

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For 3 months ended 31 December 2017 - unaudited

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER 31/12/2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2016 RM'000	CURRENT PERIOD 31/12/2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2016 RM'000
Gross revenue	18,467	24,427	84,493	88,099
Cost of sales	(18,364)	(21,731)	(80,722)	(80,024)
<b>Gross profit</b>	<b>103</b>	<b>2,696</b>	<b>3,771</b>	<b>8,075</b>
Other operating income	183	244	509	316
Selling & Distribution expenses	(1,144)	(1,608)	(2,839)	(3,225)
Administrative and general expenses	(2,922)	(2,097)	(7,347)	(6,876)
<b>Results from operating activities</b>	<b>(3,780)</b>	<b>(765)</b>	<b>(5,906)</b>	<b>(1,710)</b>
Finance costs	(196)	(136)	(673)	(514)
<b>Loss before tax</b>	<b>(3,976)</b>	<b>(901)</b>	<b>(6,579)</b>	<b>(2,224)</b>
Tax expense	61	7	52	(7)
<b>Loss for the period</b>	<b>(3,915)</b>	<b>(894)</b>	<b>(6,527)</b>	<b>(2,231)</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	(3,915)	(894)	(6,527)	(2,231)
Attributable to:				
Equity holders of the parent	(3,915)	(894)	(6,527)	(2,231)
<b>Minority interests</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Profit/(Loss) for the period	(3,915)	(894)	(6,527)	(2,231)
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)	(9.33)	(2.13)	(15.55)	(5.31)

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

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

The figures have not been audited.

	AS AT 31/12/2017 UNAUDITED RM'000	AS AT 31/12/2016 AUDITED RM'000
<b>ASSETS</b>		
Non-Current Assets		
Property, plant and equipment	26,635	25,711
Prepaid Lease Payment	3,059	3,084
	<u>29,694</u>	<u>28,795</u>
Current Assets		
Inventories	13,467	11,581
Trade and other receivables	20,224	21,839
Tax recoverable	95	92
Cash and bank balances	1,113	3,413
	<u>34,899</u>	<u>36,925</u>
<b>TOTAL ASSETS</b>	<u><b>64,593</b></u>	<u><b>65,720</b></u>
<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)	(12,695)	(6,168)
Total Equity	<u>29,693</u>	<u>36,220</u>
Minority Interest	-	-
	<u>29,693</u>	<u>36,220</u>
Non-Current Liabilities		
Hire Purchase	3,924	1,810
Deferred Tax	1,467	1,526
	<u>5,391</u>	<u>3,336</u>
Current Liabilities		
Trade and other payables	17,709	16,907
Bill payable	10,770	8,126
Hire Purchase	1,030	895
Term loan	-	236
	<u>29,509</u>	<u>26,164</u>
<b>Total Liabilities</b>	<u><b>34,900</b></u>	<u><b>29,500</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>64,593</b></u>	<u><b>65,720</b></u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	<u>0.71</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 31 DECEMBER 2017**

The figures have not been audited.

	----- Attributable to equity holders of the parent -----				Total RM'000	Minority interest RM'000	Total equity RM'000
	Share capital RM'000	Treasury Share RM'000	Right Issue Warrants RM'000	Unappropriated profit 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				(6,527)	(6,527)		(6,527)
Other comprehensive income							
Loss on disposal of treasury shares							
Total comprehensive income	-	-	-	(6,527)	(6,527)	-	(6,527)
At 31 December 2017	41,981	0	407	(12,695)	29,693	-	29,693

(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 DECEMBER 2017**

The figures have not been audited.

	CURRENT YEAR TO DATE 31/12/2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2016 RM'000
Loss before tax	(6,579)	(2,224)
Adjustment for:		
Depreciation and amortisation of property, plant and equipment	3,389	3,572
Impairment loss on trade receivables no longer required	(158)	-
Impairment loss on trade receivables	1,303	386
Gain on disposal of property, plant and equipment	(157)	-
Interest expenses	673	514
Interest income	(15)	(12)
Property, plant and equipment written off	126	-
Operating (loss)/profit before changes in working capital	(1,418)	2,236
Changes in working capital		
(Increase)/Decrease in inventories	(1,886)	2,212
Decrease in trade & other receivables	469	380
Increase/(Decrease) in trade & other payables	802	(2,916)
Cash (used in)/generated from operations	(2,033)	1,912
Interest received	15	12
Interest paid	(673)	(514)
Tax refund	33	-
Tax paid	(42)	(46)
Net cash (used in)/generated from operating activities	(2,700)	1,364
Cash Flows from Investing Activities:		
Purchase of property, plant & equipment	(4,611)	(4,508)
Proceed from disposal of PPE	354	-
Net cash used in investing activities	(4,257)	(4,508)
Cash Flows from Financing Activities:		
Net drawdown/(repayment) of hire purchase instalments	2,249	481
Net drawdown from bills payable	2,644	4,731
Net repayment of term loan	(236)	(1,921)
Net cash generated from financing activities	4,657	3,291
NET CHANGES IN CASH AND CASH EQUIVALENTS	(2,300)	147
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	3,413	3,266
CASH AND CASH EQUIVALENTS CARRIED FORWARD	1,113	3,413
Represented by:		
FIXED DEPOSIT	-	-
CASH AND BANK BALANCES	1,113	3,413
	1,113	3,413

(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 4th Quarter ended 31 December 2017

## **A) Notes to the Interim Financial Report For the 4th Quarter ended 31 December 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
IC Interpretation 23	Uncertainty over Income Tax Treatment
Amendments to MFRS 3	Business Combinations – Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 Cycle)
Amendments to MFRS 11	Joint Arrangements – Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 Cycle)
Amendments to MFRS 112	Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Annual Improvements 2015-2017 Cycle)
Amendments to MFRS 123	Borrowing Costs – Borrowing Costs Eligible for Capitalisation (Annual Improvements 2015-2017 Cycle)

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.

# RALCO CORPORATION BERHAD – (333101-V)

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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
<b>12 Months Ended 31/12/2017</b>				
<b>REVENUE</b>				
External Sales	76,112	8,381	-	84,493
Inter-segment sales	5,595	1,825	(7,420)	-
Total revenue	81,707	10,206	(7,420)	84,493
<b>RESULT</b>				
Segment operating loss	(4,967)	(939)	-	(5,906)
Finance cost	(591)	(82)	-	(673)
Loss for the financial period				(6,579)
Tax expense				52
Net loss for the financial period				(6,527)
<b>12 Months Ended 31/12/2016</b>				
<b>REVENUE</b>				
External Sales	84,289	3,810	-	88,099
Inter-segment sales	1,531	1,825	(3,356)	-
Total revenue	85,820	5,635	(3,356)	88,099
<b>RESULT</b>				
Segment operating loss	(1,015)	(695)	-	(1,710)
Finance cost	(514)	-	-	(514)
Loss for the financial period				(2,224)
Tax expense				(7)
Net profit for the financial period				(2,231)

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

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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  
Period Ended  
31.12.2017  
RM'000**

Approved and contracted for:

- Acquisition of property, plant and equipment

1,027



# RALCO CORPORATION BERHAD – (333101-V)

Unaudited Quarterly Report on Consolidated results for 4th Quarter ended 31 December 2017

## Notes to the interim Financial Reporting for the 4th Quarter ended 31 December 2017: Explanatory Notes in compliance with Appendix 9B Part A of the BMSB Listing Requirements

### (1) Performance Review

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

	Current Quarter Period Ended 31 December		Cumulative Quarter Year Ended 31 December	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	18,467	24,427	84,493	88,099
(Loss)/Profit Before Taxation	(3,976)	(901)	(6,579)	(2,224)

The Group's revenue for the current quarter three (3) months ended 31 December 2017 ("4Q2017") reduced by RM5.96 million or 24.40% compared to the corresponding quarter ended 31 December 2016 ("4Q2016"). For twelve month financial period ended (FPE) 31 December 2017, the Group revenue decreased by RM3.61 million or 4.09% compare to FPE 31 December 2016. This adverse performance mainly due to lower demand from both Jerrycan and pail product.

The Group has incurred a loss before taxation of RM3.98 million in the current quarter ended 31 December 2017 as compared to a loss before taxation of RM0.90 million in corresponding quarter ended 31 December 2016. For twelve month FPE 31 December 2017, the Group loss before taxation was RM6.58 million as compared to a loss before taxation of RM2.22 million in FPE 2016. This adverse performance was mainly due to decline in revenue, significant increase in raw material price of approximately 15% and other operating costs such as labour costs. Beside this, the Group had made a provision of impairment loss on trade receivable of RM1.30 million and also obsolete stocks written off of RM0.65 million.

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

	Financial Quarter Ended		Variance
	31.12.2017 RM'000	30.9.2017 RM'000	
Revenue	18,467	21,330	(2,863)
Loss Before Tax	(3,976)	(1,734)	(2,242)

The Group's revenue decreased by RM2.86 million or 13.42% from RM21.33 million in the preceding quarter to RM18.47 million for the current quarter under review. The Group has incurred a loss before taxation of RM3.98 million for the current quarter under review as compared to a loss before taxation of RM1.73 million in preceding quarter. This adverse performance was mainly due to the decline in market demand for Jerrycan product, increase in raw material price of approximately 5%, provision of impairment loss on trade receivable of RM1.30 million and also obsolete stocks written off of RM0.65 million.

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

Unaudited Quarterly Report on Consolidated results for 4th Quarter ended 31 December 2017

### **(3) Prospects for Year 2018**

Against the backdrop of rising labour and raw material costs due to the rising crude oil prices and 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 improve production efficiency and increase productivity.

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 31/12/2017 RM '000	Preceding year corresponding quarter 31/12/2016 RM '000	Current year to date 31/12/2017 RM '000	Preceding year corresponding period 31/12/2016 RM '000
Taxation	3	7	(6)	(7)
Deferred tax	58	-	58	-
	<u>61</u>	<u>7</u>	<u>52</u>	<u>(7)</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 4th Quarter ended 31 December 2017

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

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

	<b>Current Quarter Ended 31.12.2017 RM'000</b>
<b>Short term borrowings</b>	
Secured:	
Bill payable	10,770
Hire purchases	1,030
	<hr/>
	11,800
<b>Long term borrowings</b>	
Secured:	
Hire purchases	3,924
	<hr/>
	3,924
<b>Total borrowings</b>	<hr/> <b>15,724</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)

Unaudited Quarterly Report on Consolidated results for 4th Quarter ended 31 December 2017

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

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Total retained earnings of the Group		
- Realised	(11,228)	(4,642)
- Unrealised	(1,467)	(1,526)
	<u>(12,695)</u>	<u>(6,168)</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 4th Quarter ended 31 December 2017

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

	Current Year Qtr 01/10/17- 31/12/17 (RM'000)	Current Year Qtr 01/10/16- 31/12/16 (RM'000)	Current Year Cumm 01/01/17- 31/12/17 (RM'000)	Current Year Cumm 01/01/16- 31/12/16 (RM'000)
Profit for the period is arrived at after crediting/(charging)				
Impairment loss on receivables	(1,303)	(386)	(1,303)	(386)
Reversal of impairment loss on receivables	158	-	158	-
Gain/(loss) on disposal of property, plant and equipment	37	-	157	-
Property, plant & equipment written off	(126)	-	(126)	-
Interest income	4	6	15	12
Rental income	17	3	72	11
Realised gain/(loss) on foreign exchange	185	115	325	173
Unrealised gain/(loss) on foreign exchange	-	-	-	-
Gain on disposal of unquoted investment	-	-	-	-
Depreciation	(786)	(895)	(3,364)	(3,547)
Amortisation of prepaid lease payments	(6)	(6)	(25)	(25)
Interest expense	(196)	(136)	(673)	(514)

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