

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For 3 months ended 30 September 2017 - unaudited

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER 30/9/2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/9/2016 RM'000	CURRENT PERIOD 30/9/2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/9/2016 RM'000
Gross revenue	21,330	20,829	66,026	63,672
Cost of sales	(21,094)	(19,659)	(62,358)	(58,293)
Gross profit	236	1,170	3,668	5,379
Other operating income	123	(31)	326	72
Selling & Distribution expenses	(611)	(617)	(1,695)	(1,617)
Administrative and general expenses	(1,300)	(1,765)	(4,425)	(4,779)
Results from operating activities	(1,552)	(1,243)	(2,126)	(945)
Finance costs	(182)	(136)	(477)	(378)
(Loss)/Profit before tax	(1,734)	(1,379)	(2,603)	(1,323)
Tax expense	(3)	(5)	(9)	(14)
(Loss)/Profit for the period	(1,737)	(1,384)	(2,612)	(1,337)
Foreign currency translation difference for foreign operation	-	-	-	-
Hedge of net investment	-	-	-	-
Cashflow hedge	-	-	-	-
Other comprehensive income for the period	0	0	0	0
Total comprehensive income for the period	(1,737)	(1,384)	(2,612)	(1,337)
Attributable to:				
Equity holders of the parent	(1,737)	(1,384)	(2,612)	(1,337)
Minority interests	-	-	-	-
Profit/(Loss) for the period	(1,737)	(1,384)	(2,612)	(1,337)
Comprehensive income attributable to :				
Equity holders of the parent	-	-	-	-
Minority interests	-	-	-	-
Total comprehensive income for the period	-	-	-	-
Basic earnings per share (sen)	(4.14)	(3.30)	(6.22)	(3.18)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

The figures have not been audited.

	AS AT 30/9/2017 UNAUDITED RM'000	AS AT 31/12/2016 AUDITED RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	25,732	25,711
Prepaid Lease Payment	3,066	3,084
	<u>28,798</u>	<u>28,795</u>
Current Assets		
Inventories	13,895	11,581
Trade and other receivables	23,445	21,839
Tax recoverable	80	92
Cash and bank balances	203	3,413
	<u>37,623</u>	<u>36,925</u>
TOTAL ASSETS	<u>66,421</u>	<u>65,720</u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of The Parent		
Share capital	41,981	41,981
Right Issue - warrants	407	407
Unappropriated profit / (loss)	(8,780)	(6,168)
Total Equity	<u>33,608</u>	<u>36,220</u>
Minority Interest	-	-
	<u>33,608</u>	<u>36,220</u>
Non-Current Liabilities		
Hire Purchase	3,063	1,810
Deferred Tax	1,526	1,526
	<u>4,589</u>	<u>3,336</u>
Current Liabilities		
Trade and other payables	16,080	16,907
Bill payable	11,114	8,126
Hire Purchase	1,030	895
Term loan	-	236
	<u>28,224</u>	<u>26,164</u>
Total Liabilities	<u>32,813</u>	<u>29,500</u>
TOTAL EQUITY AND LIABILITIES	<u>66,421</u>	<u>65,720</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	<u>0.80</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)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 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 loss for the period				(2,612)	(2,612)		-2,612
Other comprehensive income							-
Loss on disposal of treasury shares							-
Total comprehensive income	-	-	-	(2,612)	(2,612)	-	-2,612
At 30 September 2017	41,981	0	407	(8,780)	33,608	-	33,608

(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 30 SEPTEMBER 2017

The figures have not been audited.

	CURRENT YEAR TO DATE 30/9/2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/9/2016 RM'000
(Loss)/Profit before tax	(2,603)	(1,323)
Adjustment for:		
Depreciation and amortisation of property, plant and equipment	2,597	2,671
Gain on disposal of property, plant and equipment	(120)	-
Interest expenses	477	378
Interest income	(11)	(6)
Operating profit before changes in working capital	340	1,720
Changes in working capital		
(Increase)/Decrease in inventories	(2,314)	1,204
(Increase)/Decrease in trade & other receivables	(1,606)	282
Decrease in trade & other payables	(827)	(4,644)
Cash used in operations	(4,407)	(1,438)
Interest received	11	6
Interest paid	(477)	(378)
Tax refund	50	-
Tax paid	(47)	(39)
Net cash used in operating activities	(4,870)	(1,849)
Cash Flows from Investing Activities:		
Purchase of property, plant & equipment	(2,600)	(2,511)
Proceed from disposal of PPE	120	-
Net cash used in investing activities	(2,480)	(2,511)
Cash Flows from Financing Activities:		
Net drawdown/(repayment) of hire purchase instalments	1,388	(56)
Net drawdown from bills payable	2,988	4,995
Net repayment of term loan	(236)	(1,426)
Net cash generated from financing activities	4,140	3,513
NET CHANGES IN CASH AND CASH EQUIVALENTS	(3,210)	(847)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	3,413	3,266
CASH AND CASH EQUIVALENTS CARRIED FORWARD	203	2,419
Represented by:		
FIXED DEPOSIT	-	-
CASH AND BANK BALANCES	203	2,419
	203	2,419

(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)

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A) Notes to the Interim Financial Report For the 3rd Quarter ended 30 September 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.

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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
IC Interpretation 23	Uncertainty over Income Tax Treatment

Effective for financial periods beginning on or after 1 January 2021:

MFRS 17	Insurance Contracts
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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
9 Months Ended 30/9/2017				
REVENUE				
External Sales	58,208	7,818	-	66,026
Inter-segment sales	5,201	1,369	(6,570)	-
Total revenue	63,409	9,187	(6,570)	66,026
RESULT				
Segment operating loss	(1,750)	(376)	-	(2,126)
Finance cost	(424)	(53)	-	(477)
Loss for the financial period				(2,603)
Tax expense				(9)
Net loss for the financial period				(2,612)
9 Months Ended 30/9/2016				
REVENUE				
External Sales	61,018	2,654	-	63,672
Inter-segment sales	1,184	1,369	(2,553)	-
Total revenue	62,202	4,023	(2,553)	63,672
RESULT				
Segment operating loss	(283)	(662)	-	(945)
Finance cost	(378)	-	-	(378)
Loss for the financial period				(1,323)
Tax expense				(14)
Net profit for the financial period				(1,337)

(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.

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(13) Contingent Liabilities or Contingent Assets

Contingent liabilities as at the reporting date are as follows:

**Current
Financial
Period Ended
30.9.2017
RM'000**

Approved and contracted for:

= Acquisition of property, plant and equipment

3,189

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Notes to the interim Financial Reporting for the 3rd Quarter ended 30 September 2017: Explanatory Notes in compliance with Appendix 9B Part A of the BMSB Listing Requirements

(1) Performance Review

Performance for the FPE 30 September 2017 versus the corresponding quarter in the FPE 30 September 2016

	Current Quarter Period Ended 30 September		Cumulative Quarter Year Ended 30 September	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	21,330	20,829	66,026	63,672
(Loss)/Profit Before Taxation	(1,734)	(1,379)	(2,603)	(1,323)

The Group's revenue for the current quarter three (3) months ended 30 September 2017 ("3Q2017") increased by RM0.51 million or 2.41% compared to the corresponding quarter ended 30 September 2016 ("3Q2016"). For nine month financial period ended (FPE) 30 September 2017, the Group revenue was increased by RM2.35 million or 3.70% compare to FPE 30 September 2016. This improved performance mainly contributed by higher demand for Jerrycan product in southern region.

The Group has incurred a loss before taxation of RM1.73 million in the current quarter ended 30 September 2017 as compared to a loss before taxation of RM1.38 million in corresponding quarter ended 30 September 2016. For nine month FPE 30 September 2017, the Group loss before taxation was RM2.60 million as compared to a loss before taxation of RM1.32 million in FPE 2016. This adverse performance was mainly due to significant increase in raw material price of approximately 20% and other operating costs such as labour costs. Another contributing factor was lower average selling price resulting from different product mix and lower productivity due to aging machines.

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

	Financial Quarter Ended		Variance RM'000
	30.9.2017 RM'000	30.6.2017 RM'000	
Revenue	21,330	23,722	(2,392)
Loss Before Tax	(1,734)	(434)	(1,300)

The Group's revenue decreased by RM2.39 million or 10.08% from RM23.72 million in the preceding quarter to RM21.33 million for the current quarter under review. The Group has incurred a loss before taxation of RM1.73 million for the current quarter under review as compared to a loss before taxation of RM0.43 million in preceding quarter. This adverse performance was mainly due to the decline in market demand for pail product, lower average selling price due to product mix and also lower productivity due to aging machines.

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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) 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 30/9/2017 RM '000	Preceding year corresponding quarter 30/9/2016 RM '000	Current year to date 30/9/2017 RM '000	Preceding year corresponding period 30/9/2016 RM '000
Taxation	(3)	(5)	(9)	(14)
	<u>(3)</u>	<u>(5)</u>	<u>(9)</u>	<u>(14)</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.

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(7) Group Borrowings and Debts Securities

Total Group borrowings as at 30 September 2017 are as follows:

	Current Quarter Ended 30.9.2017 RM'000
Short term borrowings	
Secured:	
Bill payable	11,114
Hire purchases	1,030
	<hr/> 12,144 <hr/>
Long term borrowings	
Secured:	
Hire purchases	3,063
	<hr/> 3,063 <hr/>
Total borrowings	<hr/> 15,207 <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.

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

	As at 30.9.2017 RM'000	As at 30.9.2016 RM'000
Total retained earnings of the Group		
- Realised	(7,254)	(3,749)
- Unrealised	(1,526)	(1,526)
	<u>(8,780)</u>	<u>(5,275)</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 01/07/17- 30/09/17 (RM'000)	Current Year Qtr 01/07/16- 30/09/16 (RM'000)	Current Year Cumm 01/01/17- 30/09/17 (RM'000)	Current Year Cumm 01/01/16- 30/09/16 (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	70	-	120	-
Property, plant & equipment written off	-	-	-	-
Interest income	8	4	11	6
Rental income	21	8	55	8
Realised gain/(loss) on foreign exchange	24	(43)	140	58
Unrealised gain/(loss) on foreign exchange	-	-	-	-
Gain on disposal of unquoted investment	-	-	-	-
Depreciation	(816)	(910)	(2,578)	(2,652)
Amortisation of prepaid lease payments	(7)	(7)	(19)	(19)
Interest expense	(182)	(136)	(477)	(378)

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