439	1,941,792	1,483,796	1,124,136	1,164,061	98,061,111
Accumulated depreciation							
At 1 January	3,537,304	47,053,558	1,608,221	1,073,553	1,097,519	1,061,335	55,431,490
Disposal of subsidiaries	(400,748)	(27,252)	(11,529)	(30,247)	(9,544)	(68,799)	(548,119)
Charge for the year	397,311	5,028,076	110,439	67,135	5,415	189,834	5,798,210
Disposals	-	(546,387)	-	(4,220)	-	(777,469)	(1,328,076)
Write-off	-	-	(3,449)	(794)	-	-	(4,243)
At 31 December	3,533,867	51,507,995	1,703,682	1,105,427	1,093,390	404,901	59,349,262
Net carrying amount At 31 December	13,423,020	23,882,444	238,110	378,369	30,746	759,160	38,711,849

Notes to and Forming Part of the Financial Statements (cont'd)

for the year ended 31 December 2008

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

Company	**Furniture and fittings RM**	**Office equipment RM**	**Renovation RM**	**Total RM**
2008				
Cost				
At 1 January	267,993	11,870	443,904	723,767
Addition	-	-	-	-
Disposal	-	-	-	-
Write-off	(6,260)	-	(443,904)	(450,164)
At 31 December	261,733	11,870	-	273,603
Accumulated depreciation				
At 1 January	267,990	8,227	443,903	720,120
Charge for the year	-	380	-	380
Write-off	(6,260)	-	(443,903)	(450,163)
At 31 December	261,730	8,607	-	270,337
Net carrying amount				
A31 December	3	3,263	-	3,266
2007				
At 1 January	267,993	8,070	443,904	719,967
Addition	-	3,800	-	3,800
Disposal	-	-	-	-
At 31 December	267,993	11,870	443,904	723,767
Accumulated depreciation				
At 1 January	254,774	7,263	443,904	705,941
Charge for the year	13,216	964	(1)	14,179
At 31 December	267,990	8,227	443,903	720,120
Net carrying amount				
At 31 December	3	3,643	1	3,647

Notes to and Forming Part of the Financial Statements (cont'd)
for the year ended 31 December 2008

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

The net carrying amount of land and buildings of the Group comprise:

	Group	
	2008 RM	2007 RM
Freehold land and buildings	249,069	256,035
Factory buildings on leasehold land classified as prepaid lease payments	12,795,611	13,166,985
	13,044,680	13,423,020

The following property, plant and equipment of a subsidiary stated at net carrying amount are charged to licensed banks for banking facilities granted to the said subsidiary:

	Group	
	2008 RM	2007 RM
Buildings	973,253	995,124
Plant and machinery	2,082,099	2,560,716
	3,055,352	3,555,840

Included in the net carrying amount of property, plant and equipment of the Group are the following assets which are under hire purchase financing:

	Group	
	2008 RM	2007 RM
Plant and machinery	1,298,487	1,446,964
Motor vehicles	599,072	717,178
	1,897,559	2,164,142

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.

Notes to and Forming Part of the Financial Statements (cont'd)
for the year ended 31 December 2008

4. PREPAID LEASE PAYMENTS

	Group 2008 RM	Group 2007 RM
At 1 January	3,593,337	3,593,337
Addition/Disposal	-	-
At 31 December	3,593,337	3,593,337
Accumulated amortisation		
At 1 January	337,024	312,988
Amortisation for the year	24,036	24,036
At 31 December	361,060	337,024
Net carrying amount		
At 31 December	3,232,277	3,256,313

Included in the above is a leasehold land with a net carrying amount of RM1,213,800 (2007 : RM1,213,800) which is charged to a licensed bank for banking facilities granted to the Group.

5. INVESTMENT PROPERTIES

	Group 2008 RM	Group 2007 RM
At 1 January	-	1,430,000
Addition/Disposal	-	-
Disposal of subsidiaries	-	(1,430,000)
At 31 December	-	-

6. INVESTMENTS IN SUBSIDIARIES

	Company 2008 RM	Company 2007 RM
Unquoted shares, at cost	34,598,733	34,278,733

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

Notes to and Forming Part of the Financial Statements (cont'd)
for the year ended 31 December 2008

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

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

	Gross equity interest 2008 %	Gross equity interest 2007 %	Principal activities
Ralco Plastic Sdn Bhd	100	100	Manufacturing of and trading in plastic bottles, containers, boxes, crates and related materials
Ralco Bidara Sdn Bhd	100	100	Property development
Ralco Construction Sdn Bhd	100	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
* Ralco Compounding Sdn Bhd	100	100	Inactive
Temasek Bay Sdn Bhd	70	-	To carry on business as palm oil packers, trading of palm oil and palm oil products, manufacturers of or dealers in packaging materials and all related products

* *Held through Ralco Plastic Sdn Bhd*

(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 arrive at 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 cash flow projections based on the financial budgets approved by the directors covering a five year period.

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

Gross margin - 9%
Growth rate - 4%
Discount rate - 7%

The following describe each key assumption on which the management has based its cash flow projections to undertake impairment testing on the investments of subsidiaries.

Notes to and Forming Part of the Financial Statements (cont'd)

for the year ended 31 December 2008

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margin is based on past years margins.

(ii) Growth rate

The weighted growth rate used is estimated to be consistent with the long term average growth rate for the industry.

(iii) Discount rate

The discount rate used is pre-tax and reflect specific risks relating to the sector.

The management believes that no reasonable possible changes in any of the key assumptions above would cause the carrying values of the investments in subsidiaries to exceed their recoverable amounts.

7. PROPERTY DEVELOPMENT COSTS

	Group	
	2008 RM	2007 RM
At 1 January	9,593,081	8,677,648
Costs incurred during the year		
Freehold land, at cost	-	-
Development and construction costs	158,300	915,433
	9,751,381	9,593,081
Less:		
Costs recognised as an expense in the income statement		
- recognised in previous financial year	1,696,432	1,342,082
- recognised during the year	(138,352)	354,350
	1,558,080	1,696,432
At 31 December	8,193,301	7,896,649

Revenue recognition of property development activities

The Group recognises property development activities based on the percentage of completion method. The stage of completion of the property development activities is measured in accordance with the accounting policy set out in Note 1(i) above.

Significant judgement is required in determining the percentage of completion, the extent of the development project and contract costs incurred, the estimated total revenue and total costs and the recoverability of the development project. In making this judgement, the management relies on the current economic situation and the prevailing market condition and estimates provided by third parties.

Notes to and Forming Part of the Financial Statements (cont'd)
for the year ended 31 December 2008

8. INVENTORIES

	Group 2008 RM	Group 2007 RM
Raw materials	1,491,491	2,684,353
Finished goods	1,699,373	5,421,880
	3,190,864	8,106,233

9. TRADE AND OTHER RECEIVABLES

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Gross trade receivables	24,445,956	23,839,183	-	-
Less:				
Allowance for doubtful debts	147,598	215,032	-	-
	24,298,358	23,624,151	-	-
Gross other receivables	632,533	1,873,613	140,000	-
Less:				
Allowance for doubtful debts	145,829	-	-	-
	486,704	1,873,613	140,000	-
Deposits	580,809	508,476	1,000	5,850
Prepayments	220,382	230,805	10,641	10,590
	25,586,253	26,237,045	151,641	16,440
The currency exposure profiles of trade receivables are as follows:				
Ringgit Malaysia	20,002,576	20,420,607	-	-
Singapore Dollar	4,443,380	3,418,576	-	-
	24,445,956	23,839,183	-	-
The currency exposure profiles of other receivables are as follows:				
Ringgit Malaysia	486,704	393,465	140,000	-
Australian Dollar	145,829	1,480,148	-	-
	632,533	1,873,613	140,000	-

Notes to and Forming Part of the Financial Statements (cont'd)
for the year ended 31 December 2008

9. TRADE AND OTHER RECEIVABLES (cont'd)

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

The collectibility of trade receivables is assessed on an ongoing basis. An allowance for doubtful debts is made for any account considered to be doubtful for collection. The allowance for doubtful debts is made based on a review of all outstanding accounts at the balance sheet date. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of customer. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

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

Included in the deposit of the Group are amounts totalling RM244,878 (2007 : RM224,500) which represents deposits paid for the acquisition of property, plant and equipment.

10. SHORT TERM DEPOSITS

The short term deposits comprise:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
Fixed deposits with licensed banks	1,159,975	285,753	100,283	93,239
Investment funds placed with a financial institution	805,765	-	805,765	-
	1,965,740	285,753	906,048	93,239

The fixed deposits have maturity periods of less than one year. The effective interest rates of the fixed deposits are between 3.00% and 3.15% (2007 : 3.00%) per annum.

The investment funds have maturity periods of not more than three months and generate an effective rate of return of 5.00% per annum.

11. CASH AND BANK BALANCES

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
The currency exposure profiles of cash and bank balances are as follows:				
Ringgit Malaysia	635,997	361,051	162,338	93,239
Singapore Dollar	193,547	26,016	-	-
	829,544	387,067	162,338	93,239

Notes to and Forming Part of the Financial Statements (cont'd)
for the year ended 31 December 2008

12. SHARE CAPITAL

	2008 RM	2007 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 2008, there were 10,490,000 (2007 : 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	
	2008 RM	2007 RM
Outstanding hire purchase instalments due:		
- not later than one year	472,740	459,276
- later than one year and not later than five years	1,595,172	1,779,762
- later than five years	115,447	346,375
	2,183,359	2,585,413
Less:		
Unexpired term charges	287,781	412,572
Outstanding principal amount due	1,895,578	2,172,841
Less:		
Outstanding principal amount due not later than one year (included in current liabilities)	366,578	329,181
Outstanding principal amount due later than one year	1,529,000	1,843,660

Notes to and Forming Part of the Financial Statements (cont'd)

for the year ended 31 December 2008

13. HIRE PURCHASE LIABILITIES

The principal amount due later than one year is as follows:

	2008 RM	2007 RM
Later than one year and not later than five years	1,416,261	1,520,408
Later than five years	112,739	323,252
	1,529,000	1,843,660

The effective interest rates of the hire purchase liabilities are between 4.36% and 6.26% (2007 : 2.72% and 3.70%) per annum.

14. BANK TERM LOANS

	Group	
	2008 RM	2007 RM
Bank term loans bearing effective interest rate of 8.00% (2007 : 8.00%) per annum, repayable by equal monthly instalments commencing August 2003	514,016	1,394,521
Bank term loans bearing effective interest rate of 8.00% (2007 : 8.00%) per annum, repayable by equal monthly instalments commencing April 2004	375,938	1,320,503
	889,954	2,715,024
Less:		
Repayments due within 12 months (included in Note 17)	697,854	1,828,257
Repayments due after 12 months	192,100	886,767

The bank term loans of a subsidiary are secured by a first party legal charge over a leasehold land classified as prepaid lease payments together with the building of the said subsidiary and a specific debenture on certain plant and machinery of the said subsidiary referred to in Notes 3 and 4. All the bank term loans are also guaranteed by the Company.

15. DEFERRED TAX LIABILITIES

	Group	
	2008 RM	2007 RM
At 1 January	-	2,251,371
Disposal of subsidiaries	-	(63,097)
Transfer to income statement	-	(2,188,274)
At 31 December	-	-

Notes to and Forming Part of the Financial Statements (cont'd)
for the year ended 31 December 2008

16. TRADE AND OTHER PAYABLES

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Trade payables	14,026,260	17,767,531	-	-
Other payables	9,754,495	10,090,336	-	-
Deposits	2,200	2,400	-	-
Accruals	1,383,776	1,571,069	188,884	155,570
	25,166,731	29,431,336	188,884	155,570

	Group 2008 RM	Group 2007 RM
The currency exposure profiles of trade payables are as follows:		
Ringgit Malaysia	12,522,943	14,902,706
US Dollar	1,503,317	2,864,825
	14,026,260	17,767,531
The currency exposure profiles of other payables are as follows:		
Ringgit Malaysia	9,747,295	10,082,732
US Dollar	7,200	7,604
	9,754,495	10,090,336
The currency exposure profiles of accruals are as follows:		
Ringgit Malaysia	1,309,111	1,382,404
Australian Dollar	74,665	177,784
US Dollar	-	10,881
	1,383,776	1,571,069

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. Included in other payables of the Group is an amount of RM7,488,289 (2007 : RM7,580,211) which represents unsecured advances from a former director of the Company. The amount owing is interest free and has no fixed repayment terms.

Notes to and Forming Part of the Financial Statements (cont'd)

for the year ended 31 December 2008

17. BANK BORROWINGS

	Group	
	2008	2007
	RM	RM
Bills payable, unsecured, bearing effective interest rates of 5.30% to 5.54% (2007 : 3.66% to 3.93%) per annum	6,009,000	6,866,000
Bank overdrafts, unsecured, bearing effective interest rate of 8.25% (2007 : 8.00% to 8.25%) per annum	11,583,509	13,745,421
	17,592,509	20,611,421
Current portion of bank term loans (Note 14)	697,854	1,828,857
	18,290,363	22,440,278

The bills payable and bank overdrafts of a subsidiary are unsecured but guaranteed by the Company.

Included in above bank overdrafts is an amount of RM10,880,149 (2007 : RM10,513,221) granted by Malayan Banking Berhad, for which the Company together with a subsidiary have initiated legal proceedings against the said bank, details of which are disclosed in Note 30.

18. GROSS REVENUE

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Sale of goods	110,942,338	100,554,869	-	-
Property development revenue from sale of development units	175,958	212,216	-	-
Management and other fees	-	25,800	1,485,000	912,000
	111,118,296	100,792,885	1,485,000	912,000

19. COST OF SALES

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Cost of goods sold	101,156,293	100,233,025	-	-
Property development costs relating to development units sold	(138,352)	354,350	-	-
Direct operating costs of investment properties	-	-	-	-
	101,017,941	100,587,375	-	-

Notes to and Forming Part of the Financial Statements (cont'd)

for the year ended 31 December 2008

20. FINANCE COSTS

	Group 2008 RM	Group 2007 RM
Interest on bills payable	246,994	476,173
Interest on bank term loans	140,352	355,168
Interest on bank overdrafts	1,016,874	432,042
Hire purchase term charges	132,111	60,156
	1,536,331	1,323,539

21. PROFIT/(LOSS) BEFORE TAX

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

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Allowance for doubtful debts	145,829	-	-	-
Auditors' remuneration				
- statutory audit				
- current year	77,400	69,400	17,000	12,000
- underestimated in prior year	8,000	1,000	5,000	1,500
- other services	14,800	-	13,000	-
Amortisation of prepaid lease payments	24,036	24,036	-	-
Bad debts written off	-	1,880,694	-	-
Depreciation	5,486,261	5,798,210	380	14,179
Directors' remuneration				
- Directors of the Company				
- fees	133,000	108,812	133,000	108,812
- other emoluments	471,020	279,497	471,020	279,497
- Directors of subsidiary				
- other emoluments	173,600	235,200	-	-
Inventories written down	486,311	-	-	-
Loss on foreign exchange, unrealised	-	1,885	-	-
Loss on disposal of property, plant and machinery	105,786	1,302,616	-	-
Loss on disposal of subsidiaries	-	2,080,295	-	50,000
Operating leases				
- rental of equipment	2,850	6,400	2,850	6,400
- rental of premises	308,551	289,750	19,693	12,000
Preliminary expenses	915	2,500	-	-
Property, plant and equipment written off	19,156	3,619	1	-

Notes to and Forming Part of the Financial Statements (cont'd)

for the year ended 31 December 2008

21. PROFIT/(LOSS) BEFORE TAX (cont'd)

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
and crediting:				
Allowance for doubtful debts written back	-	21,000	-	-
Bad debts recovered	456,310	-	-	-
Gain on foreign exchange				
- realised	405,087	520,381	-	-
- unrealised	191,627	-	-	-
Interest income from				
- fixed deposits	13,746	8,503	283	-
- investment funds	5,765	-	5,765	-

22. TAX INCOME

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Current tax expense				
- current year	-	(5,119)	-	-
- underestimated in prior years	-	(81,629)	-	-
	-	(86,748)	-	-
Deferred tax income relating to origination and reversal of temporary differences during the year	-	1,989,965	-	-
Deferred tax expense over- estimated in prior year	-	198,309	-	-
	-	2,188,274	-	-
	-	2,101,526	-	-

Notes to and Forming Part of the Financial Statements (cont'd)
for the year ended 31 December 2008

22. TAX INCOME (cont'd)

The numerical reconciliations between the tax income and the product of accounting results multiplied by the applicable tax rate are as follows:

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Accounting profit/(loss)	1,147,870	(13,844,896)	(228,860)	(598,712)
Tax at the applicable tax rate of 26% (2007 : 27%) for the Group and the Company	(298,446)	3,738,119	59,504	161,652
Add/(Less):				
Tax effect of expenses not deductible in determining taxable profit	(211,833)	(95,489)	(39,886)	(47,999)
Tax effect of income not taxable in determining taxable profit	-	480,075	-	-
Deferred tax expense/(income) arising from originating and reversal of temporary differences not recognised during the year	510,279	(2,130,207)	(19,618)	(106,001)
Tax effect of reduction in future applicable tax rate	-	(7,652)	-	(7,652)
	-	1,984,846	-	-
Add/(Less):				
Current tax expense under- estimated in prior years	-	(81,629)	-	-
Deferred tax expense over- estimated in prior year	-	198,309	-	-
Tax income for the year	-	2,101,526	-	-

Based on the prevailing tax rate of 25% applicable to dividends in the year of assessment 2009, approximately RM1,281,000 out of the unappropriated profit of the Company at year end (2007 : RM1,215,000) is covered by estimated tax credits available under Section 108 of the Income Tax Act 1967 for distribution of dividends. The Company also has approximately RM13,365,000 (2007 : RM13,365,000) in the tax exempt income account available for distribution of tax exempt dividends.

At 31 December 2008, 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	
	2008 RM	2007 RM	2008 RM	2007 RM
Deductible temporary differences relating to				
- unused tax losses	464,456	473,962	189,907	169,122
- unabsorbed capital allowances	4,637,694	5,497,363	31,886	33,063
	5,102,150	5,971,325	221,793	202,185
Taxable temporary differences between net carrying amount and tax written down value of property, plant and equipment	(4,680,977)	(5,087,780)	(247)	(257)
Other taxable temporary difference	(47,907)	-	-	-
	373,266	883,545	221,546	201,928

Notes to and Forming Part of the Financial Statements (cont'd)
for the year ended 31 December 2008

23. EARNINGS/(LOSS) PER ORDINARY SHARE

(a) Basic earnings/(loss) per ordinary share

The basic earnings/(loss) per ordinary share is calculated based on consolidated net profit for the year attributable to equity holders of the Company of RM1,149,015 (2007 : Net loss for the year of RM11,743,370) and on 41,960,000 (2007 : 41,960,000) number of ordinary shares in issue during the year.

(b) Diluted earnings/(loss) per ordinary share

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

24. ANALYSIS OF ACQUISITION/DISPOSAL OF SUBSIDIARIES

(a) *(i) Acquisition of subsidiary during the year*

On 17 November 2008, the Company incorporated a new subsidiary in Malaysia, namely Temasek Bay Sdn Bhd ("TBSB") with a paid-up capital of RM50,000 as subscribers' shares.

The Company subscribed 35,000 ordinary shares of RM1 each, representing 70% of the issued and paid-up share capital of TBSB, at a cash consideration of RM35,000. The intended principal activity of TBSB is to carry on business as palm oil packers, trading of palm oil and palm oil products, manufacturers of or dealers in packaging materials and all related products.

(ii) Acquisition of subsidiary in previous year

In the previous financial year, the Company incorporated a new subsidiary, namely, Ralco Compounding 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 23 November 2006 and its intended principal activity is the manufacturing and distribution of calcium carbonate filler compounds

The above acquisitions were accounted for using the acquisition method of accounting. There was no goodwill or negative goodwill arising from the said acquisitions during the current and the previous financial years.

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

Effect on consolidated net profit for the year

	Subsidiary incorporated in	
	2008	**2007**
	RM	**RM**
Gross revenue	-	-
Loss before tax	(3,817)	(97,573)
Tax expense	-	-
Loss after tax	(3,817)	(97,573)
Minority interest	-	-
Decrease/Increase in Group's net profit/(loss)	(3,817)	(97,573)

Notes to and Forming Part of the Financial Statements (cont'd)
for the year ended 31 December 2008

24. ANALYSIS OF ACQUISITION/DISPOSAL OF SUBSIDIARIES (cont'd)

(a) *(ii) Acquisition of subsidiary in previous year (cont'd)*

Effect on consolidated financial position at 31 December:

	Subsidiary incorporated in 2008 RM	Subsidiary incorporated in 2007 RM
Non-current assets	-	303,513
Current assets	100,968	22,051
Current liabilities	(4,785)	(3,240)
Increase in Group's share of net assets	96,183	322,324

Effect on consolidated cash flow statement for the year:

	Subsidiary incorporated in 2008 RM	Subsidiary incorporated in 2007 RM
Net assets acquired:		
Current assets	50,000	1,000
Minority interest	(15,000)	-
Total purchase consideration	35,000	1,000
Less:		
Cash and bank balances acquired	50,000	1,000
Net cash flows on acquisition	(15,000)	-

(b) Disposal of subsidiaries

In the previous financial year, the Group disposed of Ralco Media Sdn Bhd, Ralco EUT Properties Sdn Bhd, Ralco Properties Sdn Bhd and Ralco Australia Pty Ltd at a total consideration of RM2,795,294.

The effects of disposal of the subsidiaries on the consolidated net loss, consolidated financial position and consolidated cash flow statement of the previous financial year were as follows:

Effect on consolidated net loss profit for the year ended 31 December 2007:

	RM
Gross revenue	13,800
Cost of sales	-
Loss before tax	49,798
Tax expense	-
Loss after tax	49,798
Minority interest	-
Interest in Group's net loss	49,798

Notes to and Forming Part of the Financial Statements (cont'd)

for the year ended 31 December 2008

24. ANALYSIS OF ACQUISITION/DISPOSAL OF SUBSIDIARIES (cont'd)

(b) Disposal of subsidiaries (cont'd)

Effect of consolidated financial position at 31 December 2007:

	RM
Non-current assets	6,536,549
Current assets	1,704,225
Non-current liabilities	(334,646)
Current liabilities	(3,324,914)
Minority interest	(61,205)
Decrease in Group's share of net assets	4,520,009

Effect on consolidated cash flow statement for the year ended 31 December 2007:

	RM
Non-current assets	6,536,549
Current assets	1,704,225
Non-current liabilities	(334,646)
Current liabilities	(3,324,914)
Minority interest	(61,205)
Exchange translation reserve	355,580
Loss on disposal of subsidiaries	(2,080,295)
Sale proceeds	2,795,294
Add:	
Cash and cash equivalents	2,798,792
Net cash flows on disposal	5,594,086

25. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Salaries, wages, allowances and bonuses				
- Executive directors	575,000	489,497	420,000	250,645
- Other employees	7,114,513	6,946,160	758,766	748,923
Defined contribution plan				
- EPF contributions	499,631	438,280	142,150	113,189
Social security costs				
- SOCSO contributions	50,318	52,799	8,052	8,500
Other staff related expenses	654,652	351,395	-	-
	8,894,114	8,278,131	1,328,968	1,121,257

Notes to and Forming Part of the Financial Statements (cont'd)
for the year ended 31 December 2008

26. CAPITAL COMMITMENTS

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Approved capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for in the financial statements	785,850	346,500	-	-

27. RELATED PARTY DISCLOSURES

(a) The Company has a controlling related party relationship with its subsidiaries referred to in Note 6.

The Group also has related party relationship with a former director of the Company.

(b) In addition to information disclosed elsewhere in the financial statements, the Company and the Group have the following significant transactions with related parties during the year are as follows:

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Management fees charged to subsidiaries	-	-	1,485,000	912,000
Repayment of advances from a subsidiary	-	-	3,732,146	481,284
Advances from a former director of the Company	-	11,000,000	-	-
Rental of premises charged by a former subsidiary	-	-	-	8,000
Advances to subsidiaries	-	-	2,105,633	-
Repayment of advances to a former director of the Company	91,922	3,419,789	-	-
Repayment of advances to a subsidiary	-	-	1,000	-

Information regarding outstanding balances with related parties at year end arising from related party transactions are disclosed in Notes 6 and 16.

Notes to and Forming Part of the Financial Statements (cont'd)

for the year ended 31 December 2008

27. RELATED PARTY DISCLOSURES (cont'd)

(c) Compensation of key management personnel

The key management personnel are the directors of the Company. The remuneration of directors of the Company and the Group during the financial year comprises:

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Short-term employee benefits				
- fees	133,000	108,812	133,000	108,812
- remuneration	420,000	460,645	420,000	250,645
Total short-term employee benefits	553,000	569,457	553,000	359,457
Post employment benefit				
- defined contribution plan	51,020	54,052	51,020	28,852
Total compensation	604,020	623,509	604,020	388,309

28. CONTINGENT LIABILITIES

	Group		Company	
	2008	2007	2008	2007
	RM	RM	RM	RM
Unsecured corporate guarantees in respect of :				
- banking facilities granted to subsidiaries	-	-	34,450,000	34,450,000
- trade facilities granted to a subsidiary	-	-	9,551,000	9,551,000
- banking facilities granted to a former subsidiary	-	1,000,000	-	1,000,000
	-	1,000,000	44,001,000	45,001,000

29. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group leases warehouse, hostels for employees and office premises under cancellable and non-cancellable operating leases for its operations. These leases have an average tenure of 1-2 years, with an option to renew the leases after the expiry of the leases. For cancellable operating leases, the Group is required to give 1 - 2 months notice for the termination of these leases. Increases in lease payments, if any, after the expiry dates, are negotiated between the Group and the lessors which will normally reflect market rentals. The above leases do not include any contingent rentals.

The future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2008	2007
	RM	RM
Not later than one year	300,000	60,850
Later than one year and not later than five years	744,000	-
	1,044,000	60,850

Notes to and Forming Part of the Financial Statements (cont'd)
for the year ended 31 December 2008

30. MATERIAL LITIGATION

The Company and its subsidiary, Ralco Plastic Sdn Bhd ("RPSB") have filed a civil suit against Malayan Banking Berhad ("MBB") on 23 July 2008 seeking certain declarations with regards to its facilities agreement as well as an injunction to restrain MBB from affecting certain actions.

On 28 July 2008, the Kuala Lumpur High Court granted an ad interim injunction in favour of the Company and RPSB against MBB pending the disposal of the inter partes application for an injunction which was fixed on 18 September 2008.

On 18 September 2008 after the hearing in Chamber for an inter partes injunction, the Learned Judge had adjourned the hearing date to 18 November 2008.

On 18 November 2008, the Kuala Lumpur High Court dismissed the application by the Company and RPSB for an injunctive relief against MBB from affecting certain actions (hereinafter referred to as "the Decision").

The Company and RPSB had immediately filed an appeal at the Court of Appeal appealing against the Decision and had also filed a Notice of Motion at the Court of Appeal for an Erinford Injunction to restrain MBB from affecting certain actions pending the disposal of the appeal that was fixed for hearing on 9 December 2008.

The Court of Appeal had on the 10 December 2008 dismissed the Company's Motion for an Erinford Injunction to restrain MBB from affecting certain actions pending the disposal of the Appeal.

On 25 February 2009, the Company and RPSB were served with a Writ summons by MBB ("MBB's Suit") demanding full repayment of facilities granted to RPSB. The total amount claimed by MBB against the Company and RPSB is RM10,698,151 together with interest calculated at 3.5% above the MBB's base lending rate per annum commencing 1 November 2008 till the date of full settlement.

The Company and RPSB have been advised by their solicitors that the MBB's Suit is related to or connected to the commercial suit filed by the Company and RPSB against MBB on 23 July 2008 which is still pending.

Based on legal advice from the Company's solicitors, the Company's and RPSB's claims against MBB are bona fide and in respect of MBB's claim against the Company and RPSB, the Company and RPSB have a good defence. It is the opinion of the Company's board of directors that the suits would only be resolved by way of a full trial and at this material time, the Company and RPSB are unable to provide an anticipated date of the trial as the pleadings for both suits have yet to be resolved.

The outcome of the above suits is still pending. The directors believe that the Company and RPSB will be able to generate sufficient cash flows in the foreseeable future to meet their financial obligations as and when they fall due, based on the cash flow projections and assumptions of the Group.

31. 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
Property development	-	The development of residential and commercial properties
Others	-	Management services

Notes to and Forming Part of the Financial Statements (cont'd)
for the year ended 31 December 2008

31. SEGMENT ANALYSIS (cont'd)

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

Year ended 31 December 2008	**Plastic products RM**	**Property development RM**	**Others RM**	**Group RM**
Revenue				
Sales	110,942,338	325,792	1,485,000	112,753,130
Less: Inter-segment sales	-	149,834	1,485,000	1,634,834
External sales	110,942,338	175,958	-	111,118,296
Results				
Segment operating profit/(loss)	2,825,454	99,046	(240,299)	2,684,201
Finance costs				(1,536,331)
Profit before tax				1,147,870
Minority interests				1,145
Tax expense				-
Net profit for the year				1,149,015
Other information				
Segment assets	67,043,748	8,237,304	1,380,455	76,661,507
Segment liabilities	43,561,396	1,788,954	194,422	45,544,772
Capital expenditure	718,351	-	-	718,351
Depreciation and amortisation	5,505,090	4,827	380	5,510,297

Notes to and Forming Part of the Financial Statements (cont'd)

for the year ended 31 December 2008

31. SEGMENT ANALYSIS (cont'd)

Year ended 31 December 2007	**Plastic products RM**	**Property development RM**	**Others RM**	**Group RM**
Revenue				
Sales	100,554,869	1,106,104	925,800	102,586,773
Less:				
Inter-segment sales	-	893,888	900,000	1,793,888
External sales	100,554,869	212,216	25,800	100,792,885
Results				
Segment operating loss	(8,610,548)	(226,398)	(1,604,116)	(10,441,062)
Finance costs				(1,323,539)
Loss on disposal of subsidiaries				(2,080,295)
Loss before tax				(13,844,896)
Tax income				2,101,526
Net loss for the year				(11,743,370)
Other information				
Segment assets	76,299,772	8,096,681	533,182	84,929,635
Segment liabilities	52,676,825	2,152,255	161,690	54,990,770
Capital expenditure	3,568,198	15,409	341,387	3,924,994
Depreciation and amortization	5,803,191	4,753	14,302	5,822,246

In the previous financial year under review, the Group had streamlined its corporate structure by disposing certain non-performing and inactive subsidiaries.

(b) Secondary reporting format - geographical segment

No geographical segment analysis is prepared as the Group operates primarily in Malaysia.

Notes to and Forming Part of the Financial Statements (cont'd)
for the year ended 31 December 2008

32. FINANCIAL INSTRUMENTS

(a) 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.

(b) Liquidity and cash flow risks

As the Group relies on bank borrowings to meet its operational requirements, the Group's exposure to liquidity and cash flow risk at balance sheet date is significantly concentrated on banking borrowings.

(c) Fair values

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries and third parties referred to in Note 28. The fair value of the financial guarantees provided to subsidiaries is not expected to be materially different from the amount stated in Note 28 as the probability of the subsidiaries defaulting on the credit lines is remote. It is not practical to estimate the fair value of the guarantees provided to third parties due to uncertainties of timing, costs and eventual outcome.

The carrying amounts of the financial assets and liabilities of the Company and of the Group at 31 December 2008 approximated their fair values.

33. SUBSEQUENT EVENTS

On 7 April 2009, the Company ("Ralco") has announced the following Proposals:

(a) Proposed renounceable rights issue of up to 20,980,000 new warrants in Ralco to all the shareholders of Ralco at an indicative issue price of RM0.02 per new warrant on the basis of two (2) new warrants for every five (5) existing ordinary shares of RM1.00 each held in Ralco on an entitlement date to be determined; and

(b) Proposed restricted issue of up to 4,196,000 new warrants in Ralco to the holders of unexercised warrants 2004/2009 on 22 November 2009, being the expiry date of the warrants 2004/2009 ("Expiry Date") on the basis of two (2) new warrants for every five (5) unexercised warrants 2004/2009 held on the expiry date.

(Collectively known as the "Proposals")

The Proposals are subject to and conditional upon approvals being obtained from the Securities Commission, Bursa Malaysia Securities Berhad, other relevant authority where required as well as the shareholders of the Company at an Extraordinary General Meeting to be convened.

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 2009.

Statement By Directors

In the opinion of the directors, the financial statements set out on pages 30 to 71 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 2008 and of their results and cash flows for the year then ended; and

(b) in accordance with Financial Reporting Standards and the provisions of the Companies Act 1965.

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

SUI DIONG HOE
Director

LEE THIAM
Director

Statutory Declaration

I, Chow Mei Yen, being the person primarily responsible for the financial management of Ralco Corporation Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 30 to 71 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)
)
)
) **CHOW MEI YEN**

Before me:

ROBERT LIM HOCK KEE (W092)
Commissioner for Oaths

List of Group's Properties
as at year 2008

Location	Type (Existing Use)	Tenure (Expiring Date)	Land Area (Built-up Area)	Net Book Value (RM)	Approximate Age of Building (No. of Years)	Date of Acquisition
Lot 1476 Kawasan Perusahaan Nilai 71800 Nilai Negeri Sembilan	Land and Building (Factory)	Leasehold (20/08/2089)	18,200 sq. meters	10,555,530	11	10 June 1991
Lot 1478 Kawasan Perusahaan Nilai 71800 Nilai Negeri Sembilan	Land and Building (Factory)	Leasehold (31/07/2089)	4,464 sq. meters	2,641,686	12	12 December 1995
PT. 5001, 5490, 5491, 5535, 5536 Mukim Labu 71800 Nilai Negeri Sembilan	Land and Building 5 One-Storey Terrace House (Workers Hostel)	Freehold	95 sq. meters each	249,069	16	06 September 1993
No. 7, Jalan Bistari 2 Taman Industri Jaya 81300 Skudai Johor Bahru Johor	Land and Building (Factory)	Leasehold (03/09/2911)	4,047 sq. meters	2,735,914	11	20 March 2003

Analysis of Shareholdings
as at 30 April 2009

SHARE CAPITAL

Authorised share capital	:	RM100,000,000
Issued and Fully Paid-up Share Capital	:	RM41,960,000 divided into 41,960,000 ordinary shares of RM1.00 each
Class of shares	:	Ordinary Shares of RM1.00 each
Voting rights	:	One (1) vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of shareholders	% of shareholders	No. of shares held	% of issued and paid-up capital
Less than 100	18	1.36	664	0.00
100 – 1,000	73	5.53	45,525	0.11
1,001 – 10,000	1,042	79.00	3,044,970	7.26
10,001 – 100,000	145	11.00	3,606,250	8.60
100,001 – less than 5% of issued shares	39	2.96	15,943,781	38.00
5% and above issued shares	2	0.15	19,318,810	46.03
TOTAL:	1,319	100.00	41,960,000	100.00

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS, EXCLUDING BARE TRUSTEE:

Name of Shareholder	Direct No. of Shares	%	Indirect No. of Shares	%
1. Tiong King Sing	13,041,810	31.08	-	-
2. Ria Kirana Sdn. Bhd.	6,277,000	14.96	-	-

DIRECTORS' INTEREST IN SHARES IN THE COMPANY OR IN A RELATED CORPORATION

Name of Director	Direct No. of Shares	%	Indirect No. of Shares	%
Datuk Lim Si Cheng	-	-	-	-
Sui Diong Hoe	1,997,438	4.76	-	-
Heng Chee Wei	-	-	-	-
Mohd Khasan Bin Ahmad	-	-	-	-
Lee Thiam	-	-	-	-
Ang Poo Guan	-	-	-	-

List of Thirty (30) Largest Shareholders
as at 30 April 2009

NO.	NAME OF REGISTERED SHAREHOLDERS	SHAREHOLDINGS	%
1.	OSK Nominees (Tempatan) Sdn. Berhad *(pledged securities account for Tiong King Sing)*	13,041,810	31.08
2.	OSK Nominees (Tempatan) Sdn. Berhad *(pledged securities account for Ria Kirana Sdn. Bhd.)*	6,277,000	14.96
3.	OSK Nominees (Tempatan) Sdn. Berhad *(pledged securities account for Chong Sze San)*	2,000,000	4.77
4.	OSK Nominees (Tempatan) Sdn. Berhad *(OSK Capital Sdn. Bhd. for Sui Diong Hoe)*	1,767,338	4.21
5.	Duclos Sdn. Bhd.	1,636,800	3.90
6.	Lee Ngee Moi	1,215,500	2.89
7.	Kenanga Nominees (Asing) Sdn. Bhd. *(DMG & Partners Securities Pte Ltd for International Scientific (Private) Limited (5U-35388))*	964,945	2.30
8.	Chia May Fong	712,800	1.70
9.	Harmony Chime Sdn. Bhd.	677,800	1.61
10.	OSK Nominees (Tempatan) Sdn. Berhad *(Lee Thiam Fah)*	672,200	1.60
11.	OSK Nominees (Tempatan) Sdn. Berhad *(pledged securities account for Pau Chiong Ung)*	506,000	1.20
12.	Lee Thiam Loy	416,600	0.99
13.	Public Nominees (Tempatan) Sdn. Bhd. *(pledged securities account for Nge Nyit Hua (E-BTL))*	402,200	0.96
14.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. *(BNP Paribas Nominees Singapore Pte Ltd for Contend Investments Limited)*	375,000	0.89
15.	OSK Nominees (Tempatan) Sdn. Berhad *(pledged securities account for Lee Thiam Loy)*	314,778	0.75
16.	Ching Gek Lee	300,000	0.72
17.	Gek Lee Enterprise Sdn. Bhd.	300,000	0.72
18.	Syarikat Rimba Timur (RT) Sdn. Bhd.	275,000	0.66
19.	Alex Goon Hoong Chow	271,100	0.64

List of Thirty (30) Largest Shareholders (cont'd)
as at 30 April 2009

NO.	NAME OF REGISTERED SHAREHOLDERS	SHAREHOLDINGS	%
20.	OSK Nominees (Tempatan) Sdn. Berhad *(pledged securities account for Sui Diong Hoe)*	222,100	0.53
21.	Kenanga Nominees (Asing) Sdn. Bhd. *(UOB Kay Hian Pte Ltd for Chan Wang Joo @ Tan Wang Joo)*	218,000	0.52
22.	OSK Nominees (Tempatan) Sdn. Berhad *(pledged securities account for Loh Tung Sing)*	209,500	0.50
23.	Ngo Tek Phang	206,500	0.49
24.	Public Nominees (Tempatan) Sdn. Bhd. *(pledged securities account for Ting Hua Liong (E-BTL))*	200,000	0.48
25.	Mayban Securities Nominees (Asing) Sdn. Bhd. *(UOB Hian Pte Ltd for Ng Yee Hoon @ Ng Yam Hoon)*	150,000	0.36
26.	Sharifah Asiah Binti Syed Aziz Baftim	150,000	0.36
27.	Chong Chee Meng	145,500	0.35
28.	Public Nominees (Tempatan) Sdn. Bhd. *(pledged securities account for Pau Chiong Wo (E-BTL))*	143,000	0.34
29.	Cheong Kuang Huang	142,100	0.34
30.	Ling Yok Lang	122,500	0.30
	Total	34,036,071	81.12

Warrant Holdings Structure
as at 30 April 2009

Type of Securities	:	Warrants 2004/2009
Number of Warrants	:	10,490,000 Free Detachable Warrants
Exercise Price	:	RM1.00 per Warrant
Exercise Rights	:	Each Warrant entitles the holder to subscribe for One (1) Ordinary Share of RM1.00 each in the Company
Voting Rights	:	Nil

DISTRIBUTION OF WARRANTS

Size of Warrants	No. of Warrant Holders	%	No. of warrant held	% of issued capital
Less than 100	7	2.24	338	0.00
100 – 1,000	131	42.00	96,625	0.92
1,001 – 10,000	114	36.54	453,900	4.33
10,001 – 100,000	48	15.38	1,927,999	18.38
100,001 – less than 5% of issued shares	4	1.28	738,000	7.04
5% and above issued shares	8	2.56	7,273,138	69.33
TOTAL:	312	100.00	10,490,000	100.00

DIRECTORS' WARRANTS HOLDINGS
(based on the Register of Directors' Shareholdings as at 30 April 2009)

Name of Director	Direct	%	Indirect	%
Datuk Lim Si Cheng	-	-	-	-
Sui Diong Hoe	2,077,138	19.80	-	-
Heng Chee Wei	-	-	-	-
Mohd Khasan Bin Ahmad	-	-	-	-
Lee Thiam	-	-	-	-
Ang Poo Guan	-	-	-	-

List of Thirty (30) Largest Warrants Account Holders
as at 30 April 2009

NO.	NAME OF REGISTERED SHAREHOLDERS	SHAREHOLDINGS	%
1.	OSK Nominees (Tempatan) Sdn. Berhad *(OSK Capital Sdn. Bhd. for Sui Diong Hoe)*	1,357,638	12.94
2.	Lee Ngee Moi	1,122,200	10.70
3.	OSK Nominees (Tempatan) Sdn. Berhad *(Tiong King Sing)*	1,046,400	9.98
4.	OSK Nominees (Tempatan) Sdn. Berhad *(pledged securities account for Tiong King Sing)*	967,100	9.22
5.	OSK Nominees (Asing) Sdn. Berhad *(pledged securities account for Tan Boon Chiang)*	729,000	6.95
6.	OSK Nominees (Tempatan) Sdn. Berhad *(pledged securities account for Tan Lee Gek)*	720,000	6.86
7.	Sui Diong Hoe	719,500	6.86
8.	Chia May Fong	611,300	5.83
9.	OSK Nominees (Tempatan) Sdn. Berhad *(Lee Thiam Fah)*	241,500	2.30
10.	Public Nominees (Tempatan) Sdn. Bhd. *(pledged securities account for Pau Chiong Wo (E-BTL))*	213,000	2.03
11.	OSK Nominees (Tempatan) Sdn. Berhad *(pledged securities account for Pau Chiong Ung)*	179,500	1.71
12.	Ngo Tek Phang	104,000	0.99
13.	Chung Kin Vun	100,000	0.95
14.	HLG Nominee (Tempatan) Sdn. Bhd. *(pledged securities account for Toh Poey Gee (CCTS))*	100,000	0.95
15.	Lee Chee Beng	100,000	0.95
16.	Dinah Doong Weng Lee	92,644	0.88
17.	Tok Boon Seong	84,800	0.80
18.	CIMSEC Nominees (Tempatan) Sdn. Bhd. *(exempt an for CIMB-GK Securities Pte Ltd (Retail Clients))*	82,500	0.79
19.	Ling Yok Lang	81,000	0.77
20.	Ching Gek Lee	75,000	0.72

List of Thirty (30) Largest Warrants Account Holders (cont'd)
as at 30 April 2009

NO.	NAME OF REGISTERED SHAREHOLDERS	SHAREHOLDINGS	%
21.	OSK Nominees (Tempatan) Sdn. Berhad *(Ria Kirana Sdn. Bhd.)*	70,500	0.67
22.	Gek Lee Enterprise Sdn. Bhd.	65,000	0.62
23.	Syarikat Rimba Timur (RT) Sdn. Bhd.	60,000	0.57
24.	Kenanga Nominees (Asing) Sdn. Bhd. *(UOB Kay Hian Pte Ltd for Chan Wang Joo @ Tan Wang Joo)*	54,000	0.51
25.	OSK Nominees (Tempatan) Sdn. Berhad *(pledged securities account for Lee Thiam Loy)*	51,800	0.49
26.	HLG Nominee (Tempatan) Sdn. Bhd. *(Hong Leong Bank Bhd for Lee Kok Seng)*	50,000	0.48
27.	Patrick Chiong Sui Chai	50,000	0.48
28.	Cheong Kuang Huang	49,500	0.47
29.	Beh Lai Keow	49,100	0.47
30.	Tan Ah Moy	48,000	0.46
	Total	9,274,982	88.40

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RALCO CORPORATION BERHAD (Company No. 333101-V)

FORM OF PROXY

I/We, ______________________________ NRIC No./Passport No./Company No. __________________

of ____

being a member/members of Ralco Corporation Berhad hereby appoint ______________________________

NRIC No./Passport No. ______________________ of ______________________________________

or failing him/her ______________________________ NRIC No./Passport No. ____________________

of ____

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Fourteenth Annual General Meeting of the Company to be held at the Tioman Room, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur on Thursday, 25th day of June 2009 at 2.00 p.m. or at any adjournment thereof.

My/our proxy shall vote as follows:-

(Please indicate with an "X" in the space provided below how you wish your vote to be cast on the resolutions specified in the notice of meeting. If you do not do so, the proxy/proxies will vote, or abstain from voting as he/they may think fit)

NO.	RESOLUTIONS	FOR	AGAINST
1.	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2008 and the Reports of the Directors and Auditors thereon.		
2.	To approve the payment of Directors' fees.		
3.	To re-elect Mr. Ang Poo Guan as Director pursuant to Article 64 of the Company's Articles of Association.		
4.	To re-elect Datuk Lim Si Cheng as Director pursuant to Article 69 of the Company's Articles of Association.		
5.	To appoint Messrs. RSM Robert Teo, Kuan & Co. as Auditors and to authorise the Directors to fix their remuneration.		
6.	Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares.		

Dated this day of 2009

No. of shares held	

____
Signature of Shareholder/Common Seal

NOTES:

1. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his behalf. A proxy may but need not be a member of the Company.
2. The duly completed instrument appointing the proxy must be deposited at the registered office of the Company at Suite 27-03, 27th Floor, Menara Keck Seng, 203 Jalan Bukit Bintang, 55100 Kuala Lumpur, Wilayah Persekutuan not less than forty-eight (48) hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than one proxy to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor duly authorized in writing or if such appointor is a corporation, under its common seal or under the hand of its attorney.

Affix
stamp
here

The Company Secretary
RALCO CORPORATION BERHAD (333101-V)
Suite 27-03, 27th Floor
Menara Keck Seng
203 Jalan Bukit Bintang
55100 Kuala Lumpur
Wilayah Persekutuan

RALCO

RALCO CORPORATION BERHAD
(Company No. 333101-V)

903 & 904, Level 9
Bangunan TH Uptown 3
No. 3, Jalan SS21/39
47400 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel: 603-7727 3131
Fax: 603-7722 5519