

RAYA INTERNATIONAL BERHAD

(Company No: 412406-T)

(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

On consolidated results for the third quarter ended 30 September 2015

SUMMARY OF KEY FINANCIAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended 30.9.2015 RM'000	Quarter Ended 30.9.2014 RM'000	Period Ended 30.9.2015 RM'000	Period Ended 30.9.2014 RM'000
Revenue	300	232	13,092	1,142
Profit/(Loss) before tax	187	(927)	237	(769)
Taxation	-	-	-	-
Profit/(Loss) for the period	187	(927)	237	(769)
Profit/(Loss) attributable to ordinary equity holders of the parent	187	(927)	237	(769)
Basic earnings/(loss) per share (sen)	0.14	(0.78)	0.18	(0.65)
Proposed/Declared Dividend per share (sen)	N/A	N/A	N/A	N/A

RAYA INTERNATIONAL BERHAD

(Company No: 412406-T)

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2015**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

(These figures have not been audited)

	INDIVIDUAL QUARTER QUARTER ENDED 30 September 2015 RM'000	QUARTER QUARTER ENDED 30 September 2014 RM'000	CUMULATIVE QUARTER PERIOD ENDED 30 September 2015 RM'000	PERIOD PERIOD ENDED 30 September 2014 RM'000
Revenue	300	232	13,092	1,142
Operating expenses	(231)	(799)	(12,867)	(1,230)
Other operating income	181	-	334	122
Depreciation	(30)	(117)	(85)	(372)
Finance costs	(33)	(243)	(237)	(431)
Profit/(Loss) before taxation	187	(927)	237	(769)
Taxation	-	-	-	-
Profit/(Loss) after taxation	187	(927)	237	(769)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income/(loss) for the period	187	(927)	237	(769)
Earnings/(Loss) per share (sen)				
(a) Basic	0.14	(0.78)	0.18	(0.65)

Notes:

The Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to these interim financial statements.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2015**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(These figures have not been audited)

**Attributable to equity holders of the Company
Non Distributable**

	Share Capital	Share Premium	Revaluation Reserve	Accumulated Loss	Total	Non-Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000

Period ended 30 September 2015

At 1 January 2015	13,041	8,826	2,727	(17,879)	6,715	3	6,718
Profit for the period	-	-	-	237	237	-	237
At 30 September 2015	<u>13,041</u>	<u>8,826</u>	<u>2,727</u>	<u>(17,642)</u>	<u>6,952</u>	<u>3</u>	<u>6,955</u>

Period ended 30 September 2014

At 1 January 2014	11,855	8,187	2,727	(16,347)	6,422	2	6,424
Issuance of ordinary shares pursuant to Private Placement	1,186	711	-	-	1,897	-	1,897
Private Placement expenses	-	(133)	-	-	(133)	-	(133)
Loss for the period	-	-	-	(769)	(769)	-	(769)
At 30 September 2014	<u>13,041</u>	<u>8,765</u>	<u>2,727</u>	<u>(17,116)</u>	<u>7,417</u>	<u>2</u>	<u>7,419</u>

Note :

The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to these interim financial statements.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2015**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(These figures have not been audited)

	PERIOD ENDED	
	30 September 2015 RM('000)	30 September 2014 RM('000)
Cash Flows From Operating Activities		
Profit/(Loss) before taxation	237	(769)
Adjustments for:		
Allowance for doubtful debts	-	21
Deposits written off	-	400
Depreciation of property, plant and equipment	85	372
Gain on disposal of property, plant and equipment	(14)	-
Waiver of director's advance	(320)	-
Finance costs	237	431
Inventories written down	-	25
Operating profit before working capital changes	225	480
Net change in current assets	1,718	282
Net change in current liabilities	(1,481)	(352)
Cash generated from operations	462	410
Interest paid	(237)	(431)
Tax paid	(2)	-
Tax refund	-	28
Net cash from operating activities	223	7
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(129)	-
Proceeds from disposal of property, plant and equipment	14	-
Net cash used in investing activities	(115)	-
Cash Flows From Financing Activities		
Repayment of term loan	(128)	(36)
Proceeds from issuance of ordinary shares pursuant to Private Placement	-	1,897
Private Placement expenses	-	(133)
Net cash from/(used in) financing activities	(128)	1,728
Net increase/(decrease) in cash and cash equivalents	(20)	1,735
Cash and cash equivalents at beginning of period	(80)	(751)
Cash and cash equivalents at end of period	(100)	984
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	602	1,717
Bank overdrafts	(702)	(733)
	(100)	984

The Unaudited Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to these interim financial statements.

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

A EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134

A1 Basis of preparation

The interim financial report has been prepared in accordance with MFRS 134, Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market.

This interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2014. The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the financial year ended 31 December 2014.

A2 Significant accounting policies

The significant accounting policies and methods adopted by the Group in the preparation of this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2014 except for the adoption of the following Amendments and Annual Improvement to Standards effective as of 1 January 2015.

Adoption of Amendments and Annual Improvements to Standards

Amendments to MFRS 119	Employee Benefits - Defined Benefit Plans: Employee Contributions
Annual Improvements to MFRSs	2010-2012 Cycle
Annual Improvements to MFRSs	2011-2013 Cycle

The adoption of the above pronouncements did not have any impact on the financial statements of the Group.

MFRS and Amendments to MFRSs and Annual Improvements to Standards issued but not yet effective and have not been adopted by the Group

At the date of authorisation of this interim financial report, the following Standards, Amendments and Annual Improvements to Standards were issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective and have not been adopted by the Group:

Effective for financial periods beginning on or after 1 January 2016:

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 127	Consolidated and Separate Financial Statements - Equity Method in Separate Financial Statements
Amendments to MFRS 10 and MFRS 128	Consolidated Financial Statements and Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 116 and MFRS 138	Property, Plant and Equipment and Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Property, Plant and Equipment and Agriculture - Bearer Plants
Annual Improvements to MFRSs	2012 - 2014 Cycle
Amendments to MFRS 101	Presentation of Financial Statements - Disclosure Initiative
Amendments to MFRS 10, MFRS 12 and MFRS 128	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception

Effective for financial periods beginning on or after 1 January 2018:

MFRS 9	Financial Instruments (IFRS 9 issued by International Accounting Standards Board ("IASB") in July 2014)
MFRS 15	Revenue from Contracts with Customers

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application.

A3 Auditors' report of preceding annual financial statements

The auditors' report of the preceding annual financial statements was not subject to any qualification.

A4 Seasonality or cyclical

The Group's interim operations were not affected by seasonal or cyclical factors.

A5 Unusual items

During the current quarter and financial period-to-date under review, there were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence.

A6 Material changes in estimates

There were no major changes in the estimates of amounts reported in prior interim periods of the current financial year or in prior financial years that have had a material effect on the results in the quarter review.

A7 Debt and equity securities

There were no major issuances, cancellations, repurchases, resales and repayments of debt and equity securities for the quarter and financial period-to-date under review.

A8 Dividends

No dividend has been declared or paid during the period under review.

A9 Segment information

BUSINESS SEGMENTS	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30 September 2015 RM('000)	QUARTER ENDED 30 September 2014 RM('000)	PERIOD ENDED 30 September 2015 RM('000)	PERIOD ENDED 30 September 2014 RM('000)

Segment Revenue

Air Filtration System, Fast Moving Consumer Products & Ancillary Support Services, General Trading & Services	300	232	13,092	842
Manufacturing	-	-	-	300
Total including inter-segment sales	300	232	13,092	1,142
Elimination of inter-segment sales	-	-	-	-
Total Revenue	300	232	13,092	1,142

Segment Profit/(Loss) Before Tax

Investment Holding	18	-	37	(66)
Air Filtration System, Fast Moving Consumer Products & Ancillary Support Services, General Trading & Services	169	(927)	200	(664)
Manufacturing	-	-	-	(39)
Total Profit/(Loss) Before Tax	187	(927)	237	(769)

A10 Valuation of property, plant and equipment

A valuation exercise was conducted on 26 January 2015 by an independent valuer appointed solely for the purpose of determining an indicative market value of the Group's property in conjunction with the Proposed Disposal exercise currently undertaken by the Group as mentioned in Part B6 of this interim report and hence, the revalued figure has not been taken up in the interim financial statements.

A11 Subsequent material events

There were no other material events subsequent to the end of the quarter under review which is likely to substantially affect the results of the operations of the Group.

A12 Changes in the composition of the Group

The Group had on 14 September 2015 incorporated a subsidiary known as Selatan Bunker (M) Sdn. Bhd. ("SBSB") with an issued and paid-up share capital of RM1,000 divided into 1,000 ordinary shares of RM1.00 each of which the Group owned 51% equity interest. The principal activity of this subsidiary is in the provision of bunkering services for marine fuel, petroleum and petroleum based products. Other than as stated, there were no changes in the composition of the Group during the nine-month ended 30 September 2015 up to the date of this report.

A13 Contingencies

As at 30 September 2015, the Group is contingently liable for corporate guarantees issued to financial institutions for banking facilities extended to certain subsidiaries amounting to RM7,733,000 and also for the potential contingent liability that may arise from the material litigation as mentioned in Part B10 of this interim report.

A14 Capital commitments

The Group does not have any capital commitment as at 30 September 2015.

A15 Significant related party transactions

There were no significant related party transactions during the quarter under review.

A16 Profit/(Loss) before taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER	QUARTER	PERIOD	PERIOD
	ENDED	ENDED	ENDED	ENDED
	30 September	30 September	30 September	30 September
	2015	2014	2015	2014
	RM('000)	RM('000)	RM('000)	RM('000)
Profit/(Loss) before tax is arrived at after charging/(crediting) the following				
(a) Other income (interest income)	N/A	N/A	N/A	N/A
(b) Depreciation and amortisation	30	117	85	372
(c) Deposits written off	N/A	400	N/A	400
(d) Impairment loss on receivables	N/A	25	N/A	25
(e) Bad debts written off	N/A	N/A	N/A	N/A
(f) Provision for inventories	N/A	N/A	N/A	N/A
(g) Inventories written off/down	N/A	21	N/A	21
(h) (Gain)/Loss on disposal of quoted/unquoted investments	N/A	N/A	N/A	N/A
(i) (Gain)/Loss on disposal of assets	N/A	N/A	(14)	N/A
(j) Impairment of goodwill on consolidation	N/A	N/A	N/A	N/A
(k) Foreign exchange (gain)/loss	N/A	N/A	N/A	N/A
(l) Loss on derivatives	N/A	N/A	N/A	N/A
(m) Interest expenses	33	243	237	431
(n) Unusual items	N/A	N/A	N/A	N/A

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2015

NOTES

B ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING REQUIREMENTS

B1 Review of performance

Revenue for the current quarter rose 29.3% to RM300k as compared to RM232k in the same quarter a year earlier. Whilst revenue from the trading in filtration products during the current quarter was lower, this was offset by higher revenue from its general trading & services. The Group recorded a net profit of RM187k as compared to a loss of RM927k in the same quarter of the preceding year, primarily due to improvement in the revenue generated, lower finance costs and allowance for doubtful debts and a one-off deposit of RM400k written off in the same quarter of the preceding year.

B2 Variation of results against preceding quarter

	Current quarter 30 September 2015 RM'000	Preceding quarter 30 June 2015 RM'000
Revenue	300	203
Profit before tax	187	22

Revenue in the current quarter increased to RM300k from RM 203k achieved in the preceding quarter. The increase in revenue is mainly due to higher contribution from the provision of marketing services. The pre-tax profit increased by RM165k primarily due to the higher revenue achieved and lower operating costs and finance costs recorded in the current quarter.

B3 Prospects for current financial year

The Group will focus on expanding its trading activities in water filters and carbon related products such as carbon granules which are basic semi processed materials used in a wide range of filter products. The Group will also continue to seek trading opportunities in fast moving consumer goods such as mattresses, water boilers and cookers to supply in respect of flood aid victims' projects. The Group also intends to expand its business operations in the trading of petroleum and petroleum products and provision of oil bunkering services. Barring any unforeseen circumstances, the Group is cautiously optimistic in its prospects.

B4 Profit forecast and profit guarantee

Not applicable as the Group has not previously provided a profit forecast in a public document or a profit guarantee.

B5 Taxation

No provision for income tax has been made during the current quarter as the Group has sufficient unutilised tax losses to set off the tax payable.

B6 Unquoted investments and properties

There were no acquisitions or disposals of unquoted investments or properties during the financial quarter under review other than mentioned below:

On 5 February 2015, Raya Consumable Sdn. Bhd., a wholly-owned subsidiary of the Group, entered into a Sales and Purchase Agreement with Ibronx Sdn. Bhd., to dispose of one parcel of freehold land together with a three storey office block annexed to single storey warehouse building for a total consideration of RM8.3 million. The approval of the shareholders was obtained at the Extraordinary General Meeting of the Group held on 25 June 2015 and the said disposal was duly completed on 3 November 2015.

B7 Quoted and marketable securities

The Group does not hold any quoted or marketable securities as at 30 September 2015. There were no purchases or disposals of quoted securities for the current quarter.

B8 Status of corporate proposal

There were no corporate proposals undertaken or announced by the Group during the period under review other than as follow:

On 3 November 2015, the Company announced its proposed private placement exercise of up to 13,041,138 new ordinary shares of RM0.10 each in the Company representing approximately ten percent (10%) of the existing issued and paid-up share capital of the Company. As at the reporting date of this interim financial report, the listing application has been submitted to Bursa Securities for approval.

B9 Group borrowings and debt securities

The following are the bank borrowings of the Group as at 30 September 2015:

	As at 30 September 2015 RM'000	As at 30 September 2014 RM'000
Short-Term Borrowings:		
Bank Overdraft	702	733
Hire Purchase Creditors	-	26
Term Loan (Secured)	223	174
Total	<u>925</u>	<u>933</u>
Non Current Borrowings:		
Hire Purchase Creditors	-	18
Term Loan (Secured)	3,681	3,927
Total	<u>3,681</u>	<u>3,945</u>

B10 Material litigation

As at the date of this report, the Group has no material litigation which will materially and adversely affect the position or business of the Group other than as mentioned below:

The Group via its subsidiary, Quest Technology Sdn Bhd ("QTSB"), had on 17 September 2015 received a Writ of Summons together with Statement of Claim filed by a third party/plaintiff. The plaintiff alleges that QTSB had purportedly breached an agreement known as "Surat Aku Janji" executed between QTSB and the plaintiff on 17 August 2011 and is claiming for RM136,075 in general damages, interest and cost.

The Group had referred this matter to its solicitor and the solicitor is of the view that there is a good arguable defence against the suit and would be defending the suit vigorously.

The financial impact to the financial statements would be the amount claimed of RM136,075 plus interest and legal cost if the decision is against the Group. There would not be any other material operational impact on the Group arising from the suit.

B11 Dividends

The Directors do not recommend the payment of a dividend in respect of the current financial year.

B12 Earnings/(Loss) per share

	Individual quarter ended 30 September 2015	Individual quarter ended 30 September 2014	Cumulative period ended 30 September 2015	Cumulative period ended 30 September 2014
Basic Earnings/(Loss) Per Share				
Profit/(Loss) for the period (RM'000)	187	(927)	237	(769)
Weighted Average Number of Ordinary Shares in Issue('000)	130,411	118,773	130,411	118,773
Basic Earnings/(Loss) Per Share (sen)	<u>0.14</u>	<u>(0.78)</u>	<u>0.18</u>	<u>(0.65)</u>

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) for the period under review by the weighted average number of ordinary shares in issue during the period.

The Company does not have any financial instrument in issue or other contract that may entitle its holder to ordinary share which may dilute its basic earnings/(loss) per share.

B13 Realised and Unrealised Profits

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 are as follow:

	As at 30 September 2015 RM '000	As at 30 September 2014 RM '000
Total accumulated profits/(losses) of the Company and its subsidiaries:		
- Realised	(18,614)	(18,421)
- Unrealised	<u>53</u>	<u>366</u>
	(18,561)	(18,055)
Add: Consolidation adjustments	<u>919</u>	<u>939</u>
Total group accumulated losses as per consolidated accounts	<u>(17,642)</u>	<u>(17,116)</u>

By Order of the Board

Tan Seng Hu
Managing Director
Kuala Lumpur

Date: 26 November 2015