

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For 3 months ended 31 March 2017 - unaudited

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER 31/3/2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/3/2016 RM'000	CURRENT PERIOD 31/3/2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/3/2016 RM'000
Gross revenue	20,974	20,961	20,974	20,961
Cost of sales	(19,151)	(18,848)	(19,151)	(18,848)
<b>Gross profit</b>	<b>1,823</b>	<b>2,113</b>	<b>1,823</b>	<b>2,113</b>
Other operating income	90	68	90	68
Selling & Distribution expenses	(570)	(492)	(570)	(492)
Administrative and general expenses	(1,649)	(1,529)	(1,649)	(1,529)
<b>Results from operating activities</b>	<b>(306)</b>	<b>160</b>	<b>(306)</b>	<b>160</b>
Finance costs	(129)	(121)	(129)	(121)
<b>(Loss)/Profit before tax</b>	<b>(435)</b>	<b>39</b>	<b>(435)</b>	<b>39</b>
Tax expense	(3)	(3)	(3)	(3)
<b>(Loss)/Profit for the period</b>	<b>(438)</b>	<b>36</b>	<b>(438)</b>	<b>36</b>
Foreign currency translation difference for foreign operation	-	-	-	-
<b>Hedge of net investment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cashflow hedge	-	-	-	-
<b>Other comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total comprehensive income for the period	(438)	36	(438)	36
Attributable to:				
Equity holders of the parent	(438)	36	(438)	36
<b>Minority interests</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Profit/(Loss) for the period	(438)	36	(438)	36
Comprehensive income attributable to :				
Equity holders of the parent	-	-	-	-
<b>Minority interests</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total comprehensive income for the period	-	-	-	-
Basic earnings per share (sen)	(1.04)	0.09	(1.04)	0.09

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017**

The figures have not been audited.

	AS AT 31/3/2017 UNAUDITED RM'000	AS AT 31/12/2016 AUDITED RM'000
<b>ASSETS</b>		
Non-Current Assets		
Property, plant and equipment	24,936	25,711
Prepaid Lease Payment	3,078	3,084
	<u>28,014</u>	<u>28,795</u>
Current Assets		
Inventories	13,041	11,581
Trade and other receivables	22,827	21,839
Tax recoverable	73	92
Cash and bank balances	1,029	3,413
	<u>36,970</u>	<u>36,925</u>
<b>TOTAL ASSETS</b>	<b>64,984</b>	<b>65,720</b>
<b>EQUITY AND LIABILITIES</b>		
Equity Attributable to Equity Holders of The Parent		
Share capital	41,981	41,981
Right Issue - warrants	407	407
Unappropriated profit / (loss)	(6,606)	(6,168)
Total Equity	<u>35,782</u>	<u>36,220</u>
Minority Interest	<u>-</u>	<u>-</u>
	<u>35,782</u>	<u>36,220</u>
Non-Current Liabilities		
Hire Purchase	1,771	1,810
Deferred Tax	1,526	1,526
	<u>3,297</u>	<u>3,336</u>
Current Liabilities		
Trade and other payables	16,681	16,907
Bill payable	8,329	8,126
Hire Purchase	895	895
Term loan	-	236
	<u>25,905</u>	<u>26,164</u>
<b>Total Liabilities</b>	<b>29,202</b>	<b>29,500</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>64,984</b>	<b>65,720</b>
Net assets per share attributable to ordinary equity holders of the parent (RM)	<u>0.85</u>	<u>0.86</u>

(The condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2016 and the accompanying explanatory notes attached to the Interim Financial Statements)

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2017**

The figures have not been audited.

	----- Attributable to equity holders of the parent -----					Minority interest RM'000	Total equity RM'000
	Share capital RM'000	Treasury Share RM'000	Right Issue Warrants RM'000	Inappropriated profit RM'000	Total RM'000		
At 1 January 2016	41,981		407	(3,938)	38,450	-	35,987
Resale of Treasury Shares							
Right Issue - Warrant 2009/2019							
Net loss for the period				(2,230)	(2,230)		(2,230)
Loss on disposal of treasury shares							
Other comprehensive income							
Total comprehensive income				(2,230)	(2,230)		(2,230)
At 31 December 2016	41,981		407	(6,168)	36,220	-	33,757
At 1 January 2017	41,981		407	(6,168)	36,220	-	36,220
Resale of treasury shares							
Right Issue - Warrant 2009/2019							
Net profit for the period				(438)	(438)		-438
Other comprehensive income							
Loss on disposal of treasury shares							
Total comprehensive income	-	-	-	(438)	(438)	-	-438
At 31 March 2017	41,981	0	407	(6,606)	35,782	-	35,782

(The condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2016 and the accompanying explanatory notes attached to the Interim Financial Statements)

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2017**

The figures have not been audited.

	CURRENT YEAR TO DATE 31/3/2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/3/2016 RM'000
(Loss)/Profit before tax	(435)	39
Adjustment for:		
Depreciation and amortisation of property, plant and equipment	900	887
Interest expenses	129	121
Interest income	(2)	-
Operating profit before changes in working capital	592	1,047
Changes in working capital		
(Increase)/Decrease in inventories	(1,460)	1,893
(Increase)/Decrease in trade & other receivables	(988)	597
Decrease in trade & other payables	(226)	(4,536)
Cash used in operations	(2,082)	(999)
Interest received	2	-
Interest paid	(129)	(121)
Tax refund	50	-
Tax paid	(34)	(4)
Net cash used in operating activities	(2,193)	(1,124)
Cash Flows from Investing Activities:		
Purchase of property, plant & equipment	(119)	(152)
Net cash used in investing activities	(119)	(152)
Cash Flows from Financing Activities:		
Net repayment of hire purchase instalments	(39)	(240)
Net drawdown from bills payable	203	200
Net repayment of term loan	(236)	(466)
Net cash used in financing activities	(72)	(506)
NET CHANGES IN CASH AND CASH EQUIVALENTS	(2,384)	(1,782)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	3,413	3,266
CASH AND CASH EQUIVALENTS CARRIED FORWARD	1,029	1,484
Represented by:		
FIXED DEPOSIT	-	-
CASH AND BANK BALANCES	1,029	1,484

(The condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2016 and the accompanying explanatory notes attached to the Interim Financial Statements)

# **RALCO CORPORATION BERHAD – (333101-V)**

Unaudited Quarterly report on consolidated results for the 1st Quarter ended 31 March 2017

## **A) Notes to the Interim Financial Report For the 1st Quarter ended 31 March 2017: 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 2016. 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 2016.

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 2016, 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 2017:

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRS 12	Disclosure of Interests in Other Entities

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

# RALCO CORPORATION BERHAD – (333101-V)

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## Standards issued but not yet effective

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

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customer
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
Amendments to MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 140	Transfer of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

Effective for financial periods beginning on or after 1 January 2019:

MFRS 16	Leases
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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 2016 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.

### (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.

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## (9) Segmental Reporting

	Plastic Product RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b>3 Months Ended 31/3/2017</b>				
<b>REVENUE</b>				
External Sales	19,020	1,954	=	20,974
Inter-segment sales	1,422	456	(1,878)	-
Total revenue	20,442	2,410	(1,878)	20,974
<b>RESULT</b>				
Segment operating loss	(169)	(137)	-	(306)
Finance cost	(129)	-	-	(129)
Loss for the financial period				(435)
Tax expense				(3)
Net loss for the financial period				(438)
<b>3 Months Ended 31/3/2016</b>				
<b>REVENUE</b>				
External Sales	20,623	338	-	20,961
Inter-segment sales	-	456	(456)	-
Total revenue	20,623	794	(456)	20,961
<b>RESULT</b>				
Segment operating profit/(loss)	237	(77)	-	160
Finance cost	(121)	-	-	(121)
Profit for the financial period				39
Tax expense				(3)
Net profit for the financial period				36

## (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.

# **RALCO CORPORATION BERHAD – (333101-V)**

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

Contingent liabilities as at the reporting date are as follows:

**Current  
Financial  
Period Ended  
31.3.2017  
RM'000**

Approved and contracted for:

- Acquisition of property, plant and equipment

2,047



# RALCO CORPORATION BERHAD – (333101-V)

Unaudited Quarterly Report on Consolidated results for 1st Quarter ended 31 March 2017

## Notes to the interim Financial Reporting for the 1st Quarter ended 31 March 2017: Explanatory Notes in compliance with Appendix 9B Part A of the BMSB Listing Requirements

### (1) Performance Review

Performance for the FPE 31 March 2017 versus the corresponding quarter in the FPE 31 March 2016

	Current Quarter Period Ended 31 March		Cumulative Quarter Year Ended 31 March	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	20,974	20,961	20,974	20,961
(Loss)/Profit Before Taxation	(435)	39	(435)	39

The Group's revenue for the current quarter three (3) months ended 31 March 2017 ("1Q2017") slightly increased by RM0.01 million compared to the corresponding quarter ended 31 March 2016 ("1Q2016"). The Group has incurred a loss before taxation of RM0.44 million in the current quarter ended 31 March 2017 as compared to a profit before taxation of RM0.39 million in corresponding quarter ended 31 March 2016. This adverse performance was mainly due to increase in raw material price of approximately 20% compared to corresponding quarter and increase in other operating costs such as labour costs due to increased in minimum wages policy impose by government with effect from 1 July 2016.

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

	Financial Quarter Ended		Variance RM'000
	31.3.2017 RM'000	31.12.2016 RM'000	
Revenue	20,947	24,427	(3,480)
Loss Before Tax	(435)	(901)	466

The Group's revenue decreased by RM3.48 million or 14.25% from RM24.43 million in the preceding quarter to RM20.95 million for the current quarter under review. This is largely contributed by the loss of a major customer due to the latest changes in government policy on non-renewal of Approve Toll Manufacturer Scheme (ATMS) for edible oil packer. Without the ATMS which allow exemption of GST for non-direct export, the cost of packing has increase resulting in erosion of profit margin for our customer and therefore it is not viable for them to continue packing with the Group.

The Group loss before taxation had reduced by RM0.47 million to RM0.44 million for the current quarter under review as compared to loss before taxation of RM0.90 million in the preceding quarter. This improved performance was mainly due to the Group review its selling price in beginning of the current quarter under review and also the impact of impairment loss on trade receivables provision of RM0.39 million in preceding quarter.

# RALCO CORPORATION BERHAD – (333101-V)

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## (3) Prospects for Year 2017

Against the backdrop of rising labour and raw material costs (in particular the rising crude oil prices), the impact of the GST as well as the volatility of the Malaysian Ringgit, the Group will continue to operate under a challenging and competitive environment. In this respect the Group will continue to focus our efforts to improving production efficiency, increase productivity and accelerating costs control measures.

Going forward, the Group will be concentrating its efforts in developing and expanding both the local and international market. In addition, the Group will also be working closely with both existing and new customers to expand our product range and to diversify into higher value added products which can generate better margins

## (4) Variance from profit forecast

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

## (5) Taxation

Tax comprises:

	Individual Quarter		Cumulative Quarter	
	Current quarter 31/3/2017 RM '000	Preceding year corresponding quarter 31/3/2016 RM '000	Current year to date 31/3/2017 RM '000	Preceding year corresponding period 31/3/2016 RM '000
Taxation	(3)	(3)	(3)	(3)
	<u>(3)</u>	<u>(3)</u>	<u>(3)</u>	<u>(3)</u>

The Group's effective tax rate was lower than the statutory tax rate mainly due to the Group unabsorbed tax losses, unutilized capital allowances and reinvestment allowances which are available for set-off against future chargeable income .

## (6) Status of Corporate Proposals and Utilisation of Proceeds

There were no corporate proposals during the period under review.

## **RALCO CORPORATION BERHAD – (333101-V)**

Unaudited Quarterly Report on Consolidated results for 1st Quarter ended 31 March 2017

### **(7) Group Borrowings and Debts Securities**

Total Group borrowings as at 31 March 2017 are as follows:

	<b>Current Quarter Ended 31.3.2017 RM'000</b>
<b>Short term borrowings</b>	
Secured:	
Bill payable	8,329
Hire purchases	895
	<hr/>
	9,224
<b>Long term borrowings</b>	
Secured:	
Hire purchases	1,771
	<hr/>
	1,771
<b>Total borrowings</b>	<hr/> <b>10,995</b> <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.

#### **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.

## RALCO CORPORATION BERHAD – (333101-V)

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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 March 2017, into realised and unrealised profits/(losses), pursuant to the directive, are as follows:

	As at 31.3.2017 RM'000	As at 31.3.2016 RM'000
Total retained earnings of the Group		
- Realised	(5,080)	(2,377)
- Unrealised	(1,526)	(1,525)
	<u>(6,606)</u>	<u>(3,902)</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.

# RALCO CORPORATION BERHAD – (333101-V)

Unaudited Quarterly Report on Consolidated results for 1st Quarter ended 31 March 2017

## (11) Profit/(Loss) Before Taxation

	Current Year Qtr 01/01/17- 31/03/17 (RM'000)	Current Year Qtr 01/01/16- 31/03/16 (RM'000)	Current Year Cumm 01/01/17- 31/03/17 (RM'000)	Current Year Cumm 01/01/16- 31/03/16 (RM'000)
Profit for the period is arrived at after crediting/(charging)				
Impairment loss on receivables	-	-	-	-
Reversal of impairment loss on receivables	-	-	-	-
Gain/(loss) on disposal of property, plant and equipment	-	-	-	-
Property, plant & equipment written off	-	-	-	-
Interest income	2	-	2	-
Rental income	12	-	12	-
Realised gain/(loss) on foreign exchange	76	63	76	63
Unrealised gain/(loss) on foreign exchange	-	-	-	-
Gain on disposal of unquoted investment	-	-	-	-
Depreciation	(894)	(881)	(894)	(881)
Amortisation of prepaid lease payments	(6)	(6)	(6)	(6)
Interest expense	(129)	(121)	(129)	(121)

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