

RALCO CORPORATION BERHAD – (333101-V)

Unaudited Quarterly report on consolidated results for the 4th Quarter ended 31 December 2014

A) Notes to the Interim Financial Report For the 4th Quarter ended 31 December 2014: Explanatory Notes in compliance to MFRS 134 on Interim Financial Reporting

(1) Basis of Preparation

The interim financial statements have been prepared under the historical cost convention unless otherwise stated.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2013. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since financial year ended 31 December 2013.

These are the Group's condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS framework annual financial statements and MFRS 1: First Time Adoption of Malaysia Financial Reporting Standards has been applied.

The transition to MFRS framework does not have any material financial impact to these interim financial statements.

(2) Summary of significant accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the FYE 31 December 2013, except for the adoption of the following MFRSs, amendments to MFRSs and IC Interpretations:

Adoption of New and Revised FRSS, IC Interpretations and Amendments

Effective for financial periods beginning on or after 1 January 2014:

Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entity
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

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Effective for financial periods beginning on or after 1 July 2014:

Amendments to MFRS 119	Defined Benefits Plans: Employee Contributions
Amendments to MFRSs	Contained in the document entitled “Annual Improvements 2010 – 2012 cycle”
Amendments to MFRSs	Contained in the document entitled “Annual Improvements 2011 – 2013 cycle”

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

Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 11 and MFRS 14	Accounting for Acquisitions of interests in Joint Operations Regulatory Deferral Accounts
Amendments to MFRS 101	Disclosure initiative
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception

Effective date to be announced by Malaysia Accounting Standards Board (MASB)

Amendments to MFRS 7	Mandatory Date of MFRS 9 and Transition Disclosures
MFRS 9 (IFRS 9 (2009))	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9 (IFRS 9 (2010))	Financial Instruments (IFRS 9 issued by IASB in October 2010)
MFRS 9	Financial Instruments

The Group intends to adopt the above MFRSs when they become effective.

The adoption of the abovementioned new and revised MFRSs, IC Interpretations and Amendments have no significant effect to the Group’s consolidated financial statements of the current financial period under review or the comparative consolidated financial statements of the prior financial period.

(3) Audit Report

The Group’s financial statements for the year ended 31 December 2013 were reported without any qualification.

(4) Seasonal or Cyclical Factors

The business operations of the Group were not significantly affected by seasonal or cyclical factors.

(5) Unusual Items Affecting Financial Statements

There were no unusual items affecting the financial statements of the Group during the quarterly financial period under review.

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(6) Changes in Accounting Estimates

There were no changes in accounting estimates for the financial period under review.

(7) Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

There were no issuances, cancellations, repurchase, resale and repayment of debts and equity securities in the current financial period under review.

(8) Dividend Paid

No interim dividend has been paid or declared in respect of the financial period under review.

(9) Segmental Reporting

	Plastic Product RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
12 Months Ended 31/12/2014				
REVENUE				
External Sales	85,296	15,808	-	101,104
Inter-segment sales	13,776	1,850	(15,626)	-
Total revenue	99,072	17,658	(15,626)	101,104

RESULT

Segment operating profit/(loss)	1,274	(109)	-	1,165
Finance cost	(697)	-	-	(697)
Profit for the financial year				468
Tax expense				(56)
Net Profit for the financial year				412

12 Months Ended 31/12/2013

REVENUE

External Sales	80,648	18,253	-	98,901
Inter-segment sales	15,673	1,800	(17,473)	-
Total revenue	96,321	20,053	(17,473)	98,901

RESULT

Segment operating profit	1,264	578	-	1,842
Finance cost	(870)	(2)	-	(872)
Profit for the financial year				970
Tax expense				(574)
Net Profit for the financial year				396

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(10) **Valuation of Property, Plant and Equipment**

There has been no revaluation of property, plant and equipment during the current quarter.

(11) **Material Subsequent Events**

There were no changes during the financial period under review.

(12) **Changes in Composition of the Group**

There were no changes during the financial period under review.

(13) **Contingent Liabilities or Contingent Assets**

Contingent liabilities as at the reporting date are as follows:

**Current
Financial
Year Ended
31.12.2014
RM'000**

Approved and contracted for:

- Acquisition of property, plant and equipment

207

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Notes to the interim Financial Reporting for the 4th Quarter ended 31 December 2014: Explanatory Notes in compliance with Appendix 9B Part A of the BMSB Listing Requirements

(1) Performance Review

Performance for the FPE 31 December 2014 versus the corresponding quarter in the FPE 31 December 2013

	Current Quarter Period Ended 31 December		Cumulative Quarter Year Ended 31 December	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	28,852	25,475	101,104	98,901
Profit Before Taxation	855	391	468	970

The Group's revenue for the current quarter three (3) months ended 31 December 2014 ("4Q2014") increased by RM3.38 million or 13.26% compared to the corresponding quarter ended 31 December 2013 ("4Q2013"). For twelve (12) months financial year ended ("FYE") 31 December 2014, the Group's revenue increased by RM2.20 million or 2.23% compare to the FYE 31 December 2013. This improved performance was mainly due to increase in business volume as a result of increase in demand from existing customer during the current financial year ended 31 December 2014 as compared to preceding financial year ended 31 December 2013.

Group's profit before taxation increased by RM0.46 million or 118.67% from RM0.39 million reported in preceding year corresponding quarter to RM0.86 million for the 4Q2014. This improved performance was mainly contributed by the increased in revenue for the current quarter under review.

Group's profit before taxation were lower by RM0.50 million or 51.75% from RM0.97 million reported in preceding year to RM0.47 million for the current financial year ended 31 December 2014. This was mainly due to higher raw material price in current financial year as compared to preceding financial year ended 31 December 2013.

(2) Material Changes In The Quarterly Results Compared to the Results of the Preceding Quarter

	Financial Quarter Ended		Variance RM'000
	31.12.2014 RM'000	30.9.2014 RM'000	
Revenue	28,852	25,925	2,927
Profit Before Tax	855	461	394

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The Group's revenue increased by RM2.93 million or 11.29% from RM25.93 million in the preceding quarter to RM28.85 million for the current quarter under review. Group's profit before tax increased by RM0.39 million or 85.46% from RM0.46 million recorded in the preceding quarter compared to RM0.86 million for the current quarter under review. This improved performance was mainly due to increase in business volume as a result of increase in demand from new and existing customer in the current quarter under review as compared to corresponding quarter. Beside this, there is a marginal decrease in raw material price in the month of December 2014.

(3) Prospects for Year 2015

The plastic manufacturing industry outlook for year 2015 remain competitive and challenging. Malaysia's economy is expected to grow slower pace in year 2015 due to confluence of weaker domestic demand, a fall in oil price and exports, as well as the depreciation of the Ringgit Malaysia against US Dollar. The Board of Directors shall endeavour to ensure quality and productivity controls are in place to ensure a satisfactory financial performance is achieved for the year 2015

(4) Variance from profit forecast

No profit forecast was issued during the financial year under review.

(5) Taxation

Tax comprises:

	Individual Quarter		Cumulative Quarter	
	Current quarter 31/12/2014 RM '000	Preceding year corresponding quarter 31/12/2013 RM '000	Current year to date 31/12/2014 RM '000	Preceding year corresponding period 31/12/2013 RM '000
Current year (expense)				
- current period/year	11	(163)	(56)	(216)
Deferred tax (expense)				
- current period/year	-	(86)	-	(358)
	<u>11</u>	<u>(249)</u>	<u>(56)</u>	<u>(574)</u>
	=====	=====	=====	=====

The Group's effective tax rate was lower than the statutory tax rate mainly due to the groups has unabsorbed tax losses which are available to set-off against future chargeable income.

(6) Status of Corporate Proposals and Utilisation of Proceeds

There were no corporate proposals whatsoever during the period under review.

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(7) Group Borrowings and Debts Securities

Total Group borrowings as at 31 December 2014 are as follows:

	Current Quarter Ended 31.12.2014 RM'000
Short term borrowings	
Secured:	
Lease creditor	4,174
Hire purchases	927
Term loans	1,774
	<hr/> 6,875 <hr/>
Long term borrowings	
Secured:	
Hire purchases	1,195
Term loan	2,157
	<hr/> 3,352 <hr/>
Total borrowings	<hr/> 10,227 <hr/>

(8) Dividend

No interim dividend has been proposed in the current financial period.

(9) Earnings Per Share

(a) Basic Earnings Per Share

Basic earnings per share of the Group is calculated by dividing the net profit attributable to shareholders of the Group for the financial period under review over the weighted average number of ordinary shares in issue excluding weighted average treasury of 39,379,100 (31/12/2013: 39,379,100) shares during the said financial period.

(b) Diluted Earnings Per Share

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

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(10) **Disclosure realised and unrealised profits/(losses)**

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

On 20 December 2010, Bursa Securities further issued guidance on the disclosure and the format required.

The breakdown of the retained earnings of the Group as at 31 December 2014, into realised and unrealised profits/(losses), pursuant to the directive, is as follows:

	As at 31.12.2014 RM'000	As at 31.12.2013 RM'000
Total retained earnings of the Group		
- Realised	(4,800)	(5,241)
- Unrealised	(1,601)	(1,572)
	<u>(6,401)</u>	<u>(6,813)</u>

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

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(11) Profit/(Loss) Before Taxation

	Current Year Qtr 01/10/14- 31/12/14 (RM'000)	Current Year Qtr 01/10/13- 31/12/13 (RM'000)	Current Year Cumm 01/01/14- 31/12/14 (RM'000)	Current Year Cumm 01/01/13- 31/12/13 (RM'000)
Profit for the period is arrived at after crediting/(charging)				
Impairment loss on receivables	-	-	-	-
Reversal of impairment loss on receivables	50	10	50	10
Gain/(loss) on disposal of property, plant and equipment	(15)	-	5	
Property, plant & equipment written off	-	-	-	-
Interest income	-	-	2	3
Rental income	69	115	276	322
Realised gain/(loss) on foreign exchange	122	(14)	113	201
Unrealised gain/(loss) on foreign exchange	36	-	(2)	113
Gain on disposal of unquoted investment	-	-	-	-
Depreciation	(856)	(1,048)	(3,444)	(4,233)
Amortisation of prepaid lease payments	(6)	(6)	(25)	(25)
Interest expense	(126)	(211)	(697)	(872)

Save as disclosed above, the other items as required under Appendix 9B, Part A (16) of the Bursa Listing Requirements are not applicable.

(12) Authorisation for Issue

The interim financial statements were authorised for issue on 27 February 2015 by the Board of Directors.