

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For 9 months ended 30 September 2018 - unaudited

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER 30/9/2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/9/2017 RM'000	CURRENT PERIOD 30/9/2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/9/2017 RM'000
Gross revenue	17,716	21,330	55,248	66,026
Cost of sales	(17,990)	(21,094)	(54,806)	(62,358)
<b>Gross profit</b>	<b>(274)</b>	<b>236</b>	<b>442</b>	<b>3,668</b>
Other operating income	28	123	187	326
Selling & Distribution expenses	(517)	(611)	(1,616)	(1,695)
Administrative and general expenses	(1,549)	(1,300)	(4,451)	(4,425)
<b>Results from operating activities</b>	<b>(2,312)</b>	<b>(1,552)</b>	<b>(5,438)</b>	<b>(2,126)</b>
Finance costs	(150)	(182)	(544)	(477)
<b>Loss before tax</b>	<b>(2,462)</b>	<b>(1,734)</b>	<b>(5,982)</b>	<b>(2,603)</b>
Tax expense	(3)	(3)	(9)	(9)
<b>Loss for the period</b>	<b>(2,465)</b>	<b>(1,737)</b>	<b>(5,991)</b>	<b>(2,612)</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>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total comprehensive income for the period	(2,465)	(1,737)	(5,991)	(2,612)
Attributable to:				
Equity holders of the parent	(2,465)	(1,737)	(5,991)	(2,612)
<b>Minority interests</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Profit/(Loss) for the period	(2,465)	(1,737)	(5,991)	(2,612)
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)	(5.72)	(4.14)	(13.89)	(6.22)

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018**

The figures have not been audited.

	AS AT 30/9/2018 UNAUDITED RM'000	AS AT 31/12/2017 AUDITED RM'000
<b>ASSETS</b>		
Non-Current Assets		
Property, plant and equipment	25,760	26,635
Prepaid Lease Payment	3,041	3,059
	<u>28,801</u>	<u>29,694</u>
Current Assets		
Inventories	12,191	13,466
Trade and other receivables	19,460	19,469
Tax recoverable	73	53
Cash and bank balances	1,551	1,113
	<u>33,275</u>	<u>34,101</u>
<b>TOTAL ASSETS</b>	<u>62,076</u>	<u>63,795</u>
<b>EQUITY AND LIABILITIES</b>		
Equity Attributable to Equity Holders of The Parent		
Share capital	43,576	41,981
Right Issue - warrants	407	407
Unappropriated profit / (loss)	(18,660)	(12,669)
Total Equity	<u>25,323</u>	<u>29,719</u>
Minority Interest	-	-
	<u>25,323</u>	<u>29,719</u>
Non-Current Liabilities		
Hire Purchase	3,992	3,715
Deferred Tax	1,282	1,282
	<u>5,274</u>	<u>4,997</u>
Current Liabilities		
Trade and other payables	21,405	17,075
Bill payable	8,997	10,770
Hire Purchase	1,077	1,233
Tax liability	-	1
	<u>31,479</u>	<u>29,079</u>
<b>Total Liabilities</b>	<u>36,753</u>	<u>34,076</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>62,076</u>	<u>63,795</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	<u>0.58</u>	<u>0.71</u>

(The condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2017 and the accompanying explanatory notes attached to the Interim Financial Statements)

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

The figures have not been audited.

	CURRENT YEAR TO DATE 30/9/2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/9/2017 RM'000
Loss before tax	(5,982)	(2,603)
Adjustment for:		
Depreciation and amortisation of property, plant and equipment	2,585	2,597
Gain on disposal of property, plant and equipment	(3)	(120)
Interest expenses	544	477
Interest income	(12)	(11)
Property, plant and equipment written off	21	-
Operating (loss)/profit before changes in working capital	(2,847)	340
Changes in working capital		
Increase in inventories	1,275	(2,314)
Increase in trade & other receivables	9	(1,606)
Increase in trade & other payables	4,329	(827)
Cash generated from/(used in) operations	2,766	(4,407)
Interest received	12	11
Interest paid	(544)	(477)
Tax refund	-	50
Tax paid	(29)	(47)
Net cash generated from/(used in) operating activities	2,205	(4,870)
Cash Flows from Investing Activities:		
Purchase of property, plant & equipment	(1,814)	(2,600)
Proceed from disposal of PPE	104	120
Net cash used in investing activities	(1,710)	(2,480)
Cash Flows from Financing Activities:		
Net drawdown/(repayment) of hire purchase instalments	121	1,388
Net change in capital	1,595	-
Net (repayment)/drawdown from bills payable	(1,773)	2,988
Net repayment of term loan	-	(236)
Net cash used in financing activities	(57)	4,140
NET CHANGES IN CASH AND CASH EQUIVALENTS	438	(3,210)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	1,113	3,413
CASH AND CASH EQUIVALENTS CARRIED FORWARD	1,551	203
Represented by:		
FIXED DEPOSIT	-	-
CASH AND BANK BALANCES	1,551	203

(The condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2017 and the accompanying explanatory notes attached to the Interim Financial Statements)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

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	Unappropriated profit RM'000	Total RM'000		
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				(6,501)	(6,501)		(6,501)
Loss on disposal of treasury shares							
Other comprehensive income					-		
Total comprehensive income				(6,501)	(6,501)		(6,501)
At 31 December 2017	41,981		407	(12,669)	29,719	-	29,719
At 1 January 2018	41,981	-	407	(12,669)	29,719		29,719
Private placement	1,595				1,595		1,595
Net loss for the period				(5,991)	(5,991)		(5,991)
Other comprehensive income					-		-
Loss on disposal of treasury shares					-		-
Total comprehensive income	-	-	-	(5,991)	(5,991)		(5,991)
At 30 September 2018	43,576	-	407	(18,660)	25,323	-	25,323

(The condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2017 and the accompanying explanatory notes attached to the Interim Financial Statements)

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

Unaudited Quarterly report on consolidated results for the 3rd Quarter ended 30 September 2018

## **A) NOTES TO THE INTERIM FINANCIAL REPORT FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2018: 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 2017. 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 2017.

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 2017, 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 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

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 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)
Amendments to MFRS 119	Employee Benefits – Plant Amendment, Curtailment or Settlement

Effective for financial periods beginning on or after 1 January 2020:

Amendments to MFRS 2	Share-Based Payment
Amendments to MFRS 3	Business Combinations
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources
Amendments to MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accountings Estimates and Error
Amendments to MFRS 134	Interim Financial Reporting
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendments to MFRS 138	Intangible Assets
Amendments to IC Interpretation 12	Services Concession Arrangement
Amendments to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to IC Interpretation 132	Intangible Assets – Web Site Costs

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.

## RALCO CORPORATION BERHAD – (333101-V)

Unaudited Quarterly report on consolidated results for the 3rd Quarter ended 30 September 2018

### (3) Seasonal or Cyclical Factors

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

### (4) Unusual Items Affecting Financial Statements

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

### (5) Changes in Accounting Estimates

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

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

On 19 July 2018, the Company has completed its private placement exercise following the listing of 4,198,100 Placement Shares. The Placement Shares rank pari passu in all respects with the existing ordinary shares of the Company.

### (7) Dividend Paid

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

### (8) Segmental Reporting

9 Months Ended 30.9.2018	Plastic Product RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b><u>REVENUE</u></b>				
External Sales	54,471	777	-	55,248
Inter-segment sales	-	1,369	(1,369)	-
Total revenue	54,471	2,146	(1,369)	55,248
<b><u>RESULT</u></b>				
Segment operating loss	(5,338)	(100)	-	(5,438)
Finance cost	(465)	(79)		(544)
Loss for the financial period				(5,982)
Tax expense				(9)
Net loss for the financial period				(5,991)

# RALCO CORPORATION BERHAD – (333101-V)

Unaudited Quarterly report on consolidated results for the 3rd Quarter ended 30 September 2018

## (9) Segmental Reporting (continued)

9 Months Ended 30.9.2017	Plastic Product RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<b><u>REVENUE</u></b>				
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
<b><u>RESULT</u></b>				
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)

## (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:

	<b>Current Financial Period Ended 30.9.2018 RM'000</b>
Approved and contracted for:	
- Acquisition of property, plant and equipment	<u>1,814</u>



# RALCO CORPORATION BERHAD – (333101-V)

Unaudited Quarterly report on consolidated results for the 3rd Quarter ended 30 September 2018

## NOTES TO THE INTERIM FINANCIAL REPORTING FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2018: EXPLANATORY NOTES IN COMPLIANCE WITH APPENDIX 9B PART A OF THE BMSB LISTING REQUIREMENTS

### (1) Performance Review

Performance for the FPE 30 September 2018 versus the corresponding quarter in the FPE 30 September 2017

	Current Quarter Period Ended 30 Sep				Cumulative Quarter Year Ended 30 Sep			
	2018	2017	Var		2018	2017	Var	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	17,716	21,330	(3,614)	(17%)	55,248	66,026	(10,778)	(16%)
(Loss)/Profit Before Taxation	(2,462)	(1,734)	(728)	(42%)	(5,982)	(2,603)	(3,379)	(130%)

The Group's revenue for the current quarter three (3) months ended 30 September 2018 ("3Q2018") reduced by RM3.61 million or 16.94% compared to the corresponding quarter ended 30 September 2017 ("3Q2017"). The Group has incurred a loss before taxation of RM2.46 million in the current quarter ended 30 September 2018 as compared to a loss before taxation of RM1.73 million in corresponding quarter ended 30 September 2017.

For nine months financial period ended (FPE) 30 September 2018, The Group's revenue reduced by RM10.78 million or 16.32% compared to FPE ended 30 September 2017. The Group has incurred a loss before taxation of RM5.98 million in the current FPE ended 30 September 2018 as compared to RM2.6 million in corresponding FPE ended 30 September 2017.

This adverse performance was mainly due to decline in revenue and production output, increase in raw material prices and direct labour costs.

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

	Financial Quarter Ended		Variance	
	30.9.2018	30.6.2018	RM'000	%
	RM'000	RM'000		
Revenue	17,716	17,636	80	0.5%
Loss Before Tax	(2,462)	(2,204)	(258)	(10%)

The Group's revenue increased slightly by RM0.08 million from RM17.64 million in the preceding quarter to RM17.72 million for the current quarter under review. The Group has incurred a loss before taxation of RM2.46 million for the current quarter under review as compared to a loss before taxation of RM2.2 million in preceding quarter. This adverse performance was mainly due to increase in raw material prices.

## RALCO CORPORATION BERHAD – (333101-V)

Unaudited Quarterly report on consolidated results for the 3rd Quarter ended 30 September 2018

### (3) Prospects for Year 2018

Raw material costs are expected to rise in tandem with higher 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 its efforts to improve production efficiency and increase productivity.

### (4) Variance from profit forecast

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

### (5) Taxation

Tax comprises:

	Current Quarter		Cumulative Quarter	
	Period Ended 30 Sep		Year Ended 30 Sep	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Taxation	(3)	(3)	(9)	(9)

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

On 19 July 2018, the Company has completed its private placement exercise following the listing of 4,198,100 placement shares. As at 30 Sep 2018, the Company has utilised the proceed from the placement shares in the following manner:

Purpose	Proposed Utilisation	Actual Utilisation	Intended Timeframe for Utilisation	Deviation		Explanation
	RM'000	RM'000		RM'000	%	
Construction of a new clean room facility in Nilai	400	–	Within 12 months	400	25	Will start the construction in October 18
Renovations of Nilai manufacturing plant	436	32	Within 12 months	404	25	
Renovations of Skudai manufacturing plant	700	496	Within 12 months	204	13	Expected to complete by December 18
Estimated expenses for the Proposed Private Placement	59	59	Within 1 months	-	–	
<b>TOTAL</b>	<b>1,595</b>	<b>587</b>		<b>1,008</b>	<b>63</b>	

Status of Corporate Proposals and Utilisation of Proceeds (Continued)

## RALCO CORPORATION BERHAD – (333101-V)

Unaudited Quarterly report on consolidated results for the 3rd Quarter ended 30 September 2018

There were no other corporate proposals announced but not completed as at 26 November 2018, being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

### (7) Group Borrowings and Debts Securities

Total Group borrowings as at 30 September 2018 are as follows:

	<b>Current Quarter Ended 30.9.2018 RM'000</b>
<b>Short term borrowings</b>	
Secured:	
Bill payable	8,997
Hire purchases	1,077
	<u>10,074</u>
<b>Long term borrowings</b>	
Secured:	
Hire purchases	3,992
	<u>3,992</u>
<b>Total borrowings</b>	<u><u>14,066</u></u>

### (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.

#### (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.

# RALCO CORPORATION BERHAD – (333101-V)

Unaudited Quarterly report on consolidated results for the 3rd Quarter ended 30 September 2018

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

The breakdown of the retained earnings of the Group as at 30 September 2018, into realised and unrealised profits/(losses), pursuant to the directive, are as follows:

	As at 30.9.2018 RM'000	As at 30.9.2017 RM'000
Total retained earnings of the Group		
- Realised	(17,378)	(7,254)
- Unrealised	(1,282)	(1,526)
	<u>(18,660)</u>	<u>(8,780)</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.

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

	Current quarter ended 30 September		Cumulative quarter ended 30 September	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Profit for the period is arrived at after crediting/(charging)</b>				
Impairment loss on receivables	-	-	-	-
Reversal of impairment loss on receivables	-	-	-	-
Gain/(loss) on disposal of property, plant and equipment	3	70	3	120
Property, plant & equipment written off	(21)	-	(21)	-
Interest income	5	8	12	11
Rental income	8	21	24	55
Realised gain/(loss) on foreign exchange	(275)	24	(139)	140
Unrealised gain/(loss) on foreign exchange	-	-	-	-
Gain on disposal of unquoted investment	-	-	-	-
Depreciation	(868)	(816)	(2,566)	(2,578)
Amortisation of prepaid lease payments	(7)	(7)	(19)	(19)
Interest expense	(150)	(182)	(544)	(477)

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

## (12) Derivative Financial Instruments

There were no derivative financial instruments as at 30 September 2018.

## (13) Gains/Losses arising from fair value changes of financial liabilities

There were no gains or losses arising from fair value changes of the financial liabilities for the current quarter and financial period ended 30 September 2018