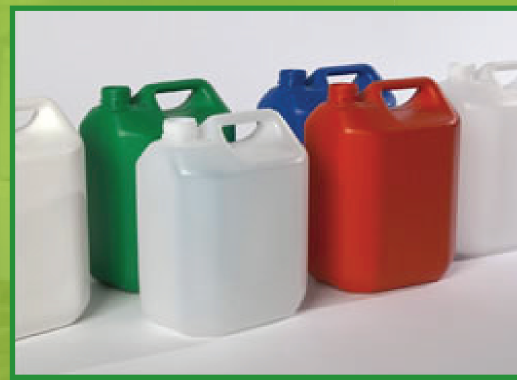
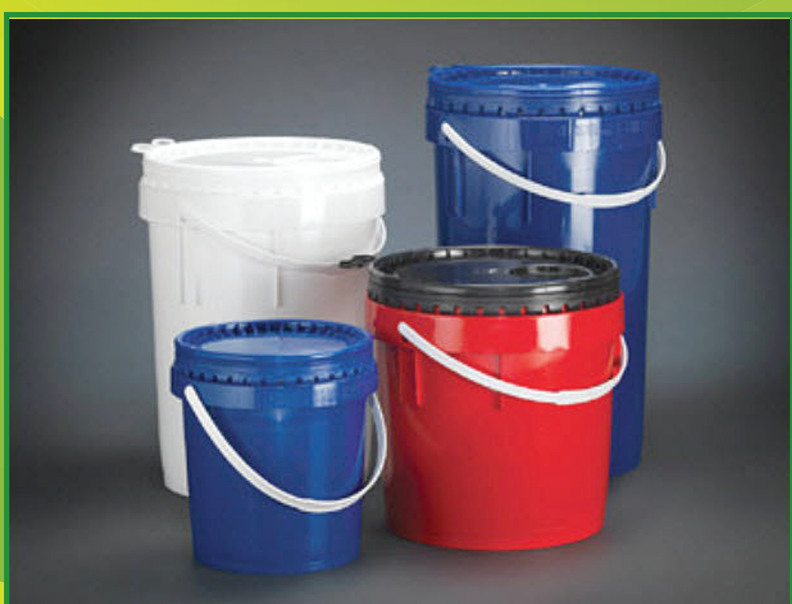
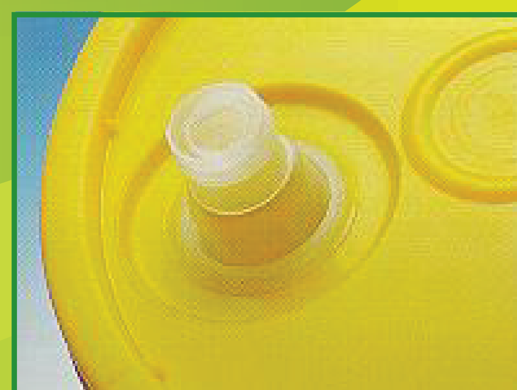
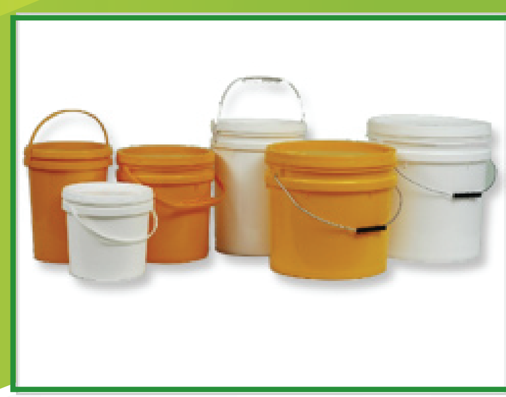
RALCO

RALCO
CORPORATION BERHAD
(Company No: 333101-V)









2012
ANNUAL REPORT

RALCO
CORPORATION BERHAD

Content

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 18th Annual General Meeting of Ralco Corporation Berhad ("Company") will be held at the Perdana Room 2, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur on Tuesday, 25th day of June, 2013 at 10.00 a.m for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and Auditors thereon. **RESOLUTION 1**

2. To approve the payment of Directors' fees amounting to RM182,000 for the financial year ended 31 December 2012. **RESOLUTION 2**

3. To re-elect Datuk Lim Si Cheng who retires by rotation pursuant to Articles 64 of the Company's Articles of Association. **RESOLUTION 3**

4. To re-elect Mr Goh Kim Chon who retires by rotation pursuant to Articles 64 of the Company's Articles of Association. **RESOLUTION 4**

5. 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:-

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

   "THAT subject always to the Companies Act, 1965, Articles of Association of the Company and approvals from Bursa Malaysia Securities Berhad and any other governmental/regulatory bodies, where such approval is necessary, authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965 to issue not more than ten percent (10%) of the issued capital of the Company at any time upon any such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit or in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force until the conclusion of the next Annual General Meeting of the Company and that the Directors be and are hereby further authorised to make or grant offers, agreements or options which would or might require shares to be issued after the expiration of the approval hereof."

NOTICE OF ANNUAL GENERAL MEETING – CONT'D

7. **Special Resolution** **RESOLUTION 7**
   Continuing in Office as Independent Non-Executive Director

   "THAT authority be and is hereby given to Mr Heng Chee Wei who has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as Independent Non-Executive Director of the Company."

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)
PANG CHIA TYNG (MAICSA 7034545)
Company Secretaries

Kuala Lumpur
3 June 2013

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 instrument appointing the proxy shall be in writing under the hand of the appointor or his attorney duly authorized in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

3. The instrument appointing the proxy must be deposited at the Share Registrar's office, System & Securities Sdn. Bhd. at Plaza 138, Suite 18.03, 18th Floor, 138 Jalan Ampang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

4. 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.

5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

6. Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the AGM is 18 June 2013.

EXPLANATORY NOTE ON SPECIAL BUSINESS:

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

The proposed Ordinary Resolution 6, if passed, will give flexibility to the Directors of the Company to issue shares up to a maximum of ten per centum (10%) of the issued share capital of the Company at the time of such issuance of shares and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

This is the renewal of the mandate obtained from the shareholders at the last Annual General Meeting ("the previous mandate"). The previous mandate was not utilised and no proceeds were raised.

The purpose of this general mandate sought will provide flexibility to the Company for any possible fund raising activities but not limited for further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

Resolution 7
Continuing in Office as Independent Non-Executive Director

The Nomination Committee has assessed the independence of Mr Heng Chee Wei, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, and recommended him to continue act as an Independent Non-Executive Director of the Company based on the following justifications:-

i. he fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and thus, he would be able to function as a check and balance, bring an element of objectivity to the Board;
ii. his vast experience that would enable him to provide the Board with the relevant experience but independent judgement to better manage and run the Company;
iii. he has been with the Company for more than 9 years and was familiar with the Company's business operations and industrial products sector;
iv. he has devoted sufficient time and attention to his professional obligations for informed and balanced decision making; and
v. he has exercised his due care during his tenure as an Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Datuk Lim Si Cheng	Chairman, Independent Non-Executive Director
Tan Heng Ta	Managing Director
Heng Chee Wei	Senior Independent Non-Executive Director
Goh Kim Chon	Executive Director
Mark Ho Hing Kheong	Independent Non-Executive Director
Law Doung Chin	Independent Non-Executive Director

COMPANY SECRETARIES	Chia Siew Chin (MIA 2184) Pang Chia Tyng (MAICSA 7034545)
REGISTERED OFFICE	10th Floor Menara Hap Seng No. 1 & 3 Jalan P. Ramlee 50250 Kuala Lumpur Tel : 603-2382 4288 Fax : 603-2026 1451
PRINCIPAL PLACE OF BUSINESS	Lot 1476, Nilai Industrial Estate 71800 Nilai Negeri Sembilan Darul Khusus Tel : 606-797 1999 Fax : 606-797 1333
REGISTRAR	System & Securities Sdn. Bhd. Plaza 138, Suite 18.03 18th Floor, 138 Jalan Ampang 50450 Kuala Lumpur Tel: 03-2161 5466 Fax: 03-2163 6968 email: systems@ssassociates.com.my
AUDITORS	Messrs. RSM Robert Teo, Kuan & Co. (AF 0768) Penthouse, Wisma RKT, Block A No. 2, Jalan Raja Abdullah Off Jalan Sultan Ismail 50300 Kuala Lumpur Tel: 03-2610 2888 Fax: 03-2698 6600 email: audit@rsmi.com.my
PRINCIPAL BANKERS	CIMB Bank Berhad United Overseas Bank (Malaysia) Berhad
STOCK EXCHANGE LISTING	Main Market of Bursa Malaysia Securities Berhad Stock Name: RALCO Stock Code: 7498 Sector: Industrial Products

CORPORATE STRUCTURE

RALCO
CORPORATION BERHAD
(Company No: 333101-V)

- **100%** **Ralco Holdings Sdn. Bhd.** (Company No: 179529-T)
- **100%** **Ralco Plastic Sdn. Bhd.** (Company No: 178902-X)
  - **100%** **Ralco Compounding Sdn. Bhd.** (Company No: 754134-W)
- **100%** **Ralco Trading Sdn. Bhd.** (Company No: 183408-U)
- **100%** **Temasek Bay Sdn. Bhd.** (Company No: 838871-H)

PROFILE OF DIRECTORS

DATUK LIM SI CHENG, PJN., PIS
Chairman, Independent-Non Executive Director
Aged 63, 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 Councilor 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 is a director of Tiger Synergy Berhad, a public company listed on the Main Market of Bursa Malaysia Securities Berhad.

Datuk Lim Si Cheng 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.

Details of number of Board meetings attended by him during the financial year are set out in page 11 of this Annual Report.

TAN HENG TA
Managing Director
Aged 45, Malaysian

Mr. Tan Heng Ta was appointed to the Board as Executive Director on 7 January 2011. He was subsequently appointed as the Managing Director of the Company on 1 August 2011.

He is a successful and industrious businessman having started at an early age soon after completing his secondary education. He has vast experience in trading and distributorship of consumer electric goods as well as property development. He is also director of a few private limited companies. His involvement in the consumer goods industry has provided him with a wide range of operational, technical and marketing knowledge and insight. He does not hold any directorship in any other public companies.

Mr Tan Heng Ta 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.

Details of number of Board meetings attended by him during the financial year are set out in page 11 of this Annual Report.

HENG CHEE WEI, A.M.P.
Senior Independent-Non Executive Director
Aged 42, Malaysian

Mr. Heng Chee Wei was appointed to the Board on 8 August 2001. He is the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee and also, identified by the Board as a Senior Independent Non-Executive Director.

Mr Heng 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 to1999. He does not hold any directorship in any other public companies.

Mr Heng Chee Wei 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.

Details of number of Board meetings attended by him during the financial year are set out in page 11 of this Annual Report.

GOH KIM CHON
Executive Director
Aged 57, Malaysian

Mr. Goh Kim Chon was appointed to the Board as Independent Non-Executive Director on 7 January 2011 and was re-designated as Executive Director on 1 March 2011. Mr Goh started his career as audit assistant in a local audit firm after completing his Degree in Accountancy in 1980. He was an accountant cum credit controller in a trading company before he joined a manufacturing group of companies dealing with international trade and procurement in 1989 as Finance Manager and was promoted to Assistant General Manager in 1996. Having gained vast experiences in the accounting, costing, management accounting and corporate finance, Mr. Goh joined Ralco Corporation Berhad as an Executive Director on 1 March 2011. He does not hold any directorship in any other public companies.

Mr Goh Kim Chon 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.

Details of number of Board meetings attended by him during the financial year are set out in page 11 of this Annual Report.

MARK HO HING KHEONG
Independent Non-Executive Director
Aged 45, Malaysian

Mr. Mark Ho Hing Kheong was appointed to the Board on 29 March 2011. He is a member of Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Mr Mark Ho is a member of the Middle Temple Inns of Court and admitted as Barrister-at-Law of England and Wales in 1992. In 1993, he completed his pupilage at Messrs Skrine and was called to the Malaysian Bar in December of the same year. He was also called to the Singapore Bar in 1998. He has 19 years of experience in a broad range of legal matters although his strengths lie in Corporate & Commercial matters. He has been practicing as an advocate and solicitor in the firm of Messrs Chellam Wong since 1997 and is currently the Managing Partner. He has been appointed as Counsel by numerous legal firms on numerous legal matters. On 4 August 2010, he was admitted as a Notary Public. He does not hold any directorship in any other public listed company.

Mr. Mark Ho Hing Kheong 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 never been convicted of any offences.

Details of number of Board meetings attended by him during the financial year are set out in page 11 of this Annual Report.

LAW DOUNG CHIN
Independent Non-Executive Director
Aged 42, Malaysian

Mr. Law Doung Chin was appointed to the Board on 29 March 2011. He is a member of Audit Committee, Nomination Committee and Remuneration Committee of the Company.

He has more than 10 years extensive and wide exposures experiences in accounting, financing and auditing and held several key manager position in auditing firm as well as in private limited companies. He is the Head of Finance and Operation leading a management team of a timber logging and trading companies since 2006. He is a Director and the Internal Auditor of ACE Mobile Group Sdn. Bhd. and Southern Star Development Sdn. Bhd. since 2008. Southern Star Development Sdn. Bhd. is a development company currently engaging in developing a comprehensive development project of four stars hotel, service condominium, shopping centre and market. He does not hold any directorship in any other public listed company.

Mr. Law Doung Chin 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.

Details of number of Board meetings attended by him during the financial year are set out in page 11 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 ("MCCG2012"). These principles and best practices have been applied consistently throughout the financial year ended 31 December 2012 except where otherwise stated herein.

1. BOARD OF DIRECTORS

The Board and its Roles and Responsibilities

The Board acknowledges its principal responsibilities for setting the strategic direction of the Group and ensuring it is properly managed and continuously improving its performance so as to protect and enhance shareholders' values. In addition, the Board also has full control of and acknowledge its responsibilities for the overall strategy and standards of conduct of the Group's business, risks management, succession planning, strategic planning to promote sustainability, formulation of policies, annual budget, review of financial and operational performance, investor relation programme and systems of internal control of the Group.

The Board retains full and effective control of the Group. The Board is bestowed with the duties and responsibilities to ensure the interests of the shareholders are protected. The Board's roles and responsibilities are clearly set out in the Board Charter, which is available on the Group's website www.ralcocorp.com.my.

The Board delegates and confers some of its authorities and discretion on the Chairman, Executive Directors and Management as well as on properly constituted Board Committees. A number of formal structures and committees are put in place to assist the Board in carrying out its duties. The terms of reference of each committee were approved by the Board. All Board committees report to the Board.

Board Composition and Balance

The Board comprises six (6) Directors, which includes one (1) Chairman who is Independent Non-Executive Director, one (1) Managing Director, one (1) Senior Independent Non-Executive Director, two (2) Independent Non-Executive Directors and one (1) Executive Director. 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 judgement on the issues of strategy, performance, resources, including key appointments and standards of conduct and to bear on the decision-making process of the Group to ensure that a balanced and unbiased deliberation process is in place to safeguard the interests of the shareholders and other stakeholders of the Company. As and when a potential conflict of interest arises, it is mandatory practice for the Directors concerned to declare their interest and abstain from the decision-making process.

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

Where areas of conflict of interest arise, the Director concerned will have to declare his/her interest and abstain from participating in the decision making process.

Board Meetings

The Board meets on a quarterly basis based on the scheduled meeting at the beginning of the year, 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 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.

During the financial year ended 31 December 2012, a total of five (5) 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/Retired	Number of Meetings Attended
Datuk Lim Si Cheng	Chairman Independent Non-Executive Director (INED)	16/06/2008	-	5/5
Tan Heng Ta	Managing Director	07/01/2012	-	5/5
Heng Chee Wei	Senior INED	08/08/2001	-	5/5
Goh Kim Chon	Executive Director	07/01/2011	-	4/5
Sui Diong Hoe (1)	Non-INED	10/01/2007	18/06/2012	0/3
Law Doung Chin	INED	29/03/2011	-	5/5
Mark Ho Hing Kheong	INED	29/03/2011	-	5/5

(1) Mr. Sui Diong Hoe was retired at the Annual General Meeting held on 18 June 2012.

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.

The Board is satisfied with the time commitment given by the Board members in carrying out their responsibilities which is shown in the above attendance.

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

Appointment to the Board / Assessment

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 Nomination 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 evaluates 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 24 of this Annual Report.

The Board has adopted a formal self-assessment of performance to evaluate the effectiveness of the Board and individual Directors as well as the Chief Financial Officer as recommended by the Nomination Committee Meeting held on 23 November 2012.

The assessment of the Board is based on specific criteria, covering areas such as Board structure, Board operations, roles and responsibilities of the Board, Board Committee and Chairman. The assessment on individual director includes the quality of inputs, understanding of the roles, etc.

The results of the assessment would be reported by the Nomination Committee to the Board essential for the Board to form the basis of recommending relevant Director for re-election at the Annual General Meeting.

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.

The Nomination Committee had reviewed, evaluated and recommended to the Board for Mr Heng Chee Wei to continue to serve as an Independent Non-Executive Director of the Company who had served the Company for the tenure of more than 9 years at the forthcoming AGM.

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:

	Continuing Education Programme Attended	Month Attended
1	Datuk Lim Si Cheng	
	▪ Malaysian Code on Corporate Governance 2012	June 2012
	▪ Oversight Role on Financial Reporting	November 2012
	▪ Wajib 1 Pengurusan Dan Pentadbiran Koperasi	November 2012
2	Mr Goh Kim Chon	
	▪ Highlights of 2013 Budget Proposals	October 2012

No.	Continuing Education Programme Attended	Month Attended
3.	Mr Heng Chee Wei	
	▪ CAPEC – Customs Trade Facilitation Seminar 2012	March 2012
4.	Mr Mark Ho Hing Kheong	
	▪ Highlights of 2013 Budget Proposals	October 2012

Save as disclosed above, Mr Tan Heng Ta and Mr Law Doung Chin were not able to attend any Directors' Trainings during the financial year due to overseas travelling and busy schedule.

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 Directors as well as fixing the remuneration packages of individual directors so as to ensure that it attracts and retains the suitable directors to lead, control and manage the Group effectively. In the case of Executive Directors, the component parts of the remuneration are structured so as to link rewards to the Company and individual performance. For Non-Executive Directors, the level of remuneration is reflective of their experience and level of responsibilities. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors. The Members and Terms of Reference of the Remuneration Committee are presented on page 25 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 2012, 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	457,062	56,000	53,640-	566,702
Non-Executive Directors	-	126,000	-	126,000

Range of Remuneration (RM)	**Number of Directors**	
	Executive	**Independent Non Executive**
RM150,001 – RM200,000	1	-
RM200,001 – RM250,000	1	-

Successive bands between RM50,001 and RM150,000 are not shown as they are not applicable.

4. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

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.

The Group also maintains a website at www.ralcocorp.com.my that allows all shareholders and investors to gain access to the information of the Group.

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 10 of this Annual Report.

Directors' Responsibility Statement

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 2012, 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.

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 21 of this Annual Report. The Board has collectively approved this statement.

Relationship with Auditors

The Board has established a formal and transparent relationship with the auditors. The Audit Committee recommends the appointment of the external auditors and their remuneration. The appointment of the external auditors is subject to the approval of shareholders in general meetings whilst their remuneration is determined by the Board. The role of the Audit Committee is further described in the Audit Committee Report on pages 17-18 of this Annual Report.

6. CORPORATE RESPONSIBILITY

The Group fulfils its corporate 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, the Group also showed its concern for the well being of society by reaching out to the under-privileged group by contributing the wheelchairs, medical supporting equipment and basic necessities to the Malaysia Association Help for The Poor Terminally Ill. The Group also supported the sports activities by giving donation for the funding of the Malaysia Volleyball Association Programmes 2012. The Group also continues to emphasize a high priority of having a safe and healthy workplace for all its employees and promoting occupational safety and health activities in its business activities.

Overall, the Board acknowledges the recommendations of the MCCG 2012. The Board also concurs that there are still areas throughout the Group that require improvements and enhancements in order to achieve the best corporate governance standards. The Board as such will endeavor to achieve the higher target through the progressive refreshing the internal standards or corporate governance.

ADDITIONAL COMPLIANCE INFORMATION

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

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

2. **Shares Buy-Back**

During the financial year ended 31 December 2012, the Company had resold all its treasury shares of 2,601,900 shares detailed as follow:-

Period	No. of Shares disposed	Price per share (RM)			Total Consideration (RM)
		Lowest	Highest	Average	
30 October 2012 to 5 November 2012	870,000	0.545	0.550	0.544	473,792.72
6 November 2012 to 9 November 2012	1,731,900	0.550	0.555	0.548	948,671.58

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

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

4. **Depository Receipt Programme**

The Company did not sponsor any depository receipt 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 2012 amounted to RM25,000.00

7. **Variation in Results**

There were no material variations between audited and unaudited results for the financial year ended 31 December 2012.

8. **Profit Forecast And Profit Guarantee**

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

9. **Material Contracts**

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

AUDIT COMMITTEE REPORT

The objective of the Audit Committee is to assist the Board in fulfilling its fiduciary responsibilities relating to internal control, providing oversight of the financial reporting process, scrutinises all quarterly results and annual statutory financial statements of the Group prior to official release to regulatory authorities and shareholders. 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

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
Law Doung Chin	Member - Independent Non-Executive Director
Mark Ho Hing Kheong	Member - Independent Non-Executive Director

Mr Heng Chee Wei, Chairman of the Audit Committee and 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 Main Market Listing Requirements.

2. SUMMARY OF TERMS OF REFERENCE

- **Membership**

  The Audit Committee shall consist of not less than three (3) Directors, the majority of whom shall be independent non-executive directors. 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.

- **Meetings and Minutes**

  The Audit Committee shall meet at least four (4) times annually.

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

- **Rights and Authority**

  The Audit Committee is authorised by the Board to discharge the following responsibilities :

  - to investigate any activity within its Terms of Reference;
  - to have full and unrestricted access to any information pertaining to the Group;
  - to have direct communication with the Company's external auditors and person(s) carrying out internal audit function or activity of the Group;
  - 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
  - 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 and to review the audit report;

(b) 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;
(c) to review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and action taken on the recommendations;
(d) to review the quarterly and annual financial statements of the Group and Company in compliance with all relevant accounting standards and regulatory requirements, prior to the consideration and approval by the Board:
(e) to discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss;
(f) to consider any related-party transactions and conflict of interest situation;

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	Number of Meetings Attended	%
Heng Chee Wei	Chairman - Senior Independent Non-Executive Director	13/08/2001	5/5	100%
Law Doung Chin	Member - Independent Non-Executive Director	29/03/2011	5/5	100%
Mark Ho Hing Kheong	Member - Independent Non-Executive Director	29/03/2011	5/5	100%

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 financial year under review 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 Group 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) Main Market 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 independent internal auditors to assist in internal audit functions. The Audit Committee deliberated with the internal auditors the internal audit plan, internal audit reports, audit findings, audit recommendations made and management's responses to these recommendations and actions taken to improve the system of internal control and procedures.

- **External Auditors**

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

  (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 met the external auditors without the presence of the Executive Director three (3) times during the financial year under review.

- **Related Party Transactions**

  The Audit Committee has reviewed the potential related party transaction and any conflict of interest situation that may arise within the Group.

4. INTERNAL AUDIT

The Group has outsourced its internal audit function to an independent professional consulting firm to report 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.

The fee (inclusive of service tax) paid to a professional firm in respect of the internal audit function for the financial year ended 31 December 2012 was RM23,250.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors of the Company ("Board") affirms its commitment to maintaining a sound system of internal control in the Company. Set out below is the Board 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. Their review was performed in accordance with the Recommended Practice Guide 5 issued by the Malaysian Institute of Accountants. Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that has caused them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of the system of internal control of the Company.

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 recognizes that such system only provides reasonable and not absolute assurance against material misstatement or loss.

2. THE GROUP'S SYSTEM OF INTERNAL CONTROL

- **Risk Management Framework**

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

- **Monitoring Mechanisms and Management Style**

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

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

- **Internal Audit Function**

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

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

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

- **Statutory Audit Requirements**

The International Standards on Auditing No. 240 (Revised): "The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements" stipulates that the External Auditors, Messrs. RSM Robert Teo, Kuan & Co. is responsible to consider the risk of material misstatement in the financial statements of the Company due to fraud and error. Further, the Companies (Amendment) Act 2007 has the requirement for the auditors to report to the Companies Commission of Malaysia if they are of the opinion that serious offence involving fraud or dishonesty is being or has been committed. During the financial year under review, the Board and Management of the Company completed the fraud checklist/questionnaire issued by the External Auditors, and it was noted that no serious offence involving fraud or dishonesty was committed by employees during the financial year under review which requires disclosure in the Annual Report.

- **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 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.

- 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 : Mark Ho Hing Kheong
(Independent Non-Executive Director)
Law Doung Chin
(Independent Non-Executive Director)

Terms of Reference :

- review and assess the skills, expertise and/or experience strategic and fundamental to the effective functioning of the Board as a whole.
- review and assess the required mix of skills, experience and other qualities including core competencies, which non-executive directors could bring to the Board.
- review, assess and recommend the appointment of the suitability of any individual for appointment to the Board by taking into account his/her skill, expertise and/or experience as well as other commitments, resources, time and effectiveness of the Board as a whole on an ongoing basis.
- review and assess the contribution of all members of the Board and the effectiveness of the Board as a whole.
- review, assess and make recommendation of candidates to fill vacancies of the Board.
- review, assess and recommend to the Board for re-election of directors due to retirement by rotation.
- review and assess the size of the Board to determine the impact of its effectiveness.
- review, assess and make recommendation of directors to sit on various Board Committees and their performance and effectiveness.

Summary of Activities

- the Nomination Committee had reviewed, evaluated and recommended to the Board for Mr Heng Chee Wei to continue to serve as an Independent Non-Executive Director of the Company who had served the Company for the tenure of more than 9 years at the forthcoming AGM.

REMUNERATION COMMITTEE

Chairman :	Heng Chee Wei *(Senior Independent Non-Executive Director)*
Members :	Mark Ho Hing Kheong *(Independent Non-Executive Director)* Law Doung Chin *(Independent Non-Executive Director)*
Terms of Reference :	• to review annually the remuneration packages as well as reviews and recommends all other director fees/attendance fees of the Executive Directors and furnishes recommendations to the Board on specific adjustments in remuneration and/or reward payments. • to consider all aspects of the executive directors' performance and employment for recommendation of remuneration and incentives, drawing from outside advice if necessary. • to carry out other responsibilities, functions or assignments as may be defined by the Board from time to time.

GROUP FINANCIAL HIGHLIGHTS
For the year ended 31 December 2012

	2012 RM'000	2011 RM'000	2010 RM'000	2009 RM'000	2008 RM'000
INCOME STATEMENT					
Gross Revenue	92,379	105,860	100,392	86,887	111,118
(Loss)/Profit Before Tax	(1,617)	1,531	2,237	5,619	1,148
(Loss)/Profit After Tax	(1,000)	1,516	1,184	4,296	1,148
BALANCE SHEET					
Property, Plant and Equipment	28,943	30,619	33,299	31,339	33,664
Prepaid lease repayment	3,185	3,210	3,235	3,208	3,232
Investment in quoted securities	-	-	110	-	-
Deferred Assets	-	-	-	-	-
Net Current Assets/(Liabilities)	11,175	11,635	1,946	3,710	(4,058)
Total Assets Employed	43,302	45,464	38,590	38,257	32,838
Shareholders'Fund	35,179	34,757	33,241	35,456	31,088
Minority Interest	-	-	-	2	29
Non-Current Liabilities	8,123	10,707	5,349	2,799	1,721
Total Funds Employed	43,302	45,464	38,590	38,257	32,838
PER RM 1 ORDINARY SHARE					
(Loss)/Earnings Per Share (sen)	(2.51)	3.85	2.40	10.33	2.74
Gross Dividend Per Share (sen)	-	-	-	-	-
Net Tangible Assets Per Share (RM)	0.88	0.88	0.84	0.84	0.74

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2012.

FINANCIAL PERFORMANCE

Year 2012 has been a challenging year for Ralco Group of Companies. During the year under review, the Group's revenue dropped by 12.73%, a decrease by RM13.48 million to RM92.38 million as compared to RM105.86 million in the previous year. The Group recorded a pre-tax loss of RM1.62 million as compared to a pre-tax profit of RM1.53 million in 2011. The decrease in the Group's profit was mainly attributable to higher raw materials input cost and increased operating costs a result of global economic ongoing uncertainties.

OUTLOOK AND PROSPECTS

The global economy is expected to expand, though risks from Europe and the Persian Gulf could slow down expansion considerably. However, Asia economies are expected to grow especially from emerging countries like Malaysia. As such, the outlook for plastic packaging industry are still bright as plastics will continue to be the materials for the future in many industrial and consumer applications.

The volatile crude oil price will continue to affect our raw material prices which indirectly will cause an overall increase in supplemental material prices and related cost of production. Thereby, to overcome the higher production costs, it is crucial for us to strengthen our competitiveness through the continued acquisition of the appropriate technologies as well as enhance skills training and marketing capabilities.

Given the challenging external economic environment and market outlook, the Group will continue emphasizing on productivity improvement and cost effective management.

CORPORATE SOCIAL RESPONSIBILITY

Whilst we pursue our business commitments, we acknowledge our responsibilities to our employees, our business partners and the communities in which we do business as well as the environment we operate in. We have also not forgotten the less fortunate and continue to provide donations and contributions to various charities and worthy causes.

APPRECIATION

On behalf of the Board, we would like to take this opportunity to express my deepest appreciation to all our customers, business associates, partners and shareholders for their unbounded support and confidence in the Group over the past year. We look forward to your continuous support in the coming year.

Appreciation and gratitude also goes to the Management and staff for their dedication and commitment contributed throughout the year.

Last but not least, our appreciations also goes to our fellow Directors for their invaluable services, assistance and guidance rendered to the Group.

Datuk Lim Si Cheng, PJN., PIS
10 May 2013

Reports and Financial Statements

RALCO
CORPORATION BERHAD

RALCO CORPORATION BERHAD (333101-V)
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

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
Loss for the financial year attributable to equity holders of the Company	(1,000,334)	(11,658,460)

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

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.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

DIRECTORS

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

Datuk Lim Si Cheng
Heng Chee Wei
Tan Heng Ta
Goh Kim Chon
Mark Ho Hing Kheong
Law Doung Chin
Sui Diong Hoe (Retired on 18.6.2012)

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 2012 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 ordinary shares of RM 1 each			
	At 1.1.2012	**Acquired**	**(Disposed)**	**At 31.12.2012**
THE COMPANY				
Direct interest				
Tan Heng Ta	7,736,800	-	-	7,736,800

DIRECTORS' INTEREST IN SHARES (CONTINUED)

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 his interests in the ordinary shares of the Company, Tan Heng Ta is 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 year, 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 Statements of Profit and Loss and Other Comprehensive Income and Statements of Financial Position 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 there were no known bad debts to be written off and that adequate provision had been made for doubtful debts; and

(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.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONTINUED)

(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 require the write off of bad debts or render the amount of 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 of Directors in accordance with a resolution of the Directors:

TAN HENG TA	**GOH KIM CHON**
Director	**Director**

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

		GROUP		
	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
NON-CURRENT ASSETS				
Property, plant and equipment	6	28,943,178	30,618,982	33,299,165
Prepaid lease payments	7	3,184,668	3,209,724	3,234,780
Other investments	9	-	-	110,400
		32,127,846	33,828,706	36,644,345
CURRENT ASSETS				
Inventories	10	8,215,389	9,805,503	9,290,884
Trade receivables	11	21,551,010	18,972,301	17,296,530
Other receivables, deposits and prepayments	12	1,642,113	1,335,859	1,509,497
Tax recoverable		53,565	8,800	8,800
Short term deposits	14	106,442	1,428,575	4,281,690
Cash and bank balances	15	4,208,190	1,576,246	3,000,716
		35,776,709	33,127,284	35,388,117
TOTAL ASSETS		67,904,555	66,955,990	72,032,462
EQUITY				
Share capital	16	41,981,000	41,981,000	41,981,000
Treasury shares	17	-	(2,568,358)	(2,568,358)
Warrant reserve	18	406,828	406,828	406,828
Accumulated losses		(7,208,572)	(5,062,344)	(6,578,171)
TOTAL EQUITY		35,179,256	34,757,126	33,241,299

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONTINUED)

		GROUP		
		31.12.2012	31.12.2011	1.1.2011
NON-CURRENT LIABILITIES	Note	RM	RM	RM
Hire purchase liabilities	19	1,104,272	1,499,720	3,163,533
Deferred tax liabilities	20	1,243,251	1,935,251	2,185,251
Term loan	23	5,775,654	7,272,010	-
		8,123,177	10,706,981	5,348,784
CURRENT LIABILITIES				
Trade payables	21	16,455,746	12,744,116	12,998,420
Other payables and accruals	22	2,343,686	3,576,740	2,123,412
Tax liability		-	7,000	-
Hire purchase liabilities	19	1,067,334	1,820,350	1,913,927
Term loan	23	1,496,356	1,381,677	-
Bank borrowings	24	3,239,000	1,962,000	16,406,620
		24,602,122	21,491,883	33,442,379
TOTAL LIABILITIES		32,725,299	32,198,864	38,791,163
TOTAL EQUITY AND LIABILITIES		67,904,555	66,955,990	72,032,462

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONTINUED)

		COMPANY		
	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
NON-CURRENT ASSETS				
Property, plant and equipment	6	2,825	3,385	3,945
Investments in subsidiaries	8	32,271,670	44,512,733	44,512,733
		32,274,495	44,516,118	44,516,678
CURRENT ASSETS				
Other receivables, deposits and prepayments	12	11,075	9,737	11,766
Amount owing from subsidiaries	13	3,229,961	1,821,994	191,277
Short term deposits	14	-	-	1,335,022
Cash and bank balances	15	564,164	269,778	103,475
		3,805,200	2,101,509	1,641,540
TOTAL ASSETS		36,079,695	46,617,627	46,158,218
EQUITY				
Share capital	16	41,981,000	41,981,000	41,981,000
Treasury shares	17	-	(2,568,358)	(2,568,358)
Warrant reserve	18	406,828	406,828	406,828
(Accumulated losses)/ Unappropriated profits		(7,126,471)	5,677,883	5,588,169
TOTAL EQUITY		35,261,357	45,497,353	45,407,639
CURRENT LIABILITIES				
Other payables and accruals	22	343,338	645,274	275,579
Amount owing to a subsidiary	13	475,000	475,000	475,000
		818,338	1,120,274	750,579
TOTAL LIABILITIES		818,338	1,120,274	750,579
TOTAL EQUITY AND LIABILITIES		36,079,695	46,617,627	45,158,218

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		GROUP		COMPANY	
		2012	2011	2012	2011
	Note	RM	RM	RM	RM
REVENUE	25	92,378,901	105,860,233	2,400,000	2,400,000
COST OF SALES		(85,285,959)	(97,329,123)	-	-
GROSS PROFIT		7,092,942	8,531,110	2,400,000	2,400,000
OTHER INCOME		738,356	4,426,135	-	13,711
SELLING AND DISTRIBUTION COSTS		(3,010,304)	(3,259,425)	-	-
IMPAIRMENT OF INVESTMENT IN SUBSIDIARY		-	-	(12,241,063)	-
ADMINISTRATIVE EXPENSES		(5,462,698)	(7,243,832)	(1,816,444)	(2,312,749)
FINANCE COST	26	(975,362)	(923,326)	-	-
(LOSS)/PROFIT BEFORE TAXATION	27	(1,617,066)	1,530,662	(11,657,507)	100,962
TAXATION	28	616,732	(14,835)	(953)	(11,248)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(1,000,334)	1,515,827	(11,658,460)	89,714
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE (EXPENSE)/INCOME		(1,000,334)	1,515,827	(11,658,460)	89,714
Attributable to:					
Equity holders of the Company		(1,000,334)	1,515,827	(11,658,460)	-
Non-controlling interests		-	-	-	89,714
		(1,000,334)	1,515,827	(11,658,460)	89,714

		GROUP	
		2012	2011
(Loss)/Earnings per share		RM	RM
(sen):	29		
Basis		(2.51)	3.85
Diluted		-	2.54

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

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Attributable to Equity Holders of the Company				
		Non-distributable		Distributable	
GROUP	Share capital RM	Treasury Shares RM	Warrant Reserve RM	Accumulated losses RM	Total equity RM
Balance as at 1.1.2011	41,981,000	(2,568,358)	406,828	(6,578,171)	33,241,299
Net profit for the financial year	-	-	-	1,515,827	1,515,827
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	1,515,827	1,515,827
Balance as at 31.12.2011	41,981,000	(2,568,358)	406,828	(5,062,344)	34,757,126
Resale of treasury shares	-	1,422,464	-	-	1,422,464
Loss on resale of treasury shares	-	1,145,894	-	(1,145,894)	-
Net loss for the financial year	-	-	-	(1,000,334)	(1,000,334)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(1,000,334)	(1,000,334)
Balance as at 31.12.2012	41,981,000	-	406,828	(7,208,572)	35,179,256

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

	Attributable to Equity Holders of the Company				
	Non-distributable			Distributable	
	Share capital RM	Treasury shares RM	Warrant reserve RM	Unappropriated profits/ (Accumulated losses) RM	Total RM
COMPANY					
Balance as at 1.1.2011	41,981,000	(2,568,358)	406,828	5,588,169	45,407,639
Net profit for the financial year	-	-	-	89,714	89,714
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	89,714	89,714
Balance as at 31.12.2011	41,981,000	(2,568,358)	406,828	5,677,883	45,497,353
Resale of treasury shares	-	1,422,464	-	-	1,422,464
Loss on resale of treasury shares	-	1,145,894	-	(1,145,894)	-
Net profit for the financial year	-	-	-	(11,658,460)	(11,658,460)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(11,658,460)	(11,658,460)
Balance as at 31.12.2012	41,981,000	-	406,828	(7,126,471)	35,261,357

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before taxation	(1,617,066)	1,530,662	(11,657,507)	100,962
Adjustments for:				
Impairment loss on trade receivables	118,713	280,414	-	-
Impairment loss on trade receivables no longer required	(280,414)	(32,830)	-	-
Amortisation of prepaid lease payments	25,056	25,056	-	-
Depreciation of property, plant and equipment	4,787,340	5,144,730	560	560
Interest expenses	975,362	923,326	-	-
Interest income	(30,548)	(55,846)	-	(13,711)
Gain on disposal of quoted investment	-	(32,383)	-	-
Gain on disposal of property, plant and equipment	-	(58,661)	-	-
Property, plant and equipment written off	-	30,867	-	-
Impairment	-	-	12,241,063	-
Reversal of previous financial year inventories written down	(155,228)	-	-	-
Inventories written down	152,249	155,228	-	-
Unrealised (gain)/loss on foreign exchange	(140,675)	309,925	-	-
Operating profit before working capital changes	3,834,789	8,220,488	584,116	87,811
Decrease/(Increase) in inventories	1,593,093	(669,847)	-	-
Increase in trade receivables	(2,422,984)	(1,883,582)	-	-
(Increase)/Decrease in other receivables, deposits and prepayments	(306,254)	173,638	(1,338)	2,029
Increase/(Decrease) in trade payables	3,858,281	(604,002)	-	-
(Decrease)/Increase in other payables and accruals	(1,233,054)	1,453,328	(301,936)	369,695
Cash generated from operations	5,323,871	6,690,023	280,842	459,535

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Tax refund	5,082	-	-	-
Interest received	30,548	55,846	-	13,711
Interest paid	(975,362)	(923,326)	-	-
Tax paid	(132,115)	(257,835)	(953)	(11,248)
Net cash generated from operating activities	4,252,024	5,564,708	279,889	461,998
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment(a)	(2,404,200)	(2,410,608)	-	-
Proceeds from disposal of other investment	-	142,783	-	-
Proceeds from disposal of property, plant and equipment	-	622,000	-	-
Advance to a subsidiary	-	-	(1,407,967)	(1,630,717)
Net cash used in investing activities	(2,404,200)	(1,645,825)	(1,407,967)	(1,630,717)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from resale of treasury share	1,422,464	-	1,422,464	-
Payment/(Repayment) of bank borrowings	1,277,000	(1,122,000)	-	-
Repayment of term loan	(1,381,677)	(966,313)	-	-
Payment of hire purchase instalments	(1,855,800)	(2,405,535)	-	-
Proceed from bank term loan	-	9,620,000	-	-
Net cash (used in)/generated from financing activities	(538,013)	5,126,152	1,422,464	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,309,811	9,045,035	294,386	(1,168,719)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	3,004,821	(6,040,214)	269,778	1,438,497
CASH AND CASH EQUIVALENTS CARRIED FORWARD (b)	4,314,632	3,004,821	564,164	269,778

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

NOTES TO THE CASH FLOW STATEMENTS

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

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM	RM	RM	RM
Cash	2,404,200	2,410,608	-	-
Hire purchase	707,336	648,145	-	-
	3,111,536	3,058,753	-	-

(b) Cash and cash equivalents

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM	RM	RM	RM
Short term deposits (Note14)	106,442	1,428,575	-	-
Cash and bank balances (Note15)	4,208,190	1,576,246	564,164	269,778
	4,314,632	3,004,821	564,164	269,778

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2012

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 Malaysian Financial Reporting Standards ("MFRSs") issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards and the provisions of the Companies Act 1965 in Malaysia except that Note 40 has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive issued by Bursa Malaysia Securities Berhad.

These are the Group and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous financial years, the financial statements of the Group and the Company were prepared in accordance with applicable approved Financial Reporting Standards ("FRSs') issued by MASB in Malaysia. The transition to MFRSs does not have any financial impact to the financial statement of the Group and the Company.

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.

Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable are taken into account.

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.

When the Group purchases subsidiary's equity from non -controlling interests, the accretion in the subsidiary is treated as equity transaction. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the parent.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

The MFRS 3 Business Combination introduces the option, on an acquisition-by-acquisition basis, to measure non-controlling interest in a business combination either at fair value or at the non-controlling interest's proportionate share of the net identifiable assets acquired. Goodwill on acquisition will be measured as the difference between the aggregate of fair value of consideration transferred, any non-controlling interest in the acquiree and the fair value at acquisition date of any previously-held equity interest in the acquiree (if acquired via "piecemeal acquisition"), and the net identifiable assets acquired. Any bargain purchase (ie. "negative goodwill") will be recognised directly in the statement of profit or loss and other comprehensive income. Any consideration transferred is to be measured at fair value as of the acquisition date. All acquisition-related costs are expensed off in the statement of profit or loss and other comprehensive income.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with non -controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

(c) 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 asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income 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 loss.

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 statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment and depreciation (continued)

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.

(d) 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.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Leases (continued)

(ii) Operating leases - the Group as lessee

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. 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.

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 statement of profit or loss and other comprehensive income in the financial year in which they arise.

(e) Investments in subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any impairment losses, unless the investment is held for sale.

(f) Goodwill

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Inventories

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

The cost of inventories is measured based on weighted average cost formula. Cost comprises the landed costs of goods purchased and in the case of work-in-progress and finished goods, comprise 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 non financial assets

The carrying amounts of assets other than financial assets excluding the investments in subsidiaries, deferred tax assets and inventories are reviewed at the end of each reporting 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 reporting 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 statement of profit or loss and other comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit or groups of units on a pro rata basis.

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

An impairment loss in respect of goodwill, if any, is not reversed. 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 statement of profit or loss and other comprehensive income in the financial year in which the reversals are recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of non financial assets (continued)

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) Financial assets

(A) Initial recognition and measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. When the financial asset is recognised initially, it is measured at fair value which is normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

(B) Subsequent measurement

Subsequent measurement of financial assets depends on the classification of the financial assets on initial recognition and the purpose for which the financial assets were acquired. The Group classifies the financial assets in one of the following four categories:

(i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

(B) Subsequent measurement (continued)

(i) Financial assets at fair value through profit or loss (continued)

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Assets that are for sale immediately or in the near term are not classified in this category.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method except that short term duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant minus any reduction for impairment or uncollectibility. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current. Typically, trade and other receivables are classified in this category.

(iii) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

(B) Subsequent measurement (continued)

(iv) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are included in equity through the statements of changes in equity except that impairment losses and foreign exchange gains and losses are recognised in profit or loss. The cumulative gain or loss previously recognised in equity is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss, if any.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

(C) Derecognition of financial assets

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in equity is recognised in statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

(D) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

(i) Available-for-sale financial assets

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost are considerations to determine whether there is objective evidence that the securities are impaired. The determination of what is significant or prolonged involves the exercise of significant judgement. Where such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale shall be not reversed through profit or loss.

(ii) Trade and other receivables and other financial assets carried at amortised cost

An impairment loss is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, a breach of contract or adverse changes in the payment status of the debtor are considerations to determine whether there is any objective evidence that the trade receivable is impaired. To the extent possible, impairment is determined individually for each item. In cases where that process is not possible, a collective evaluation of impairment is performed. As a consequence, the way individual and collective evaluation is carried out and the timing relating to the identification of objective evidence of impairment require significant judgment and may materially affect the carrying amount of receivables at the reporting date.

The amount of impairment loss recognised is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within ‘selling and distribution costs’. When a trade receivable is

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (continued)

(D) Impairment of financial assets (continued)

(ii) Trade and other receivables and other financial assets carried at amortised cost (continued)

uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and distribution costs' in the statement of profit or loss and other comprehensive income.

(iii) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash and bank balances, deposits with a licensed financial institution, bank overdrafts and other short term, highly liquid investments that are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value.

For the statement of cash flow, the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

(k) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(A) Initial recognition and measurement

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. On initial recognition the financial liability is recognised at fair value. The fair value is normally represented by the

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial Liabilities (continued)

(A) Initial recognition and measurement (continued)

transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(B) Subsequent measurement

Financial liabilities falling within the scope of MFRS 139 are classified according to the substance of the contractual arrangements entered into.

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories is as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company has not designated any financial liabilities as at fair value through profit or loss.

(ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transactions costs, and subsequently measured at amortised cost using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial Liabilities (continued)

(B) Subsequent measurement (continued)

(ii) Other financial liabilities (continued)

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group and the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(C) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(l) 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.

(m) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group and the Company does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is not recognised in the financial statements but is disclosed where the inflow of the economic benefits is probable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

(o) Financial guarantee contracts

A financial guarantee contracts is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(p) Segment reporting

For management purpose, the Group is organised into operating segments based on their products and services which are independently managed by respective segment manager responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosure on each of these segments are shown in Notes to the Financial Statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

(q) 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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue recognition (continued)

reliably and specific recognition criteria have been met for each of the Group's activities as follows:

(i) Sale of goods

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

(ii) Management fees

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

(iii) Interest income

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

(r) 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 balances

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 reporting 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 are 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Foreign Currencies (continued)

(ii) Foreign currency transactions and balances (continued)

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.

(iii) Foreign operations

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 of the foreign operation as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss. 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 reporting date.

(s) 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 statement of profit or loss and other comprehensive income in the period in which the employee render their services.

(t) 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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Borrowing Costs (continued)

on borrowings. The interest component of hire purchase payments is charged to the statement of profit or loss and other comprehensive income over the hire purchase periods so as to give a constant periodic rate of interest on the remaining hire purchase liabilities.

(u) 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 reporting date.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date 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, unutilised 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, unutilised tax losses and unused tax credits can be utilised.

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 reporting date. Deferred tax is recognised in the statement of profit or loss and comprehensive income, 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.

(v) Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded the nominal value and proceeds in excess of the nominal value of shares, if any, are accounted for or share premium. Both ordinary shares and share premium are classified as equity.

Share issuance expenses are charged to profit or loss.

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS

4.1 MFRSs, Amendments to MFRSs and Interpretations adopted

The Group and the Company has early adopted the amendments to MFRS 101 *Presentation of Financial Statements* which are effective for annual periods beginning on or after 1 July 2012. The early adoption of the amendments to MFRS 101 has no impact on the financial statements other than the presentation format of the statement of profit or loss and other comprehensive income.

4.2 New/Revised MFRSs, Amendments to MFRSs and Interpretations not adopted

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the MASB but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- MFRS 10 *Consolidated Financial Statements*
- MFRS 11 *Joint Arrangements*
- MFRS 12 *Disclosure of Interests in Other Entities*
- MFRS 13 *Fair Value Measurement*
- MFRS 119 *Employee Benefits* (2011)
- MFRS 127 *Separate Financial Statements* (2011)
- MFRS 128 *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (CONTINUED)

4.2 New/Revised MFRSs, Amendments to MFRSs and Interpretations not adopted (continued)

- Amendments to MFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*
- Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101 *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 116 *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 132 *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134 *Interim Financial Reporting (Annual Improvement 2009-2011 Cycle)*
- Amendments to MFRS 10 *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11 *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12 *Disclosure of Interests in Other Entities: Transition Guidance*
- Amendments to IC Intrepretation 2 *Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvement 2009-2011 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 132 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 10 *Consolidated Financial Statements-Investment Entities*
- Amendments to MFRS 12 *Disclosure of Interests in Other Entities-Investment Entities*
- Amendments to MFRS 127 *Separate Financial Statements-Investments Entities*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- MFRS 9 *Financial Instruments* (2009)
- MFRS 9 *Financial Instruments* (2010)
- Amendments to MFRS 7 *Financial Instruments: Disclosure – Mandatory Date of MFRS 9 and Transition Disclosures*

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (CONTINUED)

4.2 New/Revised MFRSs, Amendments to MFRSs and Interpretations not adopted (continued)

The directors anticipate that the above mentioned accounting standards, amendments and interpretations will be adopted by the Group and the Company when they become effective except for IC Interpretation 20 which is not applicable to the Group and the Company.

The Group has assessed, where practicable, the potential impact of all these new accounting standards, amendments and interpretations that will be effective in future period, as below:

MFRS 9 *Financial Instruments*

This standard introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

MFRS 9 requires all recognised financial assets that are within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

The most significant effect of MFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under MFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is recognised in profit or loss.

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (CONTINUED)

4.2 New/Revised MFRSs, Amendments to MFRSs and Interpretations not adopted (continued)

MFRS 9 ***Financial Instruments (continued)***

The derecognition provisions are carried over almost unchanged from MFRS 139.

MFRS 9 is effective for annual periods beginning on or after 1 January 2015 (with earlier application permitted). The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently assessing the financial impact of adopting MFRS 9.

MFRS 10 ***Consolidated Financial Statements***

The new Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. It introduces a single consolidation model that identifies control as the basis for consolidation for all types of entities, where (i) control is based on whether an investor has power over the investee, (ii) exposure/rights to variable returns from its involvement with the investee, and (iii) the ability to use its power over the investee to affect the amount of the returns. MFRS 10 supersedes MFRS 127 *Consolidated and Separate Financial Statements* and IC Interpretation 112 *Consolidation – Special Purpose Entities* and is effective for annual periods beginning on or after 1 January 2013.

MFRS 11 ***Joint Arrangements***

The new Standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. Joint arrangements are either joint operations or joint ventures:

- In a joint operation, parties have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognise their assets, liabilities, revenue and expenses in relation to their interest in the joint operation using the applicable MFRSs.

- In a joint venture, parties have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with MFRS 128 *Investments in Associates and Joint Ventures* (2011). Unlike MFRS 131, the use of 'proportionate consolidation' is not permitted.

MFRS 11 is effective for annual periods beginning on or after 1 January 2013.

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (CONTINUED)

4.2 New/Revised MFRSs, Amendments to MFRSs and Interpretations not adopted (continued)

MFRS 12 *Disclosure of Interests in Other Entities*

The new Standard combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. MFRS 12 is effective for annual periods beginning on or after 1 January 2013.

MFRS 13 *Fair Value Measurement*

The new Standard defines fair value, sets out in a single MFRS a framework for measuring fair value and requires disclosures about fair value measurements. MFRS 13 applies when other MFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in MFRS or address how to present changes in fair value. The new requirements are effective for annual periods beginning on or after 1 January 2013.

MFRS 119 *Employee Benefits* (2011)

The amendments to MFRS 119 change the accounting for defined benefit plans and termination benefits.

The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor method' permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs.

The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments are effective for annual periods beginning on or after 1 January 2013 and require retrospective application. The Group is currently assessing the financial impact of adopting the amendments to MFRS 119.

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (CONTINUED)

4.2 New/Revised MFRSs, Amendments to MFRSs and Interpretations not adopted (continued)

MFRS 127 *Separate Financial Statements* (2011)

The revised and re-titled Standard now only deals with the requirements for separate financial statements, which have been carried over largely unamended from MFRS 127 *Consolidated and Separate Financial Statements*. The Standard mainly requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with MFRS 9 *Financial Instruments*. It also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements. It is effective for annual periods beginning on or after 1 January 2013.

MFRS 128 *Investments in Associates and Joint Ventures* (2011)

The revised and re-titled Standard prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. It defines 'significant influence', provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases) and prescribes how investments in associates and joint ventures should be tested for impairment. It is effective for annual periods beginning on or after 1 January 2013.

Amendments to MFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*

The amendments allow investors to bridge differences in the offsetting reporting requirements of MFRS and US GAAP and introduce new disclosures that provide better information on how companies mitigate credit risk, including on related collateral pledged or received. They are effective for annual periods beginning on or after 1 January 2013.

Amendments to MFRS 132 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

The amendments address inconsistencies in current practice when applying the offsetting criteria in MFRS 132, mainly by clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement. They are effective for annual periods beginning on or after 1 July 2014.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The critical judgements made in the process of applying the Group's and the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below. These estimates and assumptions are periodically monitored to make sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

5.1 Critical Judgments made in applying accounting policies

Judgements have been made by the management in applying the Group's accounting policies. Amongst others, the judgement made by the management on the outcome of the material litigation as detailed further in Note 35 has been effected in the previous financial statements.

5.2 Key sources of estimation uncertainty

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

5.3 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.

6. PROPERTY, PLANT AND EQUIPMENT

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

GROUP 2012	**Land and buildings** RM	**Plant and machinery** RM	**Furniture and fittings** RM	**Office equipment** RM	**Renovation** RM	**Motor vehicles** RM	**Total** RM
Cost							
As at 1.1.2012	18,412,797	85,246,413	1,937,242	1,693,225	923,007	333,797	108,546,481
Addition	158,066	2,745,438	-	67,651	-	140,381	3,111,536
As at 31.12.2012	18,570,863	87,991,851	1,937,242	1,760,876	923,007	474,178	111,658,017
Accumulated depreciation							
As at 1.1.2012	5,233,787	68,269,333	1,899,298	1,484,308	800,461	240,312	77,927,499
Charge for the financial year	520,415	4,100,079	11,708	63,048	53,605	38,485	4,787,340
As at 31.12.2012	5,754,202	72,369,412	1,911,006	1,547,356	854,066	278,797	82,714,839

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP 2011	Land and buildings RM	Plant and machinery RM	Furniture and fittings RM	Office equipment RM	Renovation RM	Motor vehicles RM	Total RM
Cost							
As at 1.1.2011	17,552,297	83,350,117	1,936,092	1,656,224	923,007	995,254	106,412,991
Addition	860,500	2,160,102	1,150	37,001	-	-	3,058,753
Disposal	-	(78,606)	-	-	-	(661,457)	(740,063)
Written off	-	(185,200)	-	-	-	-	(185,200)
As at 31.12.2011	18,412,797	85,246,413	1,937,242	1,693,225	923,007	333,797	108,546,481
Accumulated depreciation							
As at 1.1.2011	4,734,743	64,099,887	1,878,930	1,391,312	746,318	262,636	73,113,826
Charge for the financial year	499,044	4,357,187	20,368	92,996	54,143	120,992	5,144,730
Disposal	-	(33,408)	-	-	-	(143,316)	(176,724)
Written off	-	(154,333)	-	-	-	-	(154,333)
As at 31.12.2011	5,233,787	68,269,333	1,899,298	1,484,308	800,461	240,312	77,927,499
Net carrying amount							
As at 1.1.2011	12,817,554	19,250,230	57,162	264,912	176,689	732,618	33,299,165
As at 31.12.2011	13,179,010	16,977,080	37,944	208,917	122,546	93,485	30,618,982
As at 31.12.2012	12,816,661	15,622,439	26,236	213,520	68,941	195,381	28,943,178

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY 2012	Furniture and fittings RM	Office equipment RM	Total RM
Cost			
As at 1.1.2012	261,733	13,669	275,402
As at 31.12.2012	261,733	13,669	275,402
Accumulated depreciation			
As at 1.1.2012	261,730	10,287	272,017
Charge for the financial year	-	560	560
As at 31.12.2012	261,730	10,847	272,577

COMPANY 2011	Furniture and fittings RM	Office equipment RM	Total RM
Cost			
As at 1.1.2011	261,733	13,669	275,402
As at 31.12.2011	261,733	13,669	275,402
Accumulated depreciation			
As at 1.1.2011	261,730	9,727	271,457
Charge for the financial year	-	560	560
As at 31.12.2011	261,730	10,287	272,017
Net carrying amount			
As at 1.1.2011	3	3,942	3,945
As at 31.12.2011	3	3,382	3,385
As at 31.12.2012	3	2,822	2,825

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	GROUP		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Freehold land and buildings	221,206	228,172	235,137
Factory buildings on leasehold land classified as prepaid lease payments	12,595,455	12,950,838	12,582,417
	12,816,661	13,179,010	12,817,554

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. The Group is in the midst of discharging the charge with the facilities granted which have been fully settled.

	GROUP		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Buildings	885,769	907,640	929,511
Plant and machinery	167,635	646,251	1,124,861
	1,053,404	1,553,891	2,054,372

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		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Plant and machinery	5,061,050	6,421,237	6,299,338
Motor vehicles	136,961	17,997	638,729
	5,198,011	6,439,234	6,938,067

6. PREPAID LEASE PAYMENTS

	GROUP		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Cost			
As at 1 January	3,644,337	3,644,337	3,644,337
As at 31 December/1 January	3,644,337	3,644,337	3,644,337
Accumulated amortisation			
As at 1 January	434,613	409,557	409,557
Amortisation for the financial year	25,056	25,056	-
As at 31 December/1 January	459,669	434,613	409,557
Net carrying amount			
As at 31 December/1 January	3,184,668	3,209,724	3,234,780

Included in the above is prepaid lease payments with net carrying amount of RM1,213,800 (31.12.2011: RM1,213,800; 1.1.2011: RM1,213,800) which is charged to a licensed bank for banking facilities granted to the Group.

7. INVESTMENT IN SUBSIDIARIES

	COMPANY		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Unquoted shares, at cost	44,512,733	44,512,733	44,512,733
Less: Impairment of investment in a subsidiary	(12,241,063)	-	-
	32,271,670	44,512,733	44,512,733

The details of the subsidiary companies are as follows:-

Name of company	Date and place of incorporation	Effective equity interests 31.12.2012 %	31.12.2011 %	1.1.2011 %	Principal activities
Ralco Plastic Sdn. Bhd.	21.2.1989 Malaysia	100	100	100	Manufacturing of and trading in plastic bottles, containers, boxes, crates and related materials
Ralco Holdings Sdn. Bhd.	9.3.1989 Malaysia	100	100	100	Investment holding
Ralco Trading Sdn. Bhd. (formerly known as Ralco Coolers Sdn. Bhd.)	21.6.1989 Malaysia	100	100	100	Inactive
Ralco Compounding Sdn. Bhd.	23.11.2006 Malaysia	100	100	100	Inactive
Temasek Bay Sdn. Bhd.	17.11.2009 Malaysia	100	100	100	Palm oil packers, trading of palm oil products, manufacturers of or dealers in packaging materials and all related products

9. OTHER INVESTMENTS

	GROUP		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Non-current			
Financial assets at fair value through profit or loss:			
-Held for trading	-	-	110,400
Representing item:			
-Market value of quoted investments	-	-	110,400

10. INVENTORIES

	GROUP		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
At cost:			
Raw materials	2,915,744	4,826,001	3,805,435
Finished goods	5,147,396	4,824,274	5,485,449
	8,063,140	9,650,275	9,290,884
At net realisable value:			
Finished goods	152,249	155,228	-
	8,215,389	9,805,503	9,290,884

11. TRADE RECEIVABLES

	GROUP		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Trade receivables	21,854,694	19,437,686	17,514,331
Less: Impairment loss on trade receivables			
As at 1 January	(465,385)	(217,801)	(217,801)
Impairment loss during the financial year	(118,713)	(280,414)	-
Impairment loss no longer required	280,414	32,830	-
As at 31 December/1 January	(303,684)	(465,385)	(217,801)
	21,551,010	18,972,301	17,296,530

11. TRADE RECEIVABLES (CONTINUED)

The currency exposure profile of trade receivables is as follows:

	GROUP		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Ringgit Malaysia	18,770,033	17,139,607	15,271,944
Singapore Dollar	1,472,376	1,098,434	1,082,385
US Dollar	1,612,285	1,199,645	1,160,002
	21,854,694	19,437,686	17,514,331

Trade receivables are granted credit period of 30 to 90 days (31.12.2011: 30 to 90 days; 1.1.2011: 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		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Other receivables	352,064	149,064	151,992
Less: Impairment loss on other receivables	(145,829)	(145,829)	(145,829)
	206,235	3,235	6,163
Deposits	1,008,117	506,223	838,261
Prepayments	427,761	826,401	665,073
	1,642,113	1,335,859	1,509,497

Included in the deposit of the Group are amounts totalling RM473,869 (31.12.2011: RM159,799; 1.1.2011: RM264,337) representing deposits paid for the acquisition of property, plant and equipment. The capital commitment has been disclosed in Note 31.

	COMPANY		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Other receivables	-	-	-
Less: Impairment loss on other receivables	-	-	-
	-	-	-
Deposits	2,289	2,289	2,289
Prepayments	8,786	7,448	9,477
	11,075	9,737	11,766

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		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Fixed deposits with licensed banks	106,442	1,428,575	1,068,208
Investment funds placed with a financial institution	-	-	3,213,482
	106,442	1,428,575	4,281,690

	COMPANY		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Fixed deposits with licensed banks	-	-	250,458
Investment funds placed with a financial institution	-	-	1,084,564
	-	-	1,335,022

The fixed deposits have maturity period of 1 to 2 months (31.12.2011: 1 to 2 months; 1.1.2011: 1 month). The effective interest rates of the fixed deposits are between 2.55% and 3.20% (31.12.2011: 2.55% and 3.00%; 1.1.2011: 2.00% and 2.75%) per annum.

As at 1 January 2011, the investment funds generate an effective rate of return of 4.50% per annum.

15. CASH AND BANK BALANCES

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

	GROUP		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Ringgit Malaysia	2,444,353	1,174,885	2,505,785
Singapore Dollar	472,618	384,244	137,704
US Dollar	1,291,219	17,117	357,227
	4,208,190	1,576,246	3,000,716

15. CASH AND BANK BALANCES (CONTINUED)

	COMPANY		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Ringgit Malaysia	564,164	269,778	103,475

16. SHARE CAPITAL

	GROUP AND COMPANY		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Authorised			
100,000,000 ordinary shares of RM1 each	100,000,000	100,000,000	100,000,000
Issued and fully paid			
41,981,000 ordinary shares of RM1 each	41,981,000	41,981,000	41,981,000

17. TREASURY SHARES

During the financial year ended 31 December 2010, the Group and the Company had purchased 2,156,200 ordinary shares of RM1.00 each from the open market for a total consideration of RM2,185,781. The repurchased transactions were financed by internally generated funds. The repurchased ordinary shares are held as treasury shares in accordance with the requirements of Section 67A of the Companies Act 1965.

As at 31 December 2011, the Group and the Company held a total treasury shares of 2,601,900 (1.1.2011: 2,601,900) ordinary shares out of its total issued ordinary shares of 41,981,000. Such treasury shares are held at cost of RM2,568,358 (1.1.2011: RM2,568,358).

During the financial year, the Group re-issued 2,601,900 treasury shares by resale in the open market. The average resale price of the treasury shares was RM0.55 per ordinary share. The proceeds from the resale are used for working capital purposes.

Details of the resale of treasury shares were as follows:-

	Average resale price RM	Highest resale price RM	Lowest resale price RM	Number of treasury shares resold RM	Total consolidation received RM
2012					
December	0.55	0.555	0.550	2,601,900	1,422,464

18. WARRANT RESERVE

	GROUP AND COMPANY		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Warrant reserve	406,828	406,828	406,828

Warrants 2009/2019

On 7 April 2009, the Company has announced a proposal which comprises 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.

On 22 December 2009, the Company issued 20,340,955 Warrants 2009/2019 pursuant to the following terms:

(i) Renounceable rights issue of 16,628,640 Warrants 2009/2019 to all the shareholders of Company on the basis of two (2) Warrants 2009/2019 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 to the 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) Warrants 2009/2019 for every five (5) unexercised Warrants 2004/2009 held on the Expiry Date.

The salient terms of the Warrants are set out below:

(i) The 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 Warrants may be exercised at any time within ten (10) years commencing on and including the date of issuance of the Warrants and ended at the close of business at 5.00 pm on the date preceding the tenth (10^{th}) 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 Warrants not exercised during the exercise period will thereafter lapse and cease to be valid.

(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 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.

18. WARRANT RESERVE (CONTINUED)

(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.

19. HIRE-PURCHASE LIABILITIES

	GROUP		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Minimum hire-purchase instalments:-			
- not later than 1 year	1,181,069	1,983,276	2,200,081
- later than 1 year and not later than 5 years	1,185,032	1,595,063	3,324,621
- later than 5 years	-	-	68,413
	2,366,101	3,578,339	5,593,115
Unexpired term charges	(194,495)	(258,269)	(515,655)
Outstanding principal amount due	2,171,606	3,320,070	5,077,460
Outstanding principal due not later than 1 year	(1,067,334)	(1,820,350)	(1,913,927)
Outstanding principal amount due later than 1 year	1,104,272	1,499,720	3,163,533

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

	GROUP		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Later than 1 year and not later than 5 years	1,104,272	1,499,720	3,096,217
Later than 5 years	-	-	67,316
	1,104,272	1,499,720	3,163,533

The hire-purchase payables bear effective interest rate ranges from 3.97% to 8.10% (31.12.2011: 4.63% to 7.21%; 1.1.2011: 4.63% to 7.21%) per annum.

20. DEFERRED TAX

(a) Deferred tax liabilities

	GROUP 31.12.2012 RM	GROUP 31.12.2011 RM	GROUP 1.1.2011 RM
As at 1 January	1,935,251	2,185,251	2,185,251
Transfer to statement of profit or loss and other comprehensive income (Note 28)	(692,000)	(250,000)	-
As at 31 December/1 January	1,243,251	1,935,251	2,185,251

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

	GROUP 31.12.2012 RM	GROUP 31.12.2011 RM	GROUP 1.1.2011 RM
Deferred tax liabilities			
Excess of net book value over tax written down value of property, plant and equipment	2,680,951	3,266,006	3,849,682
Deferred tax assets			
Unabsorbed capital allowances	(1,187,397)	(971,759)	(1,387,997)
Unutilised tax losses	(162,591)	(162,591)	(162,590)
Other temporary differences	(87,712)	(196,405)	(113,844)
	(1,437,700)	(1,330,755)	(1,664,431)
	1,243,251	1,935,251	2,185,251

(b) Deferred tax assets

As at 31 December 2012, the Group and the Company has the following deferred tax assets which are not recognised in the financial statements as there are not probable that future taxable income will be available to allow the assets to be utilised:

	GROUP 31.12.2012 RM	GROUP 31.12.2011 RM	GROUP 1.1.2011 RM
Other deductible temporary differences	(516)	(561)	(606)
Unabsorbed capital allowances	868	868	14,781
Unutilised tax losses	187,525	379,562	398,269
	187,877	379,869	412,444

20. DEFERRED TAX (CONTINUED)

(b) Deferred tax assets (CONTINUED)

	COMPANY		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Other deductible temporary differences	(516)	(561)	(606)
Unabsorbed capital allowances	-	-	13,913
Unutilised tax losses	53,293	245,330	264,037
	52,777	244,769	277,344

As at 31 December 2012, the Group and the Company has unabsorbed tax losses of approximately RM750,000 and RM213,000 (31.12.2011: RM1,518,000 and RM981,000; 1.1.2011: RM1,593,000 and RM1,056,000) respectively and unabsorbed capital allowances of approximately RM3,500 and NIL (31.12.2011: RM3,500 and NIL; 1.1.2011: RM59,000 and RM55,000) respectively which are available to set-off against future chargeable income.

21. TRADE PAYABLES

The currency exposure profile of trade payables is as follows:

	GROUP		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Ringgit Malaysia	11,339,981	10,166,647	10,886,161
US Dollar	5,115,765	2,577,469	2,112,259
	16,455,746	12,744,116	12,998,420

The normal credit periods granted by trade suppliers is 90 days (31.12.2011: 90 days; 1.1.2011: 90 days).

22. OTHER PAYABLES AND ACCRUALS

	GROUP		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Other payables	460,677	202,360	600,797
Accruals	1,883,009	3,374,380	1,522,615
	2,343,686	3,576,740	2,123,412

22. OTHER PAYABLES AND ACCRUALS (CONTINUED)

The currency exposure profile of other payables are as follows:

	GROUP 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Ringgit Malaysia	460,677	202,360	569,775
US Dollar	-	-	31,022
	460,677	202,360	600,797

	COMPANY 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Accruals	343,338	645,274	275,579

23. TERM LOAN

	GROUP 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Term loans bear effective interest rate of 8.00% per annum, repayable by 72 equal monthly instalments of RM168,670 commencing April 2011	7,272,010	8,653,687	-
Less: Repayments due within 12 months	(1,496,356)	(1,381,677)	-
Repayments due after 12 months	5,775,654	7,272,010	-

The term loan of the Group was converted from bank overdraft with the settlement of litigation as detailed in Note 35. The term loan of RM9,620,000 is repayable by 72 equal monthly instalments of RM168,670 commencing April 2011. The term loan bears effective interest of 8% per annum.

24. BANK BORROWINGS

	GROUP		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Unsecured			
Bills payable	3,239,000	1,962,000	3,084,000
Bank overdrafts	-	-	13,322,620
	3,239,000	1,962,000	16,406,620

The bills payable bears effective interest rates ranging from 3.75% and 4.64% (31.12.2011: 4.65% and 5.48%; 1.1.2011: 3.66% and 5.16%) per annum.

As at 1 January 2011, the bank overdrafts bear interest rate of 3.50% above the base lending rate per annum.

In prior financial years, 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 35.

25. REVENUE

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM	RM	RM	RM
Sale of goods	92,378,901	105,860,233	-	-
Management fees	-	-	2,400,000	2,400,000
	92,378,901	105,860,233	2,400,000	2,400,000

26. FINANCE COST

	GROUP	
	2012	2011
	RM	RM
Interest on bills payable	156,508	80,435
Interest on bank term loans	642,363	551,716
Hire purchase term charges	176,491	291,175
	975,362	923,326

27. (LOSS)/PROFIT BEFORE TAXATION

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

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
- statutory audit				
- current year	91,700	86,600	23,000	23,000
- under/(over)provision in prior year	2,100	(7,500)	-	(3,900)
- other services	5,000	-	5,000	-
Amortisation of prepaid lease payments	25,056	25,056	-	-
Depreciation of property, plant and equipment	4,787,340	5,144,730	560	560
Directors' remuneration				
- fees	182,000	200,668	182,000	200,668
- other emoluments	510,702	913,359	510,702	792,678
Gain on disposal of property, plant and equipment	-	(58,661)	-	-
Impairment loss on trade receivables	118,713	280,414	-	-
Impairment loss on trade receivables no longer required	(280,414)	(32,830)	-	-
Interest expense (Note 26)	975,362	923,326	-	-
Operating leases				
- render of premises	854,525	805,359	25,010	23,539
Property, plant and equipment written off	-	30,867	-	-
Loss on foreign exchange				
- realised	5,610	-	-	-
- unrealised	-	309,925	-	-
Inventories written down	152,249	155,228	-	-

27. (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

	GROUP 2012 RM	GROUP 2011 RM	COMPANY 2012 RM	COMPANY 2011 RM
And crediting:-				
Gain on foreign exchange				
- realised	(4,743)	(286,454)	-	-
- unrealised	(140,675)	-	-	-
Gain on disposal of quoted investment	-	(32,383)	-	-
Interest income received from:				
- fixed deposits	(13,215)	(24,909)	-	(5,274)
- investment funds	(17,333)	(30,937)	-	(8,437)
Rental income	(276,000)	(243,000)	-	-
Reversal of previous financial year inventories written down	(155,228)	-	-	-
Waiver of bank interest (Note 35)	-	(3,702,620)	-	-

28. TAXATION

	GROUP 2012 RM	GROUP 2011 RM	COMPANY 2012 RM	COMPANY 2011 RM
Current financial year				
- income tax expense	81,449	248,497	953	11,248
- deferred taxation (Note 20)	(691,931)	72,713	-	-
	(610,482)	321,210	953	11,248
(Over)/Under provision in prior financial years				
- income tax expense	(6,181)	16,338	-	-
- deferred taxation (Note 20)	(69)	(322,713)	-	-
Total tax expense	(616,732)	14,835	953	11,248

28. TAXATION (CONTINUED)

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

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
(Loss)/Profit before tax	(1,617,066)	1,530,662	(11,657,507)	100,962
Tax at the applicable tax rate of 25% (2011: 25%) for the Group and the Company	(404,267)	382,665	(2,914,377)	25,241
Tax effects in respect of:				
Depreciation of non-qualifying property, plant and equipment	111,895	223,376	-	-
Non-allowable expenses	79,069	182,603	3,086,789	36,577
Non-taxable income	(225,720)	(416,864)	-	-
Temporary differences not recognised during the financial year	(171,459)	(50,570)	(171,459)	(50,570)
	(610,482)	321,210	953	11,248

29. (LOSS)/EARNINGS PER ORDINARY SHARE

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

The basic (loss)/earnings per ordinary share is calculated based on consolidated net (loss)/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.

	2012	2011
(Loss)/Profit attributable to equity holders of the Company (RM)	(1,000,334)	1,515,827
Weighted average number of ordinary shares in issue	39,812,750	39,379,100
Basic (loss)/earnings per ordinary share (in sen)	(2.51)	3.85

(b) Diluted earnings per ordinary share

As at 31 December 2012, 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.

In previous year, the dilutive earnings per share of the Group has been calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares that would have been issued upon full exercise of the remaining Warrants, adjusted by the number of such shares that would have been issued at fair value as follows:

	2012 RM	2011 RM
Profit attributable to equity holders of the Company	-	1,515,827
	2012 Shares	**2011 Shares**
Weighted average number of ordinary shares outstanding	-	39,379,100
Effect of dilution:		
Warrant	-	20,340,955
Adjusted weighted average number of ordinary shares	-	59,720,055
Diluted earnings per ordinary share (in sen)	-	2.54

30. STAFF COSTS

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Salaries, wages, allowances and bonuses	10,072,407	10,754,419	1,232,543	1,649,049
Defined contribution plan - EPF contributions	672,473	622,416	172,207	185,193
Social security costs - SOCSO contributions	73,768	69,337	7,385	8,121
Other staff related expenses	477,210	612,834	-	-
	11,295,858	12,059,006	1,412,135	1,842,363

31. CAPITAL COMMITMENTS

	GROUP			COMPANY		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Contracted but not provided for:						
Acquisition of property, plant and equipment	2,461,736	237,890	259,380	-	-	-

32. RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

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

32. RELATED PARTY DISCLOSURES (CONTINUED)

(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	
	2012	2011	2012	2011
	RM	RM	RM	RM
Management fees charged to subsidiaries	-	-	2,400,000	2,400,000

(c) Compensation of key management personnel

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

	GROUP		COMPANY	
	2012	2011	2012	2011
	RM	RM	RM	RM
Fees	182,000	200,668	182,000	200,668
Other emoluments	457,062	815,679	457,062	707,898
EPF and SOCSO contribution	53,640	97,680	53,640	84,780
Total compensation	692,702	1,114,027	692,702	993,346

Significant related party balances related to the above transactions are disclosed in note 32.

33. CONTINGENT LIABILITIES

	GROUP			COMPANY		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM	RM	RM	RM
Unsecured corporate guarantees given to banks for credit facilities granted to subsidiaries	-	-	-	34,270,000	32,770,000	34,450,000

A corporate guarantee of RM9,620,000 has been given by the Company to secure the term loan of a subsidiary during the financial year (Note 23).

34. 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. None of the leases includes contingent rentals.

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

	GROUP		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Not later than one year	634,015	517,900	540,000
Later than one year and not later than five years	483,000	519,500	-
	1,117,015	1,037,400	540,000

35. MATERIAL LITIGATION

GROUP

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

On 25 February 2009, the Company and RPSB were served with a Writ of Summons by MBB demanding full repayment of the facilities granted to RPSB in which the Company is the corporate guarantor. The total amount claimed by MBB 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 2009 till the settlement of this case ("MBB's Suit"). On 2 June 2010, the Group has filed a defence and counter claim, disputing the MBB's Suit and the counterclaim filed is similar with the Company's claim in the Company's Suit.

On 31 March 2011, the Company announced that both parties have agreed to amicably settle the case. The Company, the subsidiary and MBB recorded a Consent Order in full and final settlement of their respective claims against each other. The salient terms of the Consent Order are as follows:-

(i) RPSB is to pay MBB the sum of RM 9,620,000 (Settlement Sum);

(ii) MBB agrees to convert the Settlement Sum into a term loan in which RPSB is to repay to MBB the Settlement Sum together with interest at the rate of 8% per annum by way of agreed monthly instalment over a period of 6 years (Term Loan);

35. MATERIAL LITIGATION (CONTINUED)

(iii) MBB agrees and confirms that for the duration of the Term Loan, the Term Loan shall not be reviewed nor will MBB exercise any right to demand immediate full payment of the Settlement Sum save where RPSB is in default of the agreed scheduled repayments or the terms and conditions of the term Loan that are not inconsistent with the terms of spirit of the Consent Order;

(iv) As security of the performance of RPSB's obligation under the Term Loan, the Company agrees to execute a guarantee in favour of MBB; and

(v) MBB may grant additional banking facilities to RPSB upon terms and conditions to be agreed upon subject always to MBB's credit assessment of RPSB and the Company and final approval of MBB's approving authority.

As a result of this settlement, interest and penalty previously accrued up to 31 December 2010 amounting to approximately RM3.7 million is reversed and credited to statement of profit or loss and other comprehensive income for the financial year ended 31 December 2011.

36. SEGMENTAL REPORTING

Two reportable segments, as described below, are the Group's strategic business units. For each of the strategic business units, the Group's Managing Director reviews internal management reports on at least a quarterly basis. The following summary describes the operation in each of the Group's reportable segments:

Plastic products - manufacturing and sale of plastic products
Others - oil packing, buying and selling of palm oil products, manufacturing or dealing in packaging materials and all related products.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Managing Director, who is the Group's chief operating decision maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Managing Director. Segment total asset is used to measure the return of assets of each segment.

36. SEGMENTAL REPORTING (CONTINUED)

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Managing Director. Hence no disclosure is made on segment liability.

2012	Plastic products RM	Others RM	Eliminations RM	Group RM
Revenue				
Sales to external customers	81,822,303	10,556,598	-	92,378,901
Inter-segment sales	8,884,378	-	(8,884,378)	-
Total revenue	90,706,681	10,556,598	(8,884,378)	92,378,901
Results				
Segment operating (loss)/profit	(1,231,028)	589,324	-	(641,704)
Finance costs	(964,740)	(10,606)	-	(975,346)
Loss before tax				(1,617,066)
Tax expense				616,732
Net loss for the financial year				(1,000,334)

2012	Plastic products RM	Others RM	Eliminations RM	Group RM
Other information				
Segment assets	65,651,415	4,110,448	(1,857,308)	67,904,555
Segment liabilities	35,171,384	(588,777)	(1,857,308)	32,725,299
Depreciation and amortisation	4,615,868	196,528	-	4,812,396

36. SEGMENTAL REPORTING (CONTINUED)

2011	Plastic products RM	Others RM	Eliminations RM	Group RM
Revenue				
Sales to external customers	90,554,795	15,305,438	-	105,860,233
Inter-segment sales	12,012,146	-	(12,012,146)	-
Total revenue	102,566,941	15,305,438	(12,012,146)	105,860,233
Results				
Segment operating profit/(loss)	4,014,937	(1,560,949)	-	2,453,988
Finance costs	(892,664)	(30,662)	-	(923,326)
Profit before tax				1,530,661
Tax expense				(14,835)
Net profit for the financial year				1,515,826

2011	Plastic products RM	Others RM	Eliminations RM	Group RM
Other information				
Segment assets	64,256,386	3,697,324	(997,720)	66,955,990
Segment liabilities	30,949,745	2,246,839	(997,720)	32,198,864
Depreciation and amortisation	4,978,098	191,688	-	5,169,786

Major customers

The following are major customers with revenue equal or more than 10 percent of Group revenue:

	2012 RM	2011 RM	Segment
All common control companies of:			
- Customer A	11,748,326	16,849,984	Plastic Products
- Customer B	16,604,334	13,263,054	Plastic Products

37. FINANCIAL INSTRUMENTS

(A) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

(I) Credit risk
(II) Liquidity risk
(III) Market risk

(I) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment securities. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given.

(a) Receivables

The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

The exposure of credit risk for receivables as at the end of the reporting period by business segment was:

	GROUP		
	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM
Plastic products	20,595,520	18,238,041	16,354,329
Others	1,259,174	1,199,645	1,160,002
	21,854,694	19,437,686	17,514,331

37. FINANCIAL INSTRUMENTS (CONTINUED)

(A) Financial risk management (continued)

(I) Credit risk (continued)

(a) Receivables (continued)

The aging analysis of trade receivables as at the end of the reporting period was:

	GROUP		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Neither past due nor impaired	10,643,766	11,554,846	10,162,638
Past due, not impaired			
1-30 days	5,095,249	5,084,842	4,837,498
31-60 days	2,947,116	1,679,857	1,646,299
61-90 days	1,540,622	430,861	294,059
More than 90 days	1,324,257	221,895	356,036
Past due and impaired			
More than 90 days past due and impaired	303,684	465,385	217,801
	21,854,694	19,437,686	17,514,331

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

The management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM10,907,244 (31.12.2011: RM7,417,455; 1.1.2011: RM7,133,892) that are past due at the reporting date but not impaired are unsecured in nature. The Group has subsequently collected RM5,771,741 (31.12.2011: RM5,931,108; 1.1.2011: RM7,120,720) out of the outstanding balances. The Group monitors these counterparties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

37. FINANCIAL INSTRUMENTS (CONTINUED)

(A) Financial risk management (continued)

(I) Credit risk (continued)

(a) Receivables (continued)

Receivables that are past due and impaired

Movement in impairment loss is as follows:

	GROUP		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
As at 1 January	465,385	217,801	217,801
Charge for the financial year	118,713	280,414	-
Impairment losses on trade receivables no longer required	(280,414)	(32,830)	-
As at 31 December/ 1 January	303,684	465,385	217,801

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Investments

The investment in quoted securities is minimal to the Group. As at the end of the reporting period, the Group has only invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

(c) Financial guarantees

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a subsidiary.

The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

The maximum exposure to credit risk amounts to RM8,367,984 (31.12.2011: RM10,930,936; 1.1.2011:RM16,406,620) representing the outstanding banking facilities of the subsidiary as at end of the reporting period.

As at end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

37. FINANCIAL INSTRUMENTS (CONTINUED)

(A) Financial risk management (continued)

(I) Credit risk (continued)

(d) Inter company balances

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

As at end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances are only provided to subsidiaries which are wholly owned by the Company.

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. These advances have been overdue for less than a year.

(II) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

(III) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's financial position or cash flows.

(i) Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of Group. The currencies giving rise to this risk are primarily Singapore Dollar (SGD) and U.S. Dollar (USD). The management monitors the foreign currency exposure on an ongoing basis.

37. FINANCIAL INSTRUMENTS (CONTINUED)

(A) Financial risk management (continued)

(III) Market risk

(i) Currency risk (continued)

Whilst the Group's operating results are subject to the effect of change in exchange rate, the Group constantly monitors the net effect by having purchase and sale transactions in the same currency to minimise the exposure to foreign currency exchange risk. Hence, the Directors are of the view that there is no material impact and hence no sensitivity analysis could be presented.

(ii) 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 earn interest income derived from the placement of short-term deposits with licensed banks and financial institutions.

Sensitivity analysis for interest rate risk:

At the reporting date, if interest rates had been 50 basis points lower/ higher, with all other variables held constant, the Group's profit after tax would have been RM47,000 (31.12.2011: RM46,000; 1.1.2011: RM79,000) higher/ lower, arising mainly as a result of lower/ higher interest expenses on floating interest rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(iii) Other price risk

Equity price risk arises from the Group's investments in equity securities.

There are no material investments in equity securities to the Group and hence no sensitivity analysis has been presented.

(B) Fair value of financial instruments

(I) Quoted equity instruments

Fair value is determined directly by reference to their published market bid price at the reporting date.

37. FINANCIAL INSTRUMENTS (CONTINUED)

(B) Fair value of financial instruments (continued)

(II) Financial guarantees

Fair value is determined based on probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- the likelihood of the guaranteed party defaulting within the guaranteed period;
- the exposure on the portion that is not expected to be recovered due to the guaranteed party's default;
- the estimated loss exposure if the party guaranteed were to default.

(C) Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio.

During 2012, the Group's strategy, which was unchanged from 2011, was to maintain the debt-to-equity ratio at the lower end range within 0.2 to 1.00. The debt-to-equity ratios as at 31 December 2012, 31 December 2011 and 1 January 2011 were as follows:

	GROUP		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Total hire purchase liabilities (Note 19)	2,171,606	3,320,070	5,077,460
Total term loan (Note 23)	7,272,010	8,653,687	-
Total borrowings (Note 24)	3,239,000	1,962,000	16,406,620
Less: Short term deposits	(106,442)	(1,428,575)	(4,281,690)
Cash and bank balances	(4,208,190)	(1,576,246)	(3,000,716)
Net debt	8,367,984	10,930,936	14,201,674

	GROUP		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Total equity	35,179,256	34,757,126	33,241,299
Debt-to-equity ratio	0.238	0.315	0.427

37. FINANCIAL INSTRUMENTS (CONTINUED)

(C) Capital management (continued)

There were no changes in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less RM40 million. The Company has complied with this requirement.

38. 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 10th Floor, Menara Hap Seng, No. 1 & 3 Jalan P Ramlee, 50250 Kuala Lumpur.

(c) The principal place of business of the Company is located at Lot 1476, Nilai Industrial Estate, 71800 Nilai, Negeri Sembilan Darul Khusus.

(d) The financial statements are presented in Ringgit Malaysia, which is also the Group's functional currency.

39. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 29 April 2013.

40. SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

40. SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSS (CONTINUED)

Pursuant to the directive, the amounts of realised and unrealised profits or losses included in the accumulated losses of the Group and the Company as at 31 December are as follows:

	GROUP		COMPANY	
	2012 RM	2011 RM	2012 RM	2011 RM
Total (accumulated losses)/unappropriated profits of the Group and Company				
- Realised	(5,810,283)	(2,191,563)	(7,126,471)	5,677,883
- Unrealised	(1,398,289)	(2,870,781)	-	-
	(7,208,572)	(5,062,344)	(7,126,471)	5,677,883

The determination of realised and unrealised profits or losses are based on the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purpose.

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 28 to 97 are drawn up in accordance with the provisions of the Companies Act, 1965, Malaysian Financial Reporting Standards and International 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 2012 and of the financial results and the cash flows of the Group and of the Company for the financial year ended on that date.

In the opinion of the Directors, the information set out in note 40 on page 97 and 98 to the financial statements has been complied in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

TAN HENG TA
Director

GOH KIM CHON
Director

STATUTORY DECLARATION

I, **CHAY WAI PING**, 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 pages 6 to 67 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.

CHAY WAI PING

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

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 statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 66.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 judgment, 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 entity's preparation of financial statements that give a true and fair view 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 entity'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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

RALCO CORPORATION BERHAD (CONTINUED)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

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 have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts of the subsidiaries that have 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 accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 40 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (MIA Guidance) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

RALCO CORPORATION BERHAD (CONTINUED)

Other Matters

1. As stated in Note 2 to the financial statements, Ralco Corporation Berhad adopted Malaysia Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as at 31 December 2012 and financial performance and cash flows for the financial year then ended.

2. 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
2562/07/14(J)
Chartered Accountant

Kuala Lumpur

29 April 2013

LIST OF GROUP'S PROPERTIES

As at Year 2012

Location	Type (Existing Use)	Tenure (Expiring Date	Land Area (Built-up Area)	Net Book Value (RM)	Approximate Age of property (No. of Years)	Date of Last Revaluation / Acquisition
Lot 1476 Kawasan Perusahaan Nilai, 71800 Nilai, Negeri Sembilan	Land and building (Factory)	Leasehold (20/08/2089)	18,200 sq. meters	9,508,939	15	10/6/1991
Lot 1468 Kawasan Perusahaan Nilai, 71800 Nilai, Negeri Sembilan	Land and building (Factory)	Leasehold (20/08/2089)	4,464 sq meters	2,477,807	16	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	221,206	20	6/9/1993
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	2,625,320	15	20/3/2003
No. 32, 38, 40, Jalan Bistari 2, Taman Industri Jaya, 81300 Skudai, Johor	1 1/2 storey Terrace Workshop	Leasehold (03/09/2911)	186 sq meters	701,800	13	11/2/2011

ANALYSIS OF SHAREHOLDINGS
As at 30 April 2013

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
Less than 100	24	2.15	725	0.00
100 – 1,000	62	5.56	40,117	0.10
1,001 – 10,000	854	76.52	2,512,377	5.98
10,001 – 100,000	130	11.65	3,565,400	8.49
100,001 – less than 5% of issued shares	44	3.94	23,047,081	54.90
5% and above issued shares	2	0.18	12,815,300	30.53
Total	1,116	100.00	41,981,000	100.00

SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS:

Name of Shareholder	Direct No. of Shares	%	Indirect No. of Shares	%
1. Tan Heng Ta	7,736,800	18.43	-	-
2. Datin Goh Phaik Lynn	5,078,500	12.10	-	-

DIRECTORS’ INTEREST IN SHARES IN THE COMPANY AND RELATED CORPORATIONS

Name of Director	Direct No. of Shares	%	Indirect No. of Shares	%
1. Tan Heng Ta	7,736,800	18.43	-	-

Save as disclosed above, none of the other Directors of the Company has any interest, direct or indirect, in shares of the Company and of its related corporations.

Tan Heng Ta by virtue of his interest in the shares of the Company, is also deemed to be interested in the shares of all subsidiaries to the extent the Company has an interest.

LIST OF 30 LARGEST SHARE HOLDERS

As at 30 April 2013

No.	Name of Registered Shareholders	Shareholdings	%
1.	HLB Nominees (Tempatan) Sdn. Bhd. *(pledged securities account for Tan Heng Ta)*	7,736,800	18.43
2.	Datin Goh Phaik Lynn	5,078,500	12.10
3	Ong Aun Kung	2,070,000	4.93
4.	Leong Fee Foon	2,000,000	4.76
5.	Leong Lai Shen	2,000,000	4.76
6.	Lee Thiam Lai	1,999,000	4.76
7.	Duclos Sdn. Bhd.	1,636,800	3.90
8.	OSK Nominees (Tempatan) Sdn. Berhad *(OSK Capital Sdn. Bhd. for Sui Diong Hoe)*	1,257,338	3.00
9.	Teng Li Leng	1,200,000	2.86
10.	Lee Ngee Moi	1,100,700	2.62
11.	Kong Sum Mooi	1,000,000	2.38
12.	Kenanga Nominees (Asing) Sdn. Bhd. *(DMG & Partners Securities Pte Ltd for International Scientific (Private) Limited)*	964,945	2.30
13.	Chia May Fong	712,800	1.70
14.	Lai Mooi Far	625,700	1.49
15.	OSK Nominees (Tempatan) Sdn. Berhad *(pledged securities account for Pau Chiong Ung)*	506,000	1.21
16.	Chau Jee Choong	467,500	1.11
17.	Harmony Chime Sdn. Bhd.	457,800	1.09
18.	Yew Vui Heung	310,700	0.74
19.	Ching Gek Lee	300,000	0.71
20.	Gek Lee Enterprise Sdn. Bhd.	300,000	0.71
21	Tan Tee See @ Tan See See	275,100	0.66
22.	Syarikat Rimba Timur (RT) Sdn. Bhd.	275,000	0.66
23.	Kenanga Nominees (Asing) Sdn. Bhd. *(UOB Kay Hian Pte Ltd for Chan Wang Joo @ Tan Wang Joo)*	218,000	0.52
24.	TA Nominees (Tempatan) Sdn. Bhd. *(pledged securities account for Cheong Kuang Huang)*	213,500	0.51
25.	OSK Nominees (Tempatan) Sdn. Berhad *(pledged securities account for Loh Tung Sing)*	209,500	0.50
26.	Kenanga Nominees (Tempatan) Sdn. Bhd. *(pledged securities account for Lua Choon Hann)*	207,800	0.49
27.	Public Nominees (Tempatan) Sdn. Berhad *(pledged securities account for Ting Hua Liong)*	200,000	0.48
28.	Chai Fooi Heong	195,100	0.46
29.	Kenanga Nominees (Tempatan) Sdn. Bhd. *(pledged securities account for Wong Siong Seh)*	187,000	0.45
30.	OSK Nominees (Tempatan) Sdn. Berhad *(pledged securities account for Wong Swee Yee)*	179,400	0.43
	Total	33,884,983	80.72

WARRANT HOLDINGS STRUCTURE
As at 30 April 2013

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	48	10.98	1,884	0.01
100 – 1,000	80	18.31	59,722	0.29
1,001 – 10,000	174	39.82	662,278	3.26
10,001 – 100,000	99	22.65	3,851,747	18.94
100,001 – less than 5% of exercised warrants	32	7.32	8,638,420	42.47
5% of exercised warrants and above	4	0.92	7,126,904	35.04
Total	437	100.00	20,340,955	100.01

DIRECTORS' WARRANTS HOLDINGS

Name of Director	Direct	%	Indirect	%
Datuk Lim Si Cheng	-	-	-	-
Tan Heng Ta	-	-	-	-
Heng Chee Wei	-	-	-	-
Goh Kim Chon	-	-	-	-
Mark Ho Hing Kheong	-	-	-	-
Law Doung Chin	-	-	-	-

LIST OF 30 LARGEST WARRANTS HOLDERS
As at 30 April 2013

No.	Name Of Registered Holders	Warrants Holdings	%
1.	Datin Goh Phaik Lynn	2,106,800	10.36
2	Kong Sum Mooi	1,761,500	8.66
3.	OSK Nominees (Tempatan) Sdn. Berhad *(OSK Capital Sdn Bhd for Sui Diong Hoe)*	1,674,904	8.23
4.	Lim Swee Seng	1,583,700	7.79
5.	OSK Nominees (Tempatan) Sdn. Berhad *(pledged securities account for Lee Thiam Loy)*	740,020	3.64
6.	Duclos Sdn. Bhd.	654,720	3.22
7.	OSK Nominees (Tempatan) Sdn. Berhad *(pledged securities account for Aw Khoon Lee)*	564,140	2.77
8.	Low Saw Sian	523,400	2.57
9.	Lee Ngee Moi	520,780	2.56
10.	OSK Nominees (Tempatan) Sdn. Berhad *(pledged securities account for Lee Thiam Fah)*	466,840	2.30
11.	Kenanga Nominees (Asing) Sdn. Bhd. *(DMG & Partners Securities Pte Ltd for International Scientific (Private) Limited)*	385,978	1.90
12.	Er Yow Tong	367,500	1.81
13.	Sui Diong Hoe	321,343	1.58
14.	OSK Nominees (Tempatan) Sdn. Berhad *(pledged securities account for Tan Boon Chiang)*	291,600	1.43
15.	Maybank Nominees (Tempatan) Sdn. Bhd. *(pledged securities account for Ng Cheng Tat)*	285,877	1.41
16.	Harmony Chime Sdn. Bhd.	277,000	1.36
17.	Wong Ah Yong	260,000	1.28
18.	CIMSEC Nominees (Tempatan) Sdn. Bhd. *(pledged securities account for Wong Ah Yong)*	250,000	1.23
19.	Maybank Nominees (Tempatan) Sdn. Bhd. *(pledged securities account for Jenny Chan Yin Lai)*	248,000	1.22
20.	Ambank (M) Berhad *(pledged securities account for Wong Ah Yong)*	200,000	0.98
21.	CIMSEC Nominees (Tempatan) Sdn. Bhd. *(pledged securities account for Ling Lee Wee)*	200,000	0.98
22.	Citigroup Nominees (Tempatan) Sdn. Bhd. *(pledged securities account for Wong Ah Yong)*	200,000	0.98
23.	Ngo Tek Phang	183,696	0.90
24.	Public Invest Nominees (Tempatan) Sdn. Bhd. *(pledged securities account for Sui Diong Hoe)*	150,042	0.74
25.	Ching Gek Lee	150,000	0.74
26.	Tee Hock Seng	150,000	0.74
27.	Gek Lee Enterprise Sdn. Bhd.	146,000	0.72
28.	Sim Yung Chi	143,600	0.71
29.	Lee Soon Fah	141,000	0.69
30.	Loh Choon Yow	140,000	0.69
	Total	15,088,440	74.18

RALCO CORPORATION BERHAD (Company No. 333101-V)

FORM OF PROXY

I/We, ____ NRIC No./Passport No./Company No. ___________________

of ____

being a member/members of Ralco Corporation Berhad hereby appoint____

NRIC No./Passport No. ___________________________ of ____

*and/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 18th Annual General Meeting of the Company to be held at the Perdana Room 2, Bukit Jalil Golf & Country Resort, Jalan 3/155B, Bukit Jalil, 57000 Kuala Lumpur on Tuesday, 25th day of June 2013 at 10.00 a.m. or at any adjournment thereof.

My/our proxy shall vote as follows:-

NO.	RESOLUTIONS	FOR	AGAINST
1.	To receive the Audited Financial Statements for the financial year ended 31 December 2012.		
2.	To approve the payment of Directors' fees for the financial year ended 31 December 2012.		
3.	To re-elect Datuk Lim Si Cheng.		
4.	To re-elect Mr Goh Kim Chon.		
5.	To re-appoint Messrs. RSM Robert Teo, Kuan & Co. as Auditors.		
6.	Authority to issue shares under Section 132D of the Companies Act, 1965.		
7.	Continuing in Office as Independent Non-Executive Director.		

(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)

The proportion of my/our shareholding to be represented by my/our proxy/proxies is as follows:

First named proxy	%
Second named proxy	%
	100%

In case of a vote taken by show of hands, the first named proxy shall vote on my/our behalf.

Dated this day of 2013

No. of share held	

____
Signature of Shareholder/Common Seal

NOTES:

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

2. The instrument appointing the proxy shall be in writing under the hand of the appointor or his attorney duly authorised or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

3. The instrument appointing the proxy must be deposited at the Share Registrar's office, System & Securities Sdn. Bhd. at Plaza 138, Suite 18.03, 18th Floor, 138 Jalan Ampang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

4. 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.

5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

6. Date of Record of Depositors for the purpose of determining Members' entitlement to attend, vote and speak at the AGM is 18 June 2013.

*Delete whichever is not applicable.

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Stamp

The Share Registrar
RALCO CORPORATION BERHAD (333101-V)
System & Securities Sdn Bhd
Plaza 138, Suite 18.03
18th Floor, 138 Jalan Ampang
50450 Kuala Lumpur

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