



RALCO CORPORATION BERHAD
(Company No. 333101-V)

www.ralcocorp.com.my



Annual Report 2009



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RALCO

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 15th Annual General Meeting of Ralco Corporation Berhad ("Company") will be held at Kuala Lumpur Golf & Country Club, 10 Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Thursday, 27 May 2010 at 11.00 a.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 2009 together with the Reports of the Directors and Auditors thereon. | RESOLUTION 1 |
| 2. | To approve the payment of Directors' fees amounting to RM168,000 for the financial year ended 31 December 2009. | RESOLUTION 2 |
| 3. | To re-elect the following Directors retiring by rotation pursuant to Article 64 of the Company's Articles of Association: | |
| | i. Mr Heng Chee Wei | RESOLUTION 3 |
| | ii. Encik Mohd Khasan bin Ahmad | RESOLUTION 4 |
| 4. | To re-appoint Messrs. RSM Robert Teo, Kuan & Co. [AF 0768] as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. | RESOLUTION 5 |

AS SPECIAL BUSINESS

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

- | | | |
|----|---|---------------------|
| 5. | Ordinary Resolution 1
Authority to issue shares pursuant to Section 132D of the Companies Act, 1965 | RESOLUTION 6 |
| | <p>"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."</p> | |
| 6. | Ordinary Resolution 2
Proposed renewal of authority for the Company to purchase its own shares | RESOLUTION 7 |
| | <p>"THAT subject to compliance with the Companies Act, 1965 ("Act"), rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and any other relevant authority, the Company be and is hereby authorised to purchase and/or hold such amount of ordinary shares of RM1.00 each in the Company's issued and paid-up share capital through Bursa Malaysia Securities Berhad ("Bursa Securities") upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that:</p> <p>(a) the aggregate number of shares so purchased and/or held pursuant to this ordinary resolution ("Purchased Shares") does not exceed ten percent (10%) of the total issued and paid-up capital of the Company and shall not result in the issued and paid-up share capital of the Company to fall below RM40 million as prescribed under the Listing Requirements of Bursa Securities at any one time; and</p> <p>(b) the maximum amount of funds to be allocated for the Purchased Shares shall not exceed the aggregate of the retained profits and/or share premium of the Company.</p> <p>(hereinafter referred to as "Proposed Shares Buy-Back")</p> | |

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

THAT the Directors be and are hereby authorised to decide at their discretion either to retain the Purchased Shares as treasury shares (as defined in Section 67A of the Act) and/or to cancel the Purchased Shares and/or to retain the Purchased Shares as treasury shares for distribution as share dividends to the shareholders of the Company and/or be resold through Bursa Securities in accordance with the relevant rules of Bursa Securities and/or cancelled subsequently and/or to retain part of the Purchased Shares as treasury shares and/or cancel the remainder and to deal with the Purchased Shares in such other manner as may be permitted by the Act, rules, regulations, guidelines, requirements and/or orders of Bursa Securities and any other relevant authorities for the time being in force.

THAT the Directors be and are hereby empowered to do all acts and things (including the opening and maintaining of a central depositories account(s) under the Security Industry (Central Depositories) Act, 1991 and to take all such steps and to enter into and execute all commitments, transactions, deeds, agreements, arrangements, undertakings, indemnities, transfers, assignments and/or guarantees as they may deem fit, necessary, expedient and/or appropriate in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations (if any) as may be imposed by the relevant authorities.

AND THAT the authority conferred by this ordinary resolution shall be effective immediately upon passing of this ordinary resolution and shall continue in force until:

- (a) the conclusion of the next Annual General Meeting ("**AGM**") of the Company; or
- (b) the expiry of the period within which the next AGM of the Company is required by law to be held (whichever is earlier), unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, but shall not prejudice the completion of purchase(s) by the Company before that aforesaid expiry date and in any event in accordance with the provisions of the Listing Requirements and other relevant authorities.

whichever occurs first"

7. **Special Resolution** **Proposed adoption of new Articles of Association**

RESOLUTION 8

"THAT the proposed new Articles of Association of the Company marked as Annexure "A" as set out under Part B of the Circular to Shareholders dated 5 May 2010 be and are hereby approved and adopted as the new Articles of Association of the Company AND THAT the Directors and Secretaries be and are hereby authorised to take all steps as are necessary to give full effect to the proposed adoption of the Company's new Articles of Association."

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

BY ORDER OF THE BOARD

CHIA SIEW CHIN (MIA 2184) Secretary
AIDA BINTI KARIM (LS0008384) Assistant Secretary

Kuala Lumpur
5 May 2010

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)



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 (1) 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) Ordinary Resolution 6

The authority, if granted from the shareholders, will allow the Company to procure the renewal of the general mandate ("**General Mandate**") which will empower 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 AGM of the Company.

As at the date of this Notice, the Company had issued 21,000 Ordinary Shares of RM1.00 each by way of conversion of 21,000 Warrants 2004/2009. There were no proceeds raised from the conversion.

The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to placing of shares for purpose of funding future investment projects, working capital and/or acquisitions.

(b) Ordinary Resolution 7

The authority, if granted from the shareholders, will empower the Directors of the Company to purchase the Company's shares up to 10% of the issued and paid-up capital of the Company at any point of time. The authority unless it is revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

(c) Ordinary Resolution 8

The proposed adoption is to update the Company's Articles of Association for the purpose of streamlining, enhancing the clarity and to ensure consistency throughout the document to be in line with the provisions of the Act and in compliance with the Listing Requirements.

STATEMENT ACCOMPANYING NOTICE OF 15TH ANNUAL GENERAL MEETING

Pursuant to paragraph 8.27(2) of the Bursa Malaysia Securities Berhad Main Market Listing Requirement)

1. Directors who are standing for re-election as Directors at the 15th Annual General Meeting of the Company:-

Pursuant to Article 64 of the Company's Articles of Association

- i. **Mr Heng Chee Wei**
- ii. **Encik Mohd Khasan bin Ahmad**

2. Details of the profile of Directors seeking for re-election are set out in the Profile of Directors on page 7 and 8 of this Annual Report.
3. Seven (7) Board meetings were held during the financial year ended 31 December 2009. Details of attendance of the Directors at Board meetings are set out on page 10 of this Annual Report.
4. Details of Board meetings are as follows:

Date of meetings	Time
20 February 2009	11.00 a.m.
23 April 2009	11.00 a.m.
15 May 2009	3.00 p.m.
9 June 2009	9.00 a.m.
3 August 2009	10.00 a.m.
10 November 2009	11.00 a.m.

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

Date of meeting	Time
15 December 2009	9.15 a.m.

The above meetings were held at Plaza 138, Suite 18.03, 18th Floor, 138 Jalan Ampang, 50450 Kuala Lumpur.

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 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 page 69 and 70 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

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
Email: systems@ssassociates.com.my

AUDITORS

RSM Robert Teo, Kuan & Co. (AF0768)

Penthouse, Wisma RKT
No. 2 & 4, Jalan Raja Abdullah
Off Jalan Sultan Ismail
50300 Kuala Lumpur
Tel: 03-2610 2888
Fax: 03-2698 6600
email: audit@rsmi.com.my

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

PRINCIPAL BANKERS

CIMB Bank Berhad
United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Main Market of the
Bursa Malaysia Securities Berhad

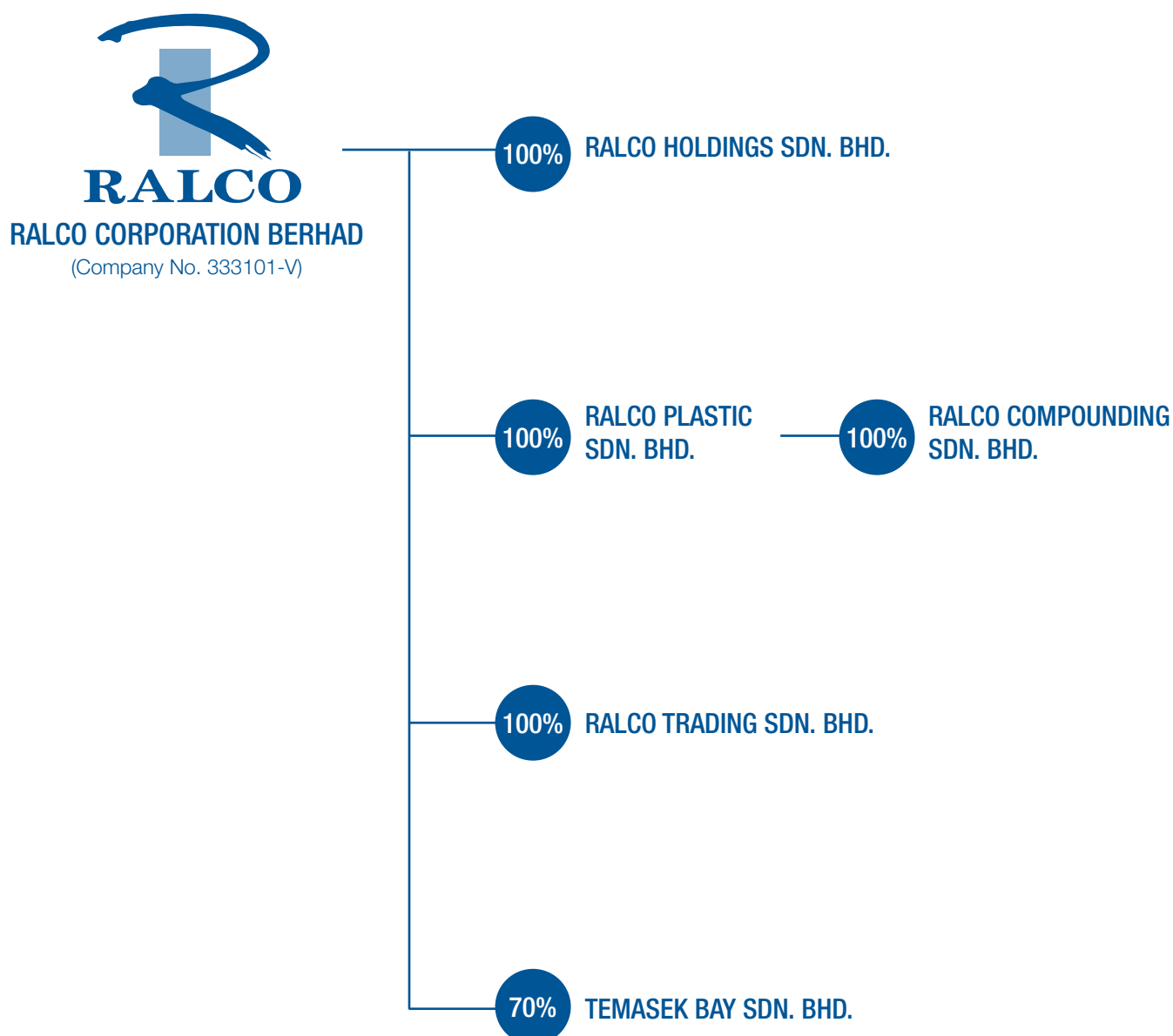
STOCK NAME

RALCO

BURSA SECURITIES STOCK

7498

CORPORATE STRUCTURE



PROFILE OF DIRECTORS

DATUK LIM SI CHENG, PJN., PIS

Chairman, Independent Non-Executive Director

Aged 60, 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 Assemblyman for Bandar Segamat from 1982 to 1990. He was a Johor State Executive Councillor from 1986 to 1990 before being appointed as Political Secretary to Minister of Transport in 1990. From 1995, he was elected as Member of Parliament for Kulai, Johor for three (3) consecutive terms and in 1999, he served as Deputy Speaker to the House of Representative, 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 10 of this Annual Report.

SUI DIONG HOE

Managing Director

Aged 55, Malaysian

Mr. Sui Diong Hoe was appointed to the Board and Executive Director on 10 January 2007. On 29 May 2008, he was appointed as Managing Director of Ralco Corporation Berhad. 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 of the Main Market of 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 10 of this Annual Report.

HENG CHEE WEI, A.M.P.

Senior Independent Non-Executive Director

Aged 39, 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 Operations Director of TNT Worldwide Express (M) Sdn. Bhd. He was a Senior Operations Manager of Federal Express Services (M) Sdn. Bhd. from 1999 to 2009. He was the Finance Manager of Sis Distribution (M) Sdn. Bhd. and was formerly a Senior Associate with PricewaterhouseCoopers from 1996 to 1999. 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 10 of this Annual Report.

PROFILE OF DIRECTORS (Cont'd)

MOHD KHASAN BIN AHMAD

Independent-Non Executive Director

Aged 49, 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, Wellcall Holdings Berhad and Homeritz Corporation 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 10 of this Annual Report.

LEE THIAM

Independent-Non Executive Director

Aged 52, 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 directorship in any other public listed company. He has no conflict of interest with the Group and has no family relationship with any other directors or major shareholders of the Group. He has not been convicted for offences within the past ten (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 10 of this Annual Report.

ANG POO GUAN

Independent-Non Executive Director

Aged 62, 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 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 10 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 2009 except where otherwise stated herein.

1. BOARD OF DIRECTORS

The Board

The Board acknowledges their 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 cum 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 Main Market Listing Requirements (“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 judgment 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 2009, a total of seven (7) 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	-	6/7
Sui Diong Hoe	Managing Director	10 January 2007	-	7/7
Heng Chee Wei	Senior Independent Non-Executive Director	8 August 2001	-	6/7
Mohd Khasan bin Ahmad	Independent Non-Executive	19 September 2007	-	7/7
Lee Thiam	Independent Non-Executive	10 January 2007	-	7/7
Ang Poo Guan	Independent Non-Executive	26 February 2007	-	6/7

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 notices 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 staff 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 21 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.

CORPORATE GOVERNANCE STATEMENT (Cont'd)

Continuing Education of Directors

The Directors of the Company have all attended the Mandatory Accreditation Programme prescribed by Bursa Securities for directors of public listed companies. They are committed and encouraged to attend continuing education programme, seminar and training 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 year, 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:

1. Service Tax organised by Inland Revenue Board
2. Asia Pacific Frost & Sullivan - A Global Congress on Corporate Growth: CEO workshop
3. Audit Committee Role & Internal Audit Challenges
4. Financial Due Diligence
5. Managing Risk of Tax Audit & Investigation
6. The Challenges of Implementing FRS 139
7. Audit Committee Role & Internal Audit Challenges
8. Latest Developments on Transfer Pricing in Malaysia and Tax Cases & Public Ruling.

The Directors will continue to participate in 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, Remuneration Committee and Investment 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 Director 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 Director, 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.

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 2009, in aggregation and analysed into bands of RM50,000 are as follows:-

	Salaries and other emoluments (RM)	Fees (RM)	EPF (RM)	Total (RM)
Executive Director	883,000	-	58,220	941,220
Non-Executive Directors	-	168,000	-	168,000

CORPORATE GOVERNANCE STATEMENT (Cont'd)

Range of Remuneration (RM)	Number of Directors	
	Executive	Independent Non-Executive
Below RM50,000	-	5
RM850,001 – RM900,000	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 18 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 page 19 to 20 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 page 15 to 18 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

- (a) On 29 May 2009, the Securities Commission had approved the following corporate proposals of the Company:
- (i) issuance of the Renounceable Rights Issue of up to 20,980,000 new warrants in Ralco Corporation Berhad ("Renounceable Rights Issue of Warrants") to all its shareholders on the basis of two (2) new warrants for every five (5) existing ordinary shares of RM1.00 each held in the Company.
 - (ii) restricted issued of up to 4,196,000 new warrants in the Company ("Restricted Issue of Warrants") to its holders of the 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 referred to as "Corporate Proposals")

On 14 May 2009, Bank Negara Malaysia approved the Corporate Proposals.

On 20 November 2009, Securities Commission had approved the Company's application for an extension of time for further three (3) months to implement the Corporate Proposals.

The Renounceable Rights Issue of Warrants have been oversubscribed by 113,418,426 (682.07%) over the total number of 16,628,640 Rights Shares available for subscription under the Renounceable Rights Issue.

The Restricted Issue of Warrants have been undersubscribed by 475,285 (11.35%) over the total number of 4,187,600 Rights Shares available for subscription under the Renounceable Rights Issue. The Company did not allot and issued the 475,285 unsubscribed new warrants under the Restricted Issue of Warrants.

Bursa Securities approved the listing and quotation of the new warrants issued under the Corporate Proposals on 18 November 2009. The issuance of 20,340,955 new warrants at an issue price of RM0.02 per share were listed and quoted on the Bursa Securities on 22 December 2009.

There are no other corporate proposals announced but not completed as at the date of this Annual Report.

- (b) The details of the utilisation of the proceeds from the issuance of the Renounceable Rights Issue of Warrants and Restricted Issue of Warrants up to 31 December 2009 are as follows:

Description	Proposed utilisation	Actual utilisation	Balance utilisation
	RM'000	RM'000	RM'000
Working capital	(152)	(152)	-
Corporate Proposals' expenses	(255)	(255)	-
Total	(407)	(407)	-

2. Shares Buy-Back

During the financial year ended 31 December 2009, the Company had purchased 445,700 of its own shares, which are held as treasury shares. The shares repurchased held in treasury shares are summarized as follows:

Month	No. of repurchased shares	Highest price (RM)	Lowest price (RM)	Average price (RM)	Consideration (RM)
August 2009	98,000	0.82	0.68	0.75	74,058.33
September 2009	128,500	0.90	0.83	0.87	114,104.83
October 2009	33,500	0.89	0.81	0.85	28,280.65
November 2009	47,400	0.94	0.89	0.92	43,057.50
December 2009	138,300	0.94	0.83	0.89	123,065.93

The Company has not made any resale or cancellation of its treasury shares in the financial year ended 31 December 2009.

To-date, the total number of shares bought back and the shares retained as treasury shares is 2,220,300. Such treasury shares are held at a total consideration of RM2,196,834.78.

ADDITIONAL COMPLIANCE INFORMATION (Cont'd)

3. Options, Warrants or Convertible Securities

During the financial year ended 31 December 2009:

- (i) 21,000 warrants 2004/2009 have been exercised and converted into Ordinary Shares of RM1.00 each by the holders.
- (ii) a total of 20,340,955 new warrants were issued pursuant to the Corporate Proposals implemented by the Company.

None of the Warrants 2009/2019 were exercised by the holders as at 31 December 2009.

4. American Depositary Receipt (ADR) or Global Depositary 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 by the Company for the financial year ended 31 December 2009 amounted to RM18,000.00.

7. Variation in Results

There were no material variations between audited and unaudited results for the financial year ended 31 December 2009.

8. Profit Forecast And Profit Guarantee

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

9. Material Contracts

Save as disclosed under Note 36 to the financial statements as set out on page 61 of this Annual Report and Circular to Shareholders dated 5 May 2010, 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 15.09(1)(c)(i) of the Listing Requirements.

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 fulfill the requirements as prescribed in the Listing Requirements.

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 made available to each member of the Board.

AUDIT COMMITTEE REPORT (Cont'd)

• 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.

• 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) and 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;

AUDIT COMMITTEE REPORT (Cont'd)

- (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.

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	-	4/5
Lee Thiam	Member - Independent Non-Executive Director	10 January 2007	-	5/5
Ang Poo Guan	Member - Independent Non-Executive Director	26 February 2007	-	4/5

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 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;
 - (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.

AUDIT COMMITTEE REPORT (Cont'd)

• 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.
- (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 Executive Director at least twice (2) a year.

• Related Party Transactions

The Audit Committee has reviewed the potential related party transaction and any conflict of interest situation that may arise within the Company of Group entered into by the 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 15.26(a) of the Listing Requirements.

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 2009, the Directors are satisfied that the Company has adopted appropriate accounting policies and applied them consistently and supported by reasonable and prudent judgments 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's Statement on Internal Control as a Group, made in compliance with the Listing Requirements 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 15.23 of the Listing Requirements.

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.

This process is regularly reviewed by the Board and accords with the guidelines for directors on internal control, the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

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 recognises 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 minor 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 and of the view that the system of internal controls is in place for the year under review and up to the date of issuance of the financial statements. 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.
- quarterly details budgets have been reviewed and approved by the Board. Management accounts containing actual and budget results and revised forecasts for the quarter 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	: <ul style="list-style-type: none"> • 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	: <ul style="list-style-type: none"> • 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 2009

	2009 RM'000	2008 RM'000	2007 RM'000	2006 RM'000	2005 RM'000
INCOME STATEMENT					
Gross Revenue	86,887	111,118	100,793	103,927	72,792
Profit/(Loss) Before Tax	5,619	1,148	(13,845)	(2,150)	(4,028)
Profit/(Loss) After Tax	4,296	1,148	(11,743)	(4,284)	(2,806)
BALANCE SHEET					
Property, Plant and Equipment	31,339	33,664	38,712	51,163	51,401
Prepaid lease repayment	3,208	3,232	3,256	-	-
Deferred Assets	-	-	-	-	62
Net Current Assets/(Liabilities)	3,710	(4,058)	(9,299)	(5,976)	1,101
Total Assets Employed	38,257	32,838	32,669	46,617	52,564
Shareholders' Fund	35,456	31,088	29,939	41,327	44,310
Minority Interest	2	29	-	61	662
Non-Current Liabilities	2,799	1,721	2,730	5,229	7,592
Total Funds Employed	38,257	32,838	32,669	46,617	52,564
PER RM 1 ORDINARY SHARE					
Earnings/(Loss) Per Share (sen)	10.33	2.74	(27.99)	(8.78)	(6.24)
Gross Dividend Per Share (sen)	-	-	-	-	-
Net Tangible Assets Per Share (RM)	0.84	0.74	0.71	0.99	1.07

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Ralco Corporation Berhad, I am pleased to present the Annual Report 2009, incorporating the Financial Statement of the Group and the Company for the financial year ended 31 December 2009.

PERFORMANCE REVIEW

Year 2009 continued to be another challenging year to the global financial market and for the plastic industry.

However the Group performed reasonably well with another profitable year. The Group will continue to be progressive and continues to enhance our capability and competitiveness in the market.

FINANCIAL RESULTS

Despite generating a lower gross revenue of RM86.9 million representing a decrease of 21.8% against prior year gross revenue of RM111.1 million, the Group recorded a pre-tax profit of RM5.6 million representing a remarkable increase of 400% as compared to prior year of pre-tax profit of RM1.1 million. The higher pre-tax profit for the current year was mainly contributed by lower resin price and continuous cost saving measures which resulted in better margin.

The Group performed remarkably well after taking into consideration of the global market and difficult business environment.

OUTLOOK AND PROSPECTS

The Board is of the opinion that the Group would remain stable and resilient for the ensuing year. We continue to look for opportunities that complement existing operations which will contribute to the growth without jeopardizing existing operations and to continue implement various measure to ensure more efficient and sustainable operations.

CORPORATE SOCIAL RESPONSIBILITIES

The Group will continue to render valuable assistance to charitable organization in our community, covering wide range of sector and organization.

ACKNOWLEDGEMENT

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

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

DATUK LIM SI CHENG, PJN., PIS

5 May 2010

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services to its subsidiary companies.

The principal activities of the subsidiary companies are indicated in Note 8 to the Financial Statements.

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

RESULTS

	GROUP RM	COMPANY RM
Profit/(loss) for the financial year	4,296,447	(781,044)
Attributable to:		
Equity holders of the Company	4,323,393	(781,044)
Minority interests	(26,946)	-
	4,296,447	(781,044)

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 and provisions during the financial year other than those disclosed in the Financial Statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, The issued and paid-up share capital of the Company was increased from RM41,960,000 to RM41,981,000 by the way of issue of 21,000 new ordinary shares of RM1.00 each at par for cash pursuant to conversion of Warrant 2004/2009. The abovementioned shares rank pari-passu in all respects with the existing shares of the Company.

There were no issues of debentures during the financial year.

DIRECTORS

The Directors who held office since the date of the last report are:-

Datuk Lim Si Cheng
Sui Diong Hoe
Ang Poo Guan
Lee Thiam
Mohd Khassan Bin Ahmad
Heng Chee Wei

DIRECTORS' REPORT (Cont'd)

DIRECTORS' INTEREST IN SHARES

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2009 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act 1965 were as follows:

	Number of shares of RM 1 each		
	At 1.1.2009	Acquired/(Disposed)	At 31.12.2009
The Company			
Direct interest			
Sui Diong Hoe	1,943,938	80,300	2,024,238
	Number of warrants 2004/2009 (WA)		
	At 1.1.2009	*Lapsed	At 22.11.2009
Sui Diong Hoe	2,077,138	(2,077,138)	-
	Number of warrants 2009/2019 (WB)		
	At #15.12.2009	Acquired/(Disposed)	At 31.12.2009
Sui Diong Hoe	-	2,146,289	2,146,289

* The Warrants 2004/2009 (WA) lapsed on 22 November 2009 as explained further in Note 18 to the Financial Statements.

The Warrants 2009/2019 (WB) were issued on 15 December 2009 as explained further in Note 18 to the Financial Statements.

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations.

By virtue of their interests in the shares of the Company, the Directors are also deemed to be interested in the shares of all the subsidiaries to the extent the Company has an interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Notes 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 he is a member, or with a company in which he has a substantial financial interests.

During and at the end of the financial period, the Company was not a party to any arrangement whose object is to enable the Directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the Income Statements and Balance Sheets of the Group and of the Company were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and had satisfied themselves that all known bad debts have been written off and that adequate provision had been made for doubtful debts; and

DIRECTORS' REPORT (Cont'd)

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONT'D)

(I) AS AT THE END OF THE FINANCIAL YEAR (cont'd)

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

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (b) The Directors are not aware of any circumstances:
 - (i) which would render the amount written off for bad debts or the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate;
- (c) In the opinion of the Directors:
 - (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to substantially affect the financial results of the Group or of the Company for the current financial year.

(III) AS AT THE DATE OF THIS REPORT

- (d) There are no charges on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (e) There are no contingent liabilities of the Group or of the Company which has arisen since the end of the financial year.
- (f) The Directors are not aware of any circumstances not otherwise dealt with in the report of financial statements which would render any amount stated in the financial statements of the Group and the Company misleading.

AUDITORS

The retiring auditors, Messrs RSM Robert Teo, Kuan & Co., have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors

SUI DIONG HOE
Director
26 April 2010

LEE THIAM
Director

BALANCE SHEETS

as at 31 December 2009

		GROUP		COMPANY	
	Note	2009 RM	2008 RM	2009 RM	2008 RM
NON-CURRENT ASSETS					
Property, plant and equipment	6	31,339,202	33,663,528	4,505	3,266
Prepaid lease payments	7	3,208,241	3,232,277	-	-
Investments in subsidiaries	8	-	-	33,297,733	34,598,733
		34,547,443	36,895,805	33,302,238	34,601,999
CURRENT ASSETS					
Property development costs	9	-	8,193,301	-	-
Inventories	10	7,191,229	3,190,864	-	-
Trade receivables	11	20,978,959	24,298,358	-	-
Other receivables, deposits and prepayments	12	3,541,768	1,287,895	91,574	151,641
Tax recoverable		8,800	-	-	-
Amount owing from subsidiaries	13	-	-	13,621,196	13,285,148
Short term deposits	14	4,602,237	1,965,740	1,151,097	906,048
Cash and bank balances	15	1,928,432	829,544	617,368	162,338
		38,251,425	39,765,702	15,481,235	14,505,175
TOTAL ASSETS		72,798,868	76,661,507	48,783,473	49,107,174
EQUITY					
Share capital	16	41,981,000	41,960,000	41,981,000	41,960,000
Treasury shares	17	(382,577)	-	(382,577)	-
Warrant reserve	18	406,828	-	406,828	-
(Accumulated loss)/Unappropriated profit		(6,548,727)	(10,872,120)	5,702,246	6,483,290
Equity attributable to shareholders of the Company		35,456,524	31,087,880	47,707,497	48,443,290
Minority interests		1,909	28,855	-	-
TOTAL EQUITY		35,458,433	31,116,735	47,707,497	48,443,290

BALANCE SHEETS (Cont'd)

as at 31 December 2009

		GROUP		COMPANY	
	Note	2009 RM	2008 RM	2009 RM	2008 RM
NON-CURRENT LIABILITIES					
Hire purchase liabilities	19	1,524,004	1,529,000	-	-
Term loans	20	-	192,100	-	-
Deferred tax liabilities	21	1,275,251	-	-	-
		2,799,255	1,721,100	-	-
CURRENT LIABILITIES					
Trade payables	22	13,289,029	14,026,260	-	-
Other payables, deposits and accruals	23	4,113,357	11,140,471	600,976	188,884
Amount owing to a subsidiary	13	-	-	475,000	475,000
Hire purchase liabilities	19	806,056	366,578	-	-
Bank borrowings	24	16,332,738	18,290,363	-	-
		34,541,180	43,823,672	1,075,976	663,884
TOTAL LIABILITIES		37,340,435	45,544,772	1,075,976	663,884
TOTAL EQUITY AND LIABILITIES		72,798,868	76,661,507	48,783,473	49,107,174

The annexed notes form an integral part of the financial statements.

INCOME STATEMENTS

for the financial year ended 31 December 2009

	Note	GROUP		COMPANY	
		2009 RM	2008 RM	2009 RM	2008 RM
REVENUE	25	86,886,660	111,118,296	1,950,000	1,485,000
COST OF SALES		(73,813,776)	(101,017,941)	-	-
GROSS PROFIT		13,072,884	10,100,355	1,950,000	1,485,000
OTHER INCOME		2,534,825	1,079,630	45,049	6,048
SELLING AND DISTRIBUTION COSTS		(2,153,996)	(3,007,713)	-	-
ADMINISTRATIVE EXPENSES		(6,502,215)	(5,488,071)	(2,776,093)	(1,719,908)
FINANCE COST	26	(1,332,600)	(1,536,331)	-	-
PROFIT/(LOSS) BEFORE TAXATION	27	5,618,898	1,147,870	(781,044)	(228,860)
TAXATION	28	(1,322,451)	-	-	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		4,296,447	1,147,870	(781,044)	(228,860)
Attributable to:					
Equity holders of the Company		4,323,393	1,149,015	(781,044)	(228,860)
Minority interests		(26,946)	(1,145)	-	-
		4,296,447	1,147,870	(781,044)	(228,860)
Earnings per share (sen):	29				
Basic		10.33	2.74		
Diluted		-	-		

The annexed notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2009

GROUP	<----- Attributable to Equity Holders of the Company ----->						
	Share capital RM	Treasury Shares RM	Warrant Reserve RM	<-Non-distributable-> Distributable Unappropriated Profit/ (Accumulated losses) RM	Total RM	Minority interests RM	Total equity RM
Balance as at 1.1.2008	41,960,000	-	-	(12,021,135)	29,938,865	-	29,938,865
Issue of ordinary shares to minority interests	-	-	-	-	-	30,000	30,000
Net profit/(loss) for the financial year	-	-	-	1,149,015	1,149,015	(1,145)	1,147,870
Balance as at 31.12.2008	41,960,000	-	-	(10,872,120)	31,087,880	28,855	31,116,735
Issue of shares	21,000	-	-	-	21,000	-	21,000
Issue of Warrants	-	-	406,828	-	406,828	-	406,828
Treasury shares purchased	-	(382,577)	-	-	(382,577)	-	(382,577)
Net profit/(loss) for the financial year	-	-	-	4,323,393	4,323,393	(26,946)	4,296,447
At 31.12.2009	41,981,000	(382,577)	406,828	(6,548,727)	35,456,524	1,909	35,458,433

COMPANY	<----- Attributable to Equity Holders of the Company ----->					
	Share capital RM	Treasury shares RM	Warrant reserve RM	<-----Non-distributable-----> Distributable Unappropriated Profit/ (Accumulated losses) RM	Total RM	
Balance as at 1.1.2008	41,960,000	-	-	6,712,150	48,672,150	
Net loss for the financial year	-	-	-	(228,860)	(228,860)	
Balance as at 31.12.2008	41,960,000	-	-	6,483,290	48,443,290	
Issue of shares	21,000	-	-	-	21,000	
Issue of Warrants	-	-	406,828	-	406,828	
Treasury shares purchased	-	(382,577)	-	-	(382,577)	
Net loss for the financial year	-	-	-	(781,044)	(781,044)	
At 31.12.2009	41,981,000	(382,577)	406,828	5,702,246	47,707,497	

The annexed notes form an integral part of the financial statements.

CASH FLOW STATEMENTS

for the financial year ended 31 December 2009

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation	5,618,898	1,147,870	(781,044)	(228,860)
Adjustments for:				
Allowance for doubtful debts	83,096	145,829	-	-
Amortisation of prepaid lease payments	24,036	24,036	-	-
Bad debt written off	438,124	-	-	-
Depreciation	5,177,003	5,486,261	560	380
Interest expenses	1,332,600	1,536,331	-	-
Interest income	(106,257)	(19,511)	(45,049)	(6,048)
Inventories written down	-	486,311	-	-
(Gain)/Loss on disposal of property, plant and equipment	(228,802)	105,786	-	-
Gain on disposal of subsidiaries	(892,859)	-	-	-
Property, plant and equipment written off	-	19,156	-	1
Unrealised gain on foreign exchange	(83,789)	(191,627)	-	-
Operating profit/(loss) before working capital changes	11,362,050	8,740,442	(825,533)	(234,527)
Increase in property development costs	-	(296,652)	-	-
(Increase)/Decrease in inventories	(4,000,365)	4,429,058	-	-
Decrease/(Increase) in trade receivables	2,875,466	(628,409)	60,067	(135,201)
(Increase)/Decrease in other receivable, deposits and prepayments	(2,253,873)	1,324,999	-	-
(Decrease)/Increase in trade payables	(737,231)	(3,741,271)	412,091	33,314
Decrease in other payables, deposits and accruals	790,259	(1,288,412)	-	-
Cash generated from/(used in) operations	8,036,306	8,539,755	(353,375)	(336,414)
Interest received	106,257	19,511	45,049	6,048
Interest paid	(1,332,600)	(1,536,331)	-	-
Tax paid	(56,000)	(60,148)	-	-
Tax refunded	-	48,726	-	-
Net cash generated from/(used in) operating activities	6,753,963	7,011,513	(308,326)	(330,366)

CASH FLOW STATEMENTS (Cont'd)

as at 31 December 2009

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Net cash flow on disposal of subsidiaries (Note 30b)	1,286,400	-	-	-
Net cash flow on acquisition of a subsidiary (Note 30a)	-	15,000	-	(35,000)
Purchase of property, plant and equipment (a)	(2,005,358)	(658,351)	(1,799)	-
Proceeds from disposal of property, plant and equipment	772,956	155,469	-	-
Subscription for additional shares in a subsidiary	-	-	-	(285,000)
Shares issued to minority interests	-	15,000	-	-
Advances to subsidiaries	-	-	(336,047)	(28,280)
Proceeds from disposal of subsidiaries	-	-	1,301,000	-
Repayment from a subsidiary	-	-	-	1,654,793
Net cash generated from/(used in) investing activities	53,998	(472,882)	963,154	1,306,513
CASH FLOWS FROM FINANCING ACTIVITIES				
Treasury share purchased	(382,577)	-	(382,577)	-
Proceeds from issuance of shares	21,000	-	21,000	-
Proceeds from right issue of warrant	406,828	-	406,828	-
Repayment to a former director of a subsidiary	-	(91,922)	-	-
Repayment of bank term loans	(2,174,145)	(1,825,070)	-	-
Payment of hire purchase instalments	(1,402,584)	(337,263)	-	-
Repayment to a subsidiary	-	-	-	(1,000)
Net cash (used in)/generated from financing activities	(3,531,478)	(2,254,255)	45,251	(1,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,276,483	4,284,376	700,079	975,147
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	(8,788,225)	(13,072,601)	1,068,386	93,239
CASH AND CASH EQUIVALENTS CARRIED FORWARD (b)	(5,511,742)	(8,788,225)	1,768,465	1,068,386

CASH FLOW STATEMENTS (Cont'd)

as at 31 December 2009

NOTES TO THE CASH FLOW STATEMENTS

(a) Acquisition of property, plant and equipment during the financial year are financed by:

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Cash	2,005,358	658,351	1,799	-
Hire purchase	1,402,584	60,000	-	-
	3,407,942	718,351	1,799	-

(b) Cash and cash equivalents

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Short term deposits (Note 14)	4,602,237	1,965,740	1,151,097	906,048
Cash and bank balances (Note 15)	1,928,432	829,544	617,368	162,338
Bank overdraft (Note 24)	(12,042,411)	(11,583,509)	-	-
	(5,511,742)	(8,788,225)	1,768,465	1,068,386

The annexed notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2009

1. PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services to its subsidiary companies.

The principal activities of the subsidiary companies are indicated in Note 8 to the Financial Statements.

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

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with applicable approved Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Boards and the provisions of the Companies Act 1965.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise stated in the financial statements.

The preparation of financial statements requires the Directors to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. In addition, the Directors are also required to exercise their judgment in the process of applying the accounting policies. The areas involving such judgments, estimates and assumptions are disclosed in Note 5. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

(b) 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 the assets are also eliminated in full.

Acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of a business combination to 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 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 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Goodwill

Goodwill, if any, arising from 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 reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

(d) Property, plant and equipment and depreciation

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 assets, 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.

Freehold land is not depreciated. 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 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.

(e) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (cont'd)

(ii) Operating leases – the Group as lessee (cont'd)

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 interest in the land element and building element of the lease at the inception of the lease.

The prepaid lease payments 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 statements in the financial year in which they arise.

(f) Property development costs

Property development costs comprise land and all costs which include 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 state of completion is estimated by the proportion of cost incurred to-date bear to estimated total costs.

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.

(g) Inventories

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

Cost comprises the landed costs of goods purchased and in the case of work-in-progress and finished goods, comprises cost of materials, direct labour, other direct charges and an appropriate proportion of production overhead.

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.

(h) Impairment of assets

The carrying amounts of assets other than financial assets, deferred tax 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 that has an indefinite useful life, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment of assets (cont'd)

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. 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 financial 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, had no impairment loss been previously recognised for the asset.

(i) Foreign Currencies

(i) Functional currency

The separate financial statements of each entity in the Group are measured using the functional currency, which is the currency of primary economic environment in which the entity operates.

(ii) Foreign currency transactions and translations

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each balance sheet date, foreign currency monetary items are translated using the exchange rate at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency is translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

Exchange differences arising on monetary items that form part of the Company's net investment in foreign operations shall be recognised in profit or loss in the financial statements of the Company or the individual financial statements. Such exchange differences are recognised initially in the exchange translation reserve except for a monetary item that is denominated in a currency other than the functional currency of either the Company or the foreign operations, which exchange differences is recognised in profit or loss in the consolidated financial statements. On disposal of the foreign operation, the cumulative amount of the exchange differences relating to the foreign operation is recognised in profit or loss when the gain or loss on disposal is recognised.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation is treated as assets and liabilities of the foreign operation and is translated at the exchange rate at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and cost incurred or to be incurred in respect of the transaction can be measured reliably and specific recognition criteria have been met for each of the Group's activities as follows:

1. 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.

2. 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.

3. Management fees

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

4. Interest income

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

(k) Employee Benefits

(i) Short term benefit

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absence such as paid annual leave are recognised when services are rendered by employees and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employees' Provident Fund ("EPF"). The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the income statement in the period in which the employee render their services.

(l) 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.

(m) Income Tax

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Income Tax (cont'd)

Deferred tax is measured at the tax rates that are expected to apply in the financial year 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. Deferred tax is recognised in the Income Statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

(n) Financial instruments

(i) Financial instruments recognised on the balance sheets

Financial instruments are recognised on the balance sheet when the Group has become a party to contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and losses and gains relating to financial instruments or a component that is a financial liability shall be recognised as income or expense in profit or loss. Distributions to holders of an equity instrument are debited directly to equity, net of any related tax effect. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

1. Receivables

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

2. Cash and Cash Equivalents

Cash and cash equivalents comprise cash and bank balances, deposits 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.

3. Payables

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

(ii) Financial instruments not recognised on the balance sheets

There were no financial instruments not recognised on the balance sheets.

(o) Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(p) Assets acquired under hire purchase arrangements

Assets acquired under hire purchase arrangement are capitalised as property, plant and equipment and depreciated according to the basis set out in Note 3(d).

Outstanding obligations due under the agreement after deducting finance expenses are included as liabilities in the financial statements. Finance charges are allocated to the Income Statements on the sum-of-digits method over the duration of the agreement.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

4. ADOPTION OF FRSs, AMENDMENTS TO FRSs AND INTERPRETATIONS.

4.1 FRSs, Amendments to FRSs and Interpretations adopted

There are no FRSs and amendment to FRSs and Interpretations that is mandatory for the financial statements during the financial year.

4.2 FRSs, Amendments to FRSs and Interpretations not adopted

4.2.1 The Group has not adopted the following FRSs and amendment to FRSs and Interpretations that have been issued at that date of authorisation of these financial statements but are not yet effective for the Group.

(a) FRS which is effective for annual periods beginning on or after 1 July 2009

FRS 8 Operating Segments

(b) FRS which are effective for annual periods beginning on or after 1 January 2010

FRS 1 Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

FRS 2 Amendments to FRS 2 Share-based Payment-Vesting Conditions and Cancellations

FRS 4 Insurance Contracts

FRS 5 Amendment to FRS 5 Non-current Assets Held for Sale and Discontinued Operations

FRS 7 Financial Instruments: Disclosure

Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosure and IC Interpretation 9 Reassessment of Embedded Derivatives

FRS 101 Presentation of Financial Statements

FRS 107 Amendment to FRS 107 Statement of Cash Flows

FRS 108 Amendment to FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

FRS 110 Amendment to FRS 110 Event after the Reporting Period

FRS 116 Amendment to FRS 116 Property, Plant and Equipment

FRS 117 Amendment to FRS 117 Leases

FRS 118 Amendment to FRS 118 Revenue

FRS 119 Amendment to FRS 119 Employee Benefits

FRS 120 Amendment to FRS 120 Accounting for Government Grants and Disclosure of Government Assistance

FRS 123 Borrowing Costs

Amendments to FRS 123 Borrowing Costs

FRS 127 Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendment to FRS 127 Consolidated and Separate Financial Statements

FRS 128 Amendment to FRS 128 Investment in Associates

FRS 129 Amendment to FRS 129 Financial Reporting in Hyperinflationary Economies

FRS 131 Amendment to FRS 131 Interests in Joint Ventures

FRS 132 Amendment to FRS 132 Financial Instruments: Presentation

FRS 134 Amendment to FRS 134 Interim Financial Reporting

FRS 136 Amendment to FRS 136 Impairment of Assets

FRS 138 Amendment to FRS 138 Intangible Assets

FRS 139 Financial Instruments: Recognition and Measurement

FRS 140 Amendment to FRS 140 Investment Property

(c) FRSs which are effective for annual periods beginning on or after 1 July 2010

FRS 1 First-time Adoption of Financial Reporting Standards

FRS 2 Amendments to FRS 2 Share-based Payment

FRS 3 Business Combinations

FRS 5 Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations

FRS 127 Consolidated and Separate Financial Statements

FRS 138 Amendments to FRS 138 Intangible Assets

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

4. ADOPTION OF NEW FRSS AND AMENDMENT TO FRSS (CONT'D)

4.2 New FRSS and amendment to FRSS not adopted (cont'd)

- (d) IC Interpretations which are effective for annual periods beginning on or after 1 January 2010

IC Interpretation 9	Reassessment of Embedded Derivatives Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosure and IC Interpretation 9 Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2-Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

- (e) Amendments and IC Interpretations which are effective for annual periods beginning on or after 1 July 2010

IC Interpretation 9	Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners

4.2.2 The key applicable FRSSs, Amendments to FRSSs and Interpretations which are not yet effective to the Group are as follows:

- (i) Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate – The amendment to FRS 1 allows first-time adopters of the FRS framework to measure the initial cost of investments in subsidiaries, jointly controlled entities and associated companies at fair value or the previous carrying amount, instead of having to adopt the measurement requirements of FRS 127 retrospectively. The amendment to FRS 1 is not applicable to the Group and the Company as it is not adopting the FRS framework for the first time. The amendment to FRS 127 removes the requirement for a parent entity to recognise dividends only to the extent that it represents distributions from profits of the investee arising after the date of acquisition, with any excess dividends recognised as a reduction of the cost of investment. The amendment to FRS 127 also deals with situations where a parent entity reorganises its group by establishing a new entity as the parent, whereby the new parent measures the cost of its investment in the original parent at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the reorganisation date. The amendment to FRS 127 is not expected to have any impact on the financial statements of the Group and the Company, as there were no such dividend distributions.
- (ii) Amendments to FRS 2 Share-based Payment: Vesting Conditions and Cancellations – This amendment clarifies that vesting conditions are limited to service conditions and performance conditions only and do not include other features of a share-based payment, and that cancellations by parties other than the entity are to be treated in the same way as cancellations by the entity.
- (iii) FRS 7 Financial Instruments: Disclosures – This standard requires disclosures in financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance, and the nature and extent of risks arising from financial instruments to which an entity is exposed and how these risks are managed. This standard requires both qualitative disclosures describing management's objectives, policies and processes for managing those risks, and quantitative disclosures providing information about the extent to which an entity is exposed to risk, based on information provided internally to the entity's key management personnel. An entity shall not apply this standard for annual periods beginning prior to 1 January 2010 unless it also applies FRS 139. The impact of applying FRS 7 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not required to be disclosed by virtue of exemptions provided under paragraph 44AB of FRS 7.
- (iv) FRS 8 Operating Segments – FRS 8, which replaces FRS 114²⁰⁰⁹ Segment Reporting, requires the identification of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess their performance.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

4. ADOPTION OF NEW FRSS AND AMENDMENT TO FRSS (CONT'D)

4.2 New FRSS and amendment to FRSS not adopted (cont'd)

- (v) FRS 101 Presentation of Financial Statements – This standard sets the overall requirements for the presentation of financial statements, guidelines for their structure and the minimum requirements for their content. The standard separates owner and non-owner changes in equity, whereby the statement of changes in equity will include only details of transactions with owners, and all non-owner changes in equity are presented separately. In addition, the standard introduces the statement of comprehensive income, which presents income and expense items recognised in profit and loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The application of this standard is not expected to have any impact on the financial results of the Group and the Company as the changes introduced are presentational in nature.
- (vi) FRS 123 Borrowing Costs – This standard replaces FRS 123₂₀₀₄, with the main difference being the removal of the option to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, and instead requires an entity to capitalise all such borrowing costs as part of the cost of that asset.
- (vii) FRS 139 Financial Instruments: Recognition and Measurement – This standard establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. The impact of applying FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not required to be disclosed by virtue of exemptions provided under paragraph 103AB of FRS 139.
- (viii) IC Interpretation 9 Reassessment of Embedded Derivatives – This interpretation clarifies that the reassessment of an embedded derivative after its initial recognition is forbidden unless the instrument's terms have changed and this has affected its cash flows significantly. This IC Interpretation is not expected to have any material impact on the financial statements of the Group and the Company.
- (ix) IC Interpretation 10 Interim Financial Reporting and Impairment – This interpretation clarifies that an entity shall not reverse impairment losses on goodwill, investments in equity instruments or financial assets carried at cost recognised in an interim period.
- (x) IC Interpretation 11 FRS 2 – Group and Treasury Share Transactions – This interpretation clarifies how share-based payment transactions involving an entity's own or another entity's equity instruments in the same group are to be treated.

The Directors do not anticipate that the application of these standards when they effective will have a material impact on the results and the financial position of the Group.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

5.1 Critical Judgments made in applying accounting policies

Judgments have been made by the management in applying the Group's accounting policies. Amongst others, the judgment made by the management on the possible outcome of the material litigation as detailed further in Note 36 may have significant effect on the basis of accounting as stated in Note 3(a).

5.2 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of plant and machinery

The cost of 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 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 THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

6. PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are as follows:-

GROUP 2009	Land and buildings RM	Plant and machinery RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Motor vehicles RM	Total RM
<u>Cost</u>							
At 1.1.2009	17,002,608	75,559,413	1,940,322	1,499,402	731,407	1,244,225	97,977,377
Addition	415,629	2,648,276	12,079	90,458	191,100	50,400	3,407,942
Disposal	-	(277,500)	-	-	-	(950,548)	(1,228,048)
Elimination on disposal of subsidiaries	-	-	(16,309)	(7,827)	-	-	(24,136)
At 31.12.2009	17,418,237	77,930,189	1,936,092	1,582,033	922,507	344,077	100,133,135
<u>Accumulated depreciation</u>							
At 1.1.2009	3,918,387	56,146,409	1,778,345	1,217,872	652,359	600,477	64,313,849
Charge for the financial year	429,657	4,497,677	63,242	86,422	44,816	55,189	5,177,003
Disposal	-	(241,349)	-	-	-	(442,545)	(683,894)
Elimination on disposal of subsidiaries	-	-	(8,533)	(4,492)	-	-	(13,025)
At 31.12.2009	4,348,044	60,402,737	1,833,054	1,299,802	697,175	213,121	68,793,933
<u>Net carrying amount</u>							
At 31.12.2009	13,070,193	17,527,452	103,038	282,231	225,332	130,956	31,339,202

GROUP 2008	Land and buildings RM	Plant and machinery RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Motor vehicles RM	Total RM
<u>Cost</u>							
At 1.1.2008	16,956,887	75,390,439	1,941,792	1,483,796	1,124,136	1,164,061	98,061,111
Additions	45,721	483,710	6,240	28,491	74,025	80,164	718,351
Disposal	-	(312,186)	(1,450)	(12,885)	-	-	(326,521)
Written off	-	(2,550)	(6,260)	-	(466,754)	-	(475,564)
At 31.12.2008	17,002,608	75,559,413	1,940,322	1,499,402	731,407	1,244,225	97,977,377
<u>Accumulated depreciation</u>							
At 1.1.2008	3,533,867	51,507,994	1,703,680	1,105,423	1,093,394	404,904	59,349,262
Charge for the financial year	384,520	4,699,308	82,375	116,307	8,178	195,573	5,486,261
Disposal	-	(59,958)	(1,450)	(3,858)	-	-	(65,266)
Written off	-	(935)	(6,260)	-	(449,213)	-	(456,408)
At 31.12.2008	3,918,387	56,146,409	1,778,345	1,217,872	652,359	600,477	64,313,849
<u>Net carrying amount</u>							
At 31.12.2008	13,084,221	19,413,004	161,977	281,530	79,048	643,748	33,663,528

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

COMPANY 2009	Furniture and fittings RM	Office equipment RM	Renovations RM	Total RM
<u>Cost</u>				
At 1.1.2009	261,733	11,870	-	273,603
Addition	-	1,799	-	1,799
At 31.12.2009	261,733	13,669	-	275,402
<u>Accumulated depreciation</u>				
At 1.1.2009	261,730	8,607	-	270,337
Charge for the financial year	-	560	-	560
At 31.12.2009	261,730	9,167	-	270,897
<u>Net carrying amount</u>				
At 31.12.2009	3	4,502	-	4,505

COMPANY 2008	Furniture and fittings RM	Office equipment RM	Renovations RM	Total RM
<u>Cost</u>				
At 1.1.2008	267,993	11,870	443,904	723,767
Written off	(6,260)	-	(443,904)	(450,164)
At 31.12.2008	261,733	11,870	-	273,603
<u>Accumulated depreciation</u>				
At 1.1.2008	267,990	8,227	443,903	720,120
Charge for the financial year	-	380	-	380
Written off	(6,260)	-	(443,903)	(450,163)
At 31.12.2008	261,730	8,607	-	270,337
<u>Net carrying amount</u>				
At 31.12.2008	3	3,263	-	3,266

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

	GROUP 2009 RM	2008 RM
Freehold land and buildings	242,103	249,069
Factory buildings on leasehold land classified as prepaid lease payments	12,634,838	12,795,611
	<u>12,876,941</u>	<u>13,044,680</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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 Group:

	GROUP	
	2009 RM	2008 RM
Buildings	951,382	973,253
Plant and machinery	1,603,483	2,082,099
	<u>2,554,865</u>	<u>3,055,352</u>

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	
	2009 RM	2008 RM
Plant and machinery	1,152,011	1,298,487
Motor vehicles	46,791	599,072
	<u>1,198,802</u>	<u>1,897,559</u>

7. PREPAID LEASE PAYMENTS

	GROUP	
	2009 RM	2008 RM
<u>Cost</u>		
At 1 January	3,593,337	3,593,337
Addition/Disposal	-	-
At 31 December	<u>3,593,337</u>	<u>3,593,337</u>
<u>Accumulated amortisation</u>		
At 1 January	361,060	337,024
Amortisation for the financial year	24,036	24,036
At 31 December	<u>385,096</u>	<u>361,060</u>
<u>Net carrying amount</u>		
At 31 December	<u>3,208,241</u>	<u>3,232,277</u>

Included in the above is leasehold land with net carrying amount of RM 1,213,800 (2008: RM1,213,800) which is charged to a licensed bank for banking facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

8. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2009 RM	2008 RM
Unquoted shares, at cost	33,297,733	34,598,733

The details of the subsidiary companies are as follows:-

Name of company	Date and place of incorporation	Issued and paid up share capital RM	Effective equity interests		Principal activities
			2009 %	2008 %	
Ralco Plastic Sdn. Bhd.	21.2.1989 Malaysia	23,940,790	100	100	Manufacturing of and trading in plastic bottles, containers, boxes, crates and related materials
#Ralco Bidara Sdn. Bhd.	4.4.2006 Malaysia	-	-	100	Property development
#Ralco Construction Sdn. Bhd.	6.4.2006 Malaysia	-	-	100	To carry on business of contractors to erect and construct houses, buildings or works description of any land
Ralco Holdings Sdn. Bhd.	9.3.1989 Malaysia	57,146	100	100	Inactive
Ralco Trading Sdn. Bhd. (formerly known as Ralco Coolers Sdn. Bhd.)	21.6.1989 Malaysia	350,000	100	100	Inactive
Ralco Compounding Sdn. Bhd.	23.11.2006 Malaysia	1,000	100	100	Inactive
Temasek Bay Sdn. Bhd.	17.11.2008 Malaysia	100,000	70	70	To carry on business as palm oil packers, trading of palm oil products, manufacturers of or dealers in packaging materials and all related products

During the financial year, the shares in Ralco Bidara Sdn. Bhd. and Ralco Construction Sdn. Bhd. have been disposed of for a consideration of RM1,301,000 as disclosed in Note 30 and they ceased to be subsidiaries of the Company.

9. PROPERTY DEVELOPMENT COSTS

	GROUP	
	2009 RM	2008 RM
Freehold land, at cost	-	2,393,737
Property development cost	-	5,799,564
At 31 December	-	8,193,301

During the financial year, the subsidiaries which carried out property development activities have been disposed of as disclosed in Note 30.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

10. INVENTORIES

	GROUP	
	2009 RM	2008 RM
Raw materials	4,187,845	1,491,491
Finished goods	3,003,384	1,699,373
	<u>7,191,229</u>	<u>3,190,864</u>

11. TRADE RECEIVABLES

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Trade receivables	21,209,653	24,445,956	-	-
Allowance for doubtful debts	(230,694)	(147,598)	-	-
	<u>20,978,959</u>	<u>24,298,358</u>	<u>-</u>	<u>-</u>

The currency exposure profile of trade receivables is as follows:

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Ringgit Malaysia	20,111,354	19,854,978	-	-
Singapore Dollar	867,605	4,443,380	-	-
	<u>20,978,959</u>	<u>24,298,358</u>	<u>-</u>	<u>-</u>

Trade receivables are granted credit period of 30 to 90 days (2008: 30 to 90 days). For certain customers, the credit period may be extended at the discretion of the management.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Other receivables	356,042	632,533	79,017	140,000
Allowance for doubtful debts	(145,829)	(145,829)	-	-
	<u>210,213</u>	<u>486,704</u>	<u>79,017</u>	<u>140,000</u>
Deposits	2,895,718	580,809	1,000	1,000
Prepayments	435,837	220,382	11,557	10,641
	<u>3,541,768</u>	<u>1,287,895</u>	<u>91,574</u>	<u>151,641</u>

Included in the deposit of the Group are amounts totalling RM1,933,747 (2008: RM244,878) which represents deposits paid for the acquisition of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

13. AMOUNT OWING FROM/(TO) SUBSIDIARIES

COMPANY

The amount owing from/(to) the subsidiaries represent unsecured advances which are interest-free and repayable on demand.

14. SHORT TERM DEPOSITS

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Fixed deposits with licensed banks	1,512,506	1,159,975	100,283	100,283
Investment funds placed with a financial institution	3,089,731	805,765	1,050,814	805,765
	4,602,237	1,965,740	1,151,097	906,048

The fixed deposits have maturity period of 1 month (2008: 1 month). The effective interest rates of the fixed deposits are between 2.00 % and 3.00 % (2008: 3.00% and 3.15%) per annum.

The investment funds generate an effective rate of return of 4.50% per annum (2008: 5.00%).

15. CASH AND BANK BALANCES

The foreign currency exposure profile of cash and bank balances are as follows:

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Ringgit Malaysia	1,681,677	635,997	617,368	162,338
Singapore Dollar	157,499	193,547	-	-
US Dollar	89,256	-	-	-
	1,928,432	829,544	617,368	162,338

16. SHARE CAPITAL

	COMPANY			
	2009 No. of shares	2008 No. of shares	2009 RM	2008 RM
Ordinary shares of RM 1 each Authorised	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid				
As at 1 January	41,960,000	41,960,000	41,960,000	41,960,000
Issued during the financial year	21,000	-	21,000	-
As at 31 December	41,981,000	41,960,000	41,981,000	41,960,000

During the financial year, the issued and paid-up share capital of the Company was increased from RM41,960,000 to RM41,981,000 by the way of issue of 21,000 new ordinary shares of RM1.00 each at par for cash pursuant to conversion of Warrant 2004/2009. The abovementioned shares rank pari-passu in all respects with the existing shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

17. TREASURY SHARES

The shareholders of the Company, by a resolution passed at an Extraordinary General Meeting held on 25 June 2009, approved the Company's proposal to repurchase of up to 10% of its issued and paid up share capital of the Company ("Share Buy Back").

During the financial year, the Group had purchased 445,700 ordinary shares of RM1.00 each from the open market for a total consideration of RM382,577. The repurchase transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirements of Section 67A of the Companies Act 1965.

18. WARRANT RESERVE

	GROUP AND COMPANY	
	2009	2008
	RM	RM
Warrant reserve	406,828	-

(a) Warrants 2004/2009 (WA)

As at 1 January 2009, there were 10,490,000 unexercised warrants in issue which entitle the registered holders to subscribe for one new ordinary share of RM1.00 each for every warrant held.

The salient terms of the Warrants 2004/2009 (WA) are as follows:

- (i) 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 RM1.00 each in the Company at an exercise price of RM1.00 per ordinary share for every warrant held.
- (ii) 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.
- (iii) 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.
- (iv) 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.

On 19 October 2009, the Company announced the Notice of Expiry and last date for the exercise of Warrants 2004/2009 (WA). Pursuant to terms and conditions stipulated in the Deed Poll dated 7 September 2004 executed by the Company governing the terms and condition of the Warrants 2004/2009 (WA) ("Deed Poll"), the subscription right expired at 5.00pm on Sunday, 22 November 2009 ("Expiry date"). As the Expiry date falls on a non market day, the last date and time for the exercise of the Warrants 2004/2009 (WA) was at 5.00pm at on Friday, 20 November 2009.

(b) Warrants 2009/2019 (WB) ("New Warrants")

On 7 April 2009, the Company has announced a proposal which comprises of Proposed Rights Issue of Warrants and Proposed Restricted Issue of Warrants.

The shareholders had, at the Extraordinary General Meeting held on 25 June 2009, approved the proposals.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

18. WARRANT RESERVE (CONT'D)

(b) Warrants 2009/2019 (WB) ("New Warrants") (cont'd)

On 22 December 2009, the Company issued 20,340,955 Warrants 2009/2019 (WB) ("New Warrant") pursuant to the following terms:

- (i) Renounceable rights issue of 16,628,640 Warrants 2009/2019 (WB) to all the shareholders of Company on the basis of two (2) Warrants 2009/2019 (WB) for every five (5) ordinary shares of RM1.00 each held in the Company at 5.00pm on 23 November 2009; and
- (ii) Restricted issue of 3,712,315 Warrants 2009/2019 (WB) to the holders of the unexercised Warrants 2004/2009 (WA) on 22 November 2009, being the expiry date of the Warrants 2004/2009 (WA) ("Expiry Date") on the basis of two (2) Warrants 2009/2019 (WB) for every five (5) unexercised Warrants 2004/2009 (WA) held on the Expiry Date.

The Salient terms of the New Warrants are set out below:

- (i) The New Warrants are issued in registered form and constituted by a Deed Poll dated 3 November 2009 and entitle the registered holders to subscribe for one (1) new ordinary share of RM1.00 each in the Company at exercise price of RM1.00 per new Share, subject to the adjustments in accordance with the provisions of the Deed Poll at the issue price of RM0.02 per New Warrants.
- (ii) The New Warrants may be exercised at any time within ten (10) years commencing on and including the date of issuance of the New Warrants and ended at the close of business at 5.00 pm on the date preceding the tenth (10th) anniversary of the date of issuance, or if such date is not a Market Day, then it shall be Market Day immediately preceding the said non-Market Day, but excluding the three (3) clear Market Days prior to a book closure date or entitlement date announced by the Company and those days during that period on which the Record of Depositors and/or Warrants Register is/are closed. Any New Warrants not exercised during the exercise period will thereafter lapse and cease to be valid.
- (iii) Upon exercise of the New 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 any dividend, right, allotment and/or other forms of distribution where the entitlement date of such dividend, right, allotment and/or other forms of distribution precedes the relevant date of allotment and issuance of the new ordinary shares.
- (iv) The exercise price and/ or number of unexercised New 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.

19. HIRE-PURCHASE LIABILITIES

	GROUP	
	2009 RM	2008 RM
Minimum hire-purchase instalments:-		
- not later than 1 year	932,988	472,740
- later than 1 year and not later than 5 years	1,612,430	1,595,172
- later than five years	-	115,447
	2,545,418	2,183,359
Unexpired term charges	(215,358)	(287,781)
Outstanding principal amount due	2,330,060	1,895,578
Outstanding principal due not later than 1 year	(806,056)	(366,578)
Outstanding principal amount due later than 1 year	1,524,004	1,529,000

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

19. HIRE-PURCHASE LIABILITIES (CONT'D)

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

	GROUP	
	2009 RM	2008 RM
Later than 1 year and not later than 5 years	1,524,004	1,416,261
Later than 5 years	-	112,739
	<u>1,524,004</u>	<u>1,529,000</u>

The hire-purchase payables bear effective interest rate ranges from 4.63% to 6.89% (2008: 4.36% to 6.26%) per annum.

20. TERM LOANS

	GROUP	
	2009 RM	2008 RM
Term loans bearing interest rate of 8.00% (2008: 8.00%) per annum, repayable by equal monthly instalments commencing August 2003	194,327	514,016
Term loans bearing interest rate of 8.00% (2008: 8.00%) per annum, repayable by equal monthly instalments commencing April 2004	-	375,938
	<u>194,327</u>	<u>889,954</u>
Repayments due within 12 months (included in Note 24)	(194,327)	(697,854)
	<u>-</u>	<u>192,100</u>

The 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 specific debentures on certain plant and machinery of the said subsidiary referred to in Note 6 and 7. All the term loans are also guaranteed by the Company.

21. DEFERRED TAX

(a) Deferred tax liabilities

	GROUP	
	2009 RM	2008 RM
At 1 January	-	-
Transfer to income statement (Note 28)	1,275,251	-
At 31 December	<u>1,275,251</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

21. DEFERRED TAX (CONT'D)

(a) Deferred tax liabilities (cont'd)

The balances in the deferred tax liabilities are made up of tax effects of temporary differences arising from:

	GROUP 2009 RM
Excess of net book value over tax written down value of property, plant and equipment	4,177,261
Unabsorbed capital allowances	(2,685,923)
Unutilised tax losses	(162,590)
Other temporary differences	(53,497)
	1,275,251

(b) Deferred tax assets

The Group has the following deferred tax assets which are not recognised in the financial statements as there is uncertainty that future taxable profit will be available against which the assets can be utilised:

	2009 RM	GROUP 2008 RM
Excess of net book value over tax written down value of property, plant and equipment	37,591	4,680,977
Unabsorbed capital allowances	(78,043)	(4,637,694)
Unutilised tax losses	(374,604)	(464,456)
Other temporary differences	(113,400)	47,907
	(528,456)	(373,266)

22. TRADE PAYABLES

The currency exposure profile of trade payables is as follows:

	2009 RM	GROUP 2008 RM
Ringgit Malaysia	10,576,799	12,522,943
US Dollar	2,712,230	1,503,317
	13,289,029	14,026,260

The normal credit periods granted by trade suppliers is 90 days (2008: 90 days).

23. OTHER PAYABLES, DEPOSITS AND ACCRUALS

	2009 RM	GROUP 2008 RM	2009 RM	COMPANY 2008 RM
Other payables	1,640,772	9,754,495	-	-
Deposits	-	2,200	-	-
Accruals	2,472,585	1,383,776	600,976	188,884
	4,113,357	11,140,471	600,976	188,884

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

23. OTHER PAYABLES, DEPOSITS AND ACCRUALS (CONT'D)

The currency exposure profile of other payables are as follows:

	2009 RM	2008 RM
Ringgit Malaysia	1,565,740	9,747,295
US Dollar	75,032	7,200
	<u>1,640,772</u>	<u>9,754,495</u>

Included in other payables of the Group is an amount of RM289,790 (2008: RM7,488,289) which represents unsecured advances from a former director of a subsidiary. The amount is interest free and repayable by 4 monthly equal and consecutive instalments of RM58,000 and one final instalment of RM57,790 commencing from 1 January 2010.

24. BANK BORROWINGS

	GROUP	
	2009 RM	2008 RM
<u>Unsecured</u>		
Bills payable	4,096,000	6,009,000
Bank overdrafts	12,042,411	11,583,509
	<u>16,138,411</u>	<u>17,592,509</u>
<u>Secured</u>		
Current portion of bank term loans (Note 20)	194,327	697,854
	<u>16,332,738</u>	<u>18,290,363</u>

The bills payable bears effective interest rates ranging from 3.63% to 4.34% and (2008: 5.30% to 5.54%) per annum.

The bank which granted the overdraft facilities to a subsidiary company has demanded for full repayment of facilities. The subsidiary company has continued to accrue all interest based on the rate stipulated in the Letter of Offer. The status of the litigation is detailed in Note 36.

25. REVENUE

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Sale of goods	86,886,660	110,942,338	-	-
Property development revenue from sale of development units	-	175,958	-	-
Management fees	-	-	1,950,000	1,485,000
	<u>86,886,660</u>	<u>111,118,296</u>	<u>1,950,000</u>	<u>1,485,000</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

26. FINANCE COST

	GROUP	
	2009 RM	2008 RM
Interest on bills payable	136,231	246,994
Interest on bank term loans	31,968	140,352
Interest on bank overdrafts	1,060,505	1,016,874
Hire purchase term charges	103,896	132,111
	<u>1,332,600</u>	<u>1,536,331</u>

27. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is stated after charging:-

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Allowance for doubtful debts	83,096	145,829	-	-
Auditors' remuneration				
- statutory audit				
- current year	81,400	77,400	23,000	17,000
- underprovision in prior year	6,500	8,000	6,500	5,000
- other services	18,400	14,800	16,500	13,000
Amortisation of prepaid lease payments	24,036	24,036	-	-
Bad debt written off	438,124	-	-	-
Depreciation	5,177,003	5,486,261	560	380
Directors' remuneration				
- Directors of holding company				
- fees	168,000	133,000	168,000	133,000
- other emoluments				
- current year	941,220	471,020	941,220	471,020
- under provision in prior year	201,600	-	201,600	-
- Directors of a subsidiary company				
- other emoluments	-	173,600	-	-
Interest expense (Note 26)	1,332,600	1,536,331	-	-
Inventories written down	-	486,311	-	-
(Gain)/Loss on disposal of property, plant and equipment	(228,802)	105,786	-	-
Operating leases				
- rental of equipment	-	2,850	-	2,850
- rental of premises	615,308	308,551	23,539	19,693
Preliminary expenses	-	915	-	-
Property, plant and equipment written off	-	19,156	-	1
And crediting:-				
Bad debts recovered	-	(456,310)	-	-
Gain on foreign exchange				
- realised	(946,277)	(405,087)	-	-
- unrealised	(83,789)	(191,627)	-	-
Gain on disposal of subsidiaries	(892,859)	-	-	-
Interest income received from:				
- fixed deposits	(10,212)	(13,746)	-	(283)
- investment funds	(96,045)	(5,765)	(45,049)	(5,765)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

28. TAXATION

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Current financial year				
- income tax expense	47,200	-	-	-
- deferred taxation (Note 21)	1,275,251	-	-	-
	1,322,451	-	-	-

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

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Profit/(Loss) before tax	5,618,896	1,147,870	(781,044)	(228,860)
Tax at the applicable tax rate of 25% (2008: 26%) for the Group and the Company	1,404,724	298,446	(195,261)	(59,504)
Tax effects in respect of:				
Tax effect of expenses not deductible in determining taxable profit	18,795	211,833	29,994	39,886
Temporary differences not recognised during the financial year	(101,068)	(510,279)	165,267	19,618
	1,322,451	-	-	-

Based on the prevailing tax rate of 25% applicable to dividends for the financial year, approximately RM1,281,000 out of the unappropriated profit of the Company at financial year end (2008: RM1,281,000) 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 (2008: RM13,365,000) in the tax exempt income account available for distribution of tax exempt dividends.

29. EARNINGS PER SHARE

(a) Basis earnings per share

The basic earnings per share is calculated based on consolidated net profit for the financial year attributable to equity holders of the Company over the weighted average number of ordinary shares in issue during the financial year.

	2009	2008
Profit attributable to ordinary equity holders of the Company (RM)	4,323,393	1,149,015
Weighted average number of ordinary shares in issue	41,848,692	41,960,000
Basic earnings per share (sen)	10.33	2.74

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

29. EARNINGS PER SHARE (CONT'D)

- (b) Diluted earnings per ordinary share

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

30. ANALYSIS OF ACQUISITION / DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiary in previous financial 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 for 35,000 ordinary shares of RM1.00 each, representing 70% of the issued and paid-up 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.

On 15 December 2008, the Company subscribed for additional 35,000 ordinary shares of RM1.00 each, representing 70% of the issued and paid-up capital of TBSB, at a cash consideration of RM35,000.

The effects of the newly incorporated subsidiary on the consolidated income statement, the consolidated balance sheet and the consolidated cash flow statement are as follows:

- (i) The effect on consolidated income statement:

	2008 RM
Gross revenue	-
Loss before tax	(3,817)
Minority interests	-
Decrease/Increase in Group's net profit/(loss)	(3,817)

- (ii) The effect on consolidated balance sheet:

	2008 RM
Non current assets	-
Current assets	100,968
Current liabilities	(4,785)
Increase in Group's share of net assets	96,183

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

30. ANALYSIS OF ACQUISITION / DISPOSAL OF SUBSIDIARIES (CONT'D)

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

(iii) The effect on consolidated cash flow statement:

	2008 RM
Net assets acquired:	
Current assets	50,000
Minority interest	(15,000)
Total purchase consideration	35,000
Less:	
Cash and cash equivalents acquired	50,000
Net cash flows on acquisition of a subsidiary	(15,000)

(b) Disposal of subsidiaries

During the current financial year, the shares in Ralco Bidara Sdn. Bhd. and Ralco Construction Sdn. Bhd. were disposed of for consideration of RM1,301,000.

The effects of disposal of the subsidiaries on the consolidated income statement, consolidated balance sheet and consolidated cash flow statement are as follows:

(i) The effect on consolidated income statement:

	2009 RM
Gross revenue	69,871
Cost of sales	(66,424)
Expenses	(46,368)
Loss before tax	(42,921)
Tax expense	-
Loss after tax	(42,921)

(ii) The effect on consolidated balance sheet:

	2009 RM
Non-current assets	11,111
Current assets	2,063,959
Current liabilities	(1,666,929)
Decrease in Group's share of net assets	408,141

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

30. ANALYSIS OF ACQUISITION / DISPOSAL OF SUBSIDIARIES (CONT'D)

(b) Disposal of subsidiaries (cont'd)

(iii) The effect on consolidated cash flow statements:

	2009 RM
Non-current assets	11,111
Current assets	2,063,959
Current liabilities	(1,666,929)
Gain on disposal of subsidiaries	892,859
Disposal proceeds	1,301,000
Less: Cash and cash equivalents disposed	14,600
Net cash flows on disposal of subsidiaries	1,286,400

31. STAFF COST

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Salaries, wages, allowances and bonuses	8,854,383	7,689,513	1,825,766	1,178,766
Defined contribution plan				
- EPF contributions	542,564	499,631	181,218	142,150
Social security costs				
- SOCSO contributions	52,924	50,318	7,058	8,052
Other staff related expenses	347,237	654,652	-	-
	9,797,108	8,894,114	2,014,042	1,328,968

32. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Contracted but not provided for :				
Acquisition of property, plant and equipment	385,566	785,850	-	-

33. RELATED PARTY DISCLOSURES

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

33. RELATED PARTY DISCLOSURES (CONT'D)

- (b) In addition to information disclosed elsewhere in the Financial Statements, the Group has the following significant transactions with related parties during the financial year are as follows:

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Management fees charged to subsidiaries	-	-	1,950,000	1,485,000
Repayment of advances from a subsidiary	-	-	-	3,732,146
Advances to subsidiaries	-	-	-	2,105,633
Repayment of advances to a subsidiaries	-	-	-	1,000

- (c) Compensation of key management personnel

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

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Fees	168,000	133,000	168,000	133,000
Other emoluments				
- current year	883,000	420,000	883,000	420,000
- under provision in prior year	180,000	-	180,000	-
Defined Contribution Plan				
- current year	58,220	51,020	58,220	51,020
- under provision in prior year	21,600	-	21,600	-
Total compensation	1,310,820	604,020	1,310,820	604,020

34. CONTINGENT LIABILITIES

	GROUP		COMPANY	
	2009 RM	2008 RM	2009 RM	2008 RM
Unsecured corporate guarantees given to banks for credit facilities granted to subsidiaries	-	-	44,001,000	44,001,000

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

35. 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 to 2 years.

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

	GROUP	
	2009 RM	2008 RM
Not later than one year	300,000	300,000
Later than one year and not later than five years	444,000	744,000
	744,000	1,044,000

36. MATERIAL LITIGATION

GROUP

On 23 July 2008, the Company and a subsidiary have filed a civil suit against a Malayan Banking Berhad ("the Bank") for breach of their legal obligations owed to subsidiary ("Company's Suit"). The Company and subsidiary are now claiming from the Bank for special and general damages together with interest thereon and also for certain declarations and orders.

On 25 February 2009, the Company and the subsidiary were served with a Writ of Summons by the Bank demanding full repayment of facilities granted to the subsidiary in which the Company is the corporate guarantor. The total amount claimed by the Bank against the Group is RM10,698,151 together with interest calculated at 3.50% above the base lending rate per annum commencing from 1 November 2008 till the settlement of this case ("Bank's Suit"). On 2 June 2009, the Group has filed a defence and counter claim, disputing the Bank's Suit and the counterclaim filed is similar with to the Company's claim in the Company's Suit.

The Group has been advised by its solicitors that the Bank's Suit are related to or connected to the Company's Suit filed on 23 July 2008, as both these suits relate to the dispute arising from the facilities which were granted by the Bank to the subsidiary.

On 1 July 2009, an application has been filed by the Group to consolidate the 2 suits and on 2 March 2010, the High Court has allowed the Group's application to consolidate the Suits.

On 17 November 2009, pursuant to the Bank's Suit, the Bank has also filed an application for summary judgment. Upon hearing the Bank's application for summary judgment, the High Court has dismissed the Bank's application on 2 March 2010. The Bank being dissatisfied with decision of the High Court has filed an appeal to the Court of Appeal and to date there is no hearing date for the appeal.

The Group is now preparing the necessary documents to proceed with the trial of the Company's Suit and Bank's Suit in which both these suit will be determined by way of a full trial.

Based on advice from the Group's solicitors, the directors of the Company are of the opinion that the Company's Suit against the Bank are bona fide and also the Group has a bona fide and good defence in respect of the Bank's Suit.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

37. 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 and others

The 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.

2009	Plastic products RM	Others RM	Group RM
Revenue			
Sales to external customers	86,877,893	8,767	86,886,660
Inter-segment sales	-	-	-
Total revenue	86,877,893	8,767	86,886,660
Results			
Segment operating profit/(loss)	8,877,447	(1,937,928)	6,939,519
Finance costs	1,320,621	11,979	1,332,600
Profit/(Loss) before tax			5,618,898
Minority interests			26,946
Tax expense			(1,322,451)
Net profit for the financial year			4,323,393
Other information			
Segment assets	69,393,982	3,404,886	72,798,868
Segment liabilities	36,050,823	1,289,612	37,340,435
Capital expenditure	2,036,025	1,371,917	3,407,942
Depreciation and amortisation	5,154,344	46,695	5,201,039

There is no segmental reporting for property development in 2009 as the subsidiary companies which carried out property development activities have been disposed of as disclosed in Note 30(b).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

37. SEGMENTAL REPORTING (CONT'D)

(a) Primary reporting format – business segment (cont'd)

2008	Plastic products RM	Property development RM	Others RM	Group RM
Revenue				
Sales	110,942,338	325,792	1,485,000	112,753,130
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 financial 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

(b) Secondary reporting format – geographical segment

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management objective and policies is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from unpredictability of the financial markets.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors and does not trade in derivative financial instruments. Financial risk management is carried out through risk review programmes, internal control systems, insurance programmes and adherence to the Group financial risk management policies. The Group is exposed mainly to foreign currency risk, credit risk, liquidity and cash flow risk and interest rate risk. Information on the management of the related exposures is detailed below.

(a) Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is primarily US Dollars and Singapore Dollars. The management monitors the foreign currency exposure on an ongoing basis.

Whilst the Group's operating results are subject to the effect of change in exchange rate, the effect is constantly monitored and managed through close consultation and negotiation with regular customers and suppliers by way of price adjustments.

The Group and Company do not transact in any derivative instruments.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2009

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Credit risk

Cash deposits and trade receivables may give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are reputable organisations. It is the Group's policy to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal 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 asset.

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

(c) Liquidity and cash flow risks

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the Group's activities.

(d) Interest rate risk

The Group borrows for its operations at variable rates to finance its capital expenditure and working capital requirements. The Management monitors the prevailing interest rates at regular intervals.

The Group also earns interest income derived from the placement of short-term deposits with licensed banks and financial institutions.

(e) Fair values

The carrying amounts of the financial assets and liabilities of the Group and of the Company as at 31 December 2009 approximate their fair values.

39. OTHER INFORMATION

- (a) The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the main market of Bursa Malaysia Securities Berhad.
- (b) The registered office of the Company is located at Suite 27-03, 27th Floor, Menara Keck Seng, 203 Jalan Bukit Bintang, 55100 Kuala Lumpur, Wilayah Persekutuan.
- (c) The principal place of business of the Company is located at 903 & 904, Level 9, Bangunan TH Uptown 3, No. 3, Jalan SS 21/39, 47400 Petaling Jaya, Selangor Darul Ehsan.
- (d) The financial statements are presented in Ringgit Malaysia.

40. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 26 April 2010.

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on page 28 to 64 are drawn up in accordance with the provisions of the Companies Act 1965 and Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2009 and of the financial results and the cash flows of the Group and of the Company for the financial year ended on that date.

On behalf of the Board

SUI DIONG HOE
Director
26 April 2010

LEE THIAM
Director

STATUTORY DECLARATION

I, **CHOW MEI YEN**, being the officer primarily responsible for the financial management of **RALCO CORPORATION BERHAD (333101-V)** do solemnly and sincerely declare that the financial statements set out on page 28 to 64 are to the best of my knowledge and belief, 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.

CHOW MEI YEN

Subscribed and solemnly declared
by the abovenamed at Kuala Lumpur
in the Federal Territory on 26 April 2010

Before me

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RALCO CORPORATION BERHAD

Report on the Financial Statements

We have audited the financial statements of Ralco Corporation Berhad, which comprise the balance sheets as at 31 December 2009 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 financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on page 28 to 64.

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 applicable Financial Reporting Standards and the Companies Act 1965. 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 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2009 and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 1965 ("Act") 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 company have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries company that has been consolidated with the Company's financial statements are in form and content appropriate and proper for the purpose 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) The audit reports on the financial statements of the subsidiaries company did not contain any qualification or any adverse comment required to be made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RALCO CORPORATION BERHAD (cont'd)

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.

RSM Robert Teo, Kuan & Co.

AF: 0768

Chartered Accountants

Yong Kam Fei

2562/07/10(J)

Chartered Accountant

Kuala Lumpur

26 April 2010

LIST OF GROUP'S PROPERTIES

As at Year 2009

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	10,281,167	12	10/06/1991
Lot 1478 Kawasan Perusahaan Nilai 71800 Nilai Negeri Sembilan	Land and Building (Factory)	Leasehold (31/07/2089)	4,464 sq. meters	2,588,582	13	12/12/1995
PT. 5001, 5536, 5490, 5491, 5535 Mukim Labu 71800 Nilai Negeri Sembilan	Land and Building 5 One-Storey Terrace House (Workers Hostel)	Freehold	95 sq. meters each	242,104	17	06/09/1993
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	2,708,266	12	20/03/2003

ANALYSIS OF SHAREHOLDINGS

as at 14 April 2010

SHARE CAPITAL

Authorised share capital	: RM100,000,000
Issued and Fully Paid-up Share Capital	: RM41,981,000 divided into 41,981,000 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	23	1.83	714	0.00
100 – 1,000	75	5.96	48,255	0.11
1,001 – 10,000	979	77.82	2,823,840	6.73
10,001 – 100,000	142	11.29	3,464,800	8.25
100,001 – less than 5% of issued shares	36	2.86	14,104,281	33.60
5% and above issued shares	3	0.24	21,539,110	51.31
TOTAL	1,258	100.00	41,981,000	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. Dato' Seri Tiong King Sing	13,041,810	31.06	-	-
2. Ria Kirana Sdn. Bhd.	6,277,000	14.95	-	-

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	-	-	-	-
Heng Chee Wei	-	-	-	-
Sui Diong Hoe	2,024,238	4.82	-	-
Lee Thiam	-	-	-	-
Ang Poo Guan	-	-	-	-
Mohd Khasan Bin Ahmad	-	-	-	-

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

As at 14 April 2009

NO.	NAME OF REGISTERED SHAREHOLDERS	SHAREHOLDINGS	%
1.	OSK Nominees (Tempatan) Sdn. Berhad (pledged securities account for Tiong King Sing)	13,041,810	31.07
2.	OSK Nominees (Tempatan) Sdn. Berhad (pledged securities account for Ria Kirana Sdn. Bhd.)	6,277,000	14.95
3.	Ralco Corporation Berhad(Share Buy Back Account)	2,220,300	5.29
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	1,100,700	2.62
7.	Kenanga Nominees (Asing) Sdn. Bhd. (DMG & Partners Securities Pte Ltd for International Scientific (Private) Limited (5U-35388))	964,945	2.30
8.	OSK Nominees (Tempatan) Sdn. Berhad (pledged securities account for Chong Sze San)	799,000	1.90
9.	Chia May Fong	712,800	1.70
10.	Harmony Chime Sdn. Bhd.	651,800	1.55
11.	OSK Nominees (Tempatan) Sdn. Berhad (Lee Thiam Fah)	640,700	1.53
12.	OSK Nominees (Tempatan) Sdn. Berhad (pledged securities account for Lee Thiam Loy)	517,978	1.23
13.	OSK Nominees (Tempatan) Sdn. Berhad (pledged securities account for Pau Chiong Ung)	506,000	1.21
14.	Public Nominees (Tempatan) Sdn. Bhd. (pledged securities account for Nge Nyit Hua (E-BTL))	402,200	0.96
15.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. (BNP Paribas Nominees Singapore Pte Ltd for Villawood Assets Ltd)	310,700	0.74
16.	Ching Gek Lee	300,000	0.71
17.	Gek Lee Enterprise Sdn. Bhd.	300,000	0.71
18.	Syarikat Rimba Timur (RT) Sdn. Bhd.	275,000	0.66
19.	Alex Goon Hoong Chow	262,100	0.62
20.	Public Invest Nominees (Tempatan) Sdn. Bhd. (pledged securities account for Sui Diong Hoe(M))	222,100	0.53
21.	Ngo Tek Phang	218,100	0.52
22.	Kenanga Nominees (Asing) Sdn. Bhd. (UOB Kay Hian Pte Ltd for Cham Wang Joo @ Tan Wang Joo)	218,000	0.52
23.	TA Nominees (Tempatan) Sdn. Bhd. (pledged securities account for Cheong Kuang Huang)	213,000	0.51
24.	OSK Nominees (Tempatan) Sdn. Berhad (pledged securities account for Loh Tung Sing)	209,500	0.50
25.	Public Nominees (Tempatan) Sdn. Bhd. (pledged securities account for Ting Hua Liong (E-BTL))	200,000	0.48
26.	Mayban Securities Nominees (Asing) Sdn. Bhd. (UOB Kay Hian Pte Ltd for Ng Yee Hoon @ Ng Yam Hoon)	150,000	0.36
27.	Sharifah Asiah Binti Syed Aziz Baftim	150,000	0.36
28.	Public Nominees (Tempatan) Sdn. Bhd. (pledged securities account for Pau Chiong Wo (E-BTL))	143,000	0.34
29.	Ahmad bin Habib	120,100	0.29
30.	Law Suk Peng	120,000	0.29
TOTAL		34,650,971	82.56

WARRANT HOLDINGS STRUCTURE

as at 14 April 2010

Number of Warrants	: 20,340,955 ten (10) years Warrants 2009/2019
Maturity Date	: 15 December 2019
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	37	6.86	1,481	0.01
100 – 1,000	84	15.58	62,951	0.31
1,001 – 10,000	218	40.45	887,400	4.36
10,001 – 100,000	152	28.20	5,713,751	28.09
100,001 – less than 5% of issued shares	46	8.54	9,893,668	48.64
5% and above issued shares	2	0.37	3,781,704	18.59
TOTAL:	539	100.00	20,340,955	100.00

DIRECTORS' WARRANTS HOLDINGS

(based on the Register of Directors' Shareholdings as at 14 April 2010)

Name of Director	Direct	%	Indirect	%
Datuk Lim Si Cheng	-	-	-	-
Heng Chee Wei	-	-	-	-
Sui Diong Hoe	2,146,289	10.55	-	-
Lee Thiam	-	-	-	-
Ang Poo Guan	-	-	-	-
Mohd Khasan Bin Ahmad	-	-	-	-

LIST OF THIRTY (30) LARGEST WARRANTS ACCOUNT HOLDERS

As at 14 April 2009

NO.	NAME OF REGISTERED HOLDERS	WARRANTS HOLDINGS	%
1.	OSK Nominees (Tempatan) Sdn. Berhad (pledged securities account for Ria Kirana Sdn. Bhd.)	2,106,800	10.36
2.	OSK Nominees (Tempatan) Sdn. Berhad (OSK Capital Sdn. Bhd. for Sui Diong Hoe)	1,674,904	3.23
3.	Duclos Sdn. Bhd.	654,720	3.22
4.	OSK Nominees (Tempatan) Sdn. Berhad (pledged securities account for Chong Sze San)	530,000	2.61
5.	Lee Ngee Moi	520,780	2.56
6.	ECML Nominees (Tempatan) Sdn. Bhd. (pledged securities account for Chang Lip Ngin)	500,000	2.46
7.	OSK Nominees (Tempatan) Sdn. Berhad (pledged securities account for Aw Khoo Lee)	444,340	2.18
8.	Kenanga Nominees (Asing) Sdn. Bhd. (OUG & Partners Securities Pte Ltd for International Scientific (Private) Limited (5D-35388))	385,978	1.90
9.	Sui Diong Hoe	321,343	1.58
10.	OSK Nominees (Tempatan) Sdn. Berhad (pledged securities account for Tan Boon Chiang)	291,600	1.43
11.	OSK Nominees (Tempatan) Sdn. Berhad (pledged securities account for Tan Lee Gek)	288,000	1.42
12.	Harmony Chime Sdn. Bhd.	277,000	1.36
13.	OSK Nominees (Tempatan) Sdn. Berhad (Lee Thiam Fah)	270,000	1.33
14.	ECML Nominees (Tempatan) Sdn. Bhd. (pledged securities account for Ng Tiam Ming (008))	250,000	1.23
15.	Kong Kok Choy	240,000	1.18
16.	OSK Nominees (Tempatan) Sdn. Berhad (pledged securities account for Lee Thiam Loy)	210,200	1.03
17.	Bong Lam Sok	210,000	1.03
18.	Ngo Tek Phang	203,696	1.00
19.	AmBank (M) Berhad (pledged securities account for Wong An Yong (Smart))	200,000	0.98
20.	Chon Kee Kuam	200,000	0.98
21.	CIMSEC Nominees (Tempatan) Sdn. Bhd. (pledged securities account for Ling Lee Wee (Kuching))	200,000	0.98
22.	Ee Kim Moi @ Ee Pee Yo Ke	200,000	0.98
23.	Teng Siew Lay	200,000	0.98
24.	Huan Mee Kiew	170,000	0.84
25.	Hoo Lay See	161,077	0.79
26.	Public Nominees (Tempatan) Sdn. Bhd. (pledged securities account for Nge Nyit Hua (E-BJL))	160,880	0.79
27.	Mayban Nominees (Tempatan) Sdn. Bhd. (pledged securities account for Gan Kok Seng)	154,400	0.76
28.	Public Invest Nominees (Tempatan) Sdn. Bhd. (pledged securities account for Sui Diong Hoe (M))	150,042	0.74
29.	Ching Gek Lee	150,000	0.74
30.	Lee Teok Pun	150,000	0.74
TOTAL		11,475,760	51.41

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 Fifteenth Annual General Meeting of the Company to be held at the Kuala Lumpur Golf & Country Club, 10 Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Thursday, 27 May 2010 at 11.00 a.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 2009 and the Reports of the Directors and Auditors thereon.		
2.	To approve the payment of Directors' fees.		
3.	To re-elect Mr Heng Chee Wei as Director pursuant to Article 64 of the Company's Articles of Association.		
4.	To re-elect Encik Mohd Khasan bin Ahmad as Director pursuant to Article 64 of the Company's Articles of Association.		
5.	To re-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.		
7.	Renewal of authority for the Company to purchase its own shares		
8.	Adoption of New and Articles of Association		

Dated this _____ day of _____ 2010

Signature of Shareholder/Common Seal

No. of shares held	
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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 (1) 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