

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For financial year ended 31 December 2018 - unaudited

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER 31/12/2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2017 RM'000	CURRENT PERIOD 31/12/2018 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2017 RM'000
Gross revenue	16,008	18,463	71,256	84,489
Cost of sales	(17,411)	(18,352)	(72,217)	(80,710)
Gross profit	(1,403)	111	(961)	3,779
Other operating income	180	8	367	334
Selling & Distribution expenses	(668)	(1,137)	(2,284)	(2,832)
Administrative and general expenses	(1,837)	(2,922)	(6,288)	(7,347)
Results from operating activities	(3,728)	(3,940)	(9,166)	(6,066)
Finance costs	(249)	(196)	(793)	(673)
Loss before tax	(3,977)	(4,136)	(9,959)	(6,739)
Tax expense	(79)	247	(88)	238
Loss after taxation	(4,056)	(3,889)	(10,047)	(6,501)
Other comprehensive income for the period				
Revaluation of property, plant and equipment	28,029	-	28,029	-
Less: Deferred tax liabilities	(6,727)	-	(6,727)	-
Total comprehensive income for the period	17,246	(3,889)	11,255	(6,501)
Loss after taxation attributable to:				
Equity holders of the parent	(4,056)	(3,889)	(10,047)	(6,501)
Minority interests	-	-	-	-
Loss after taxation	(4,056)	(3,889)	(10,047)	(6,501)
Total comprehensive expenses attributable to :				
Equity holders of the parent	17,246	(3,889)	11,255	(6,501)
Minority interests	-	-	-	-
Total comprehensive expenses for the period	17,246	(3,889)	11,255	(6,501)
Basic earnings per share (sen)	(9.24)	(9.26)	(22.89)	(15.48)

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(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

The figures have not been audited.

	AS AT 31/12/2018 UNAUDITED RM'000	AS AT 31/12/2017 AUDITED RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	56,321	26,635
Prepaid Lease Payment	-	3,059
	<u>56,321</u>	<u>29,694</u>
Current Assets		
Inventories	13,320	13,466
Trade and other receivables	16,099	19,469
Tax recoverable	50	53
Cash and bank balances	1,608	1,113
	<u>31,077</u>	<u>34,101</u>
TOTAL ASSETS	<u>87,398</u>	<u>63,795</u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of The Parent		
Share capital	43,576	41,981
Right Issue - warrants	407	407
Revaluation Reserve	21,302	-
Unappropriated profit / (loss)	(22,716)	(12,669)
Total Equity	<u>42,569</u>	<u>29,719</u>
Minority Interest	-	-
	<u>42,569</u>	<u>29,719</u>
Non-Current Liabilities		
Hire Purchase	972	3,715
Deferred Tax	8,069	1,282
	<u>9,041</u>	<u>4,997</u>
Current Liabilities		
Trade and other payables	21,713	17,075
Bill payable	9,579	10,770
Hire Purchase	4,496	1,233
Tax liability	-	1
	<u>35,788</u>	<u>29,079</u>
Total Liabilities	<u>44,829</u>	<u>34,076</u>
TOTAL EQUITY AND LIABILITIES	<u>87,398</u>	<u>63,795</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	<u><u>0.98</u></u>	<u><u>0.71</u></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 YEAR ENDED 31 DECEMBER 2018

The figures have not been audited.

	CURRENT YEAR ENDED 31/12/2018 RM'000	PRECEDING YEAR ENDED 31/12/2017 RM'000
Loss before tax	(9,959)	(6,738)
Adjustment for:		
Bad debt written off	-	645
Depreciation and amortisation of property, plant and equipment	3,355	3,388
Impairment loss on trade receivables	242	658
Gain on disposal of property, plant and equipment	(133)	(175)
Interest expenses	793	674
Interest income	(15)	(15)
Inventories written down	91	240
Inventories written off	-	161
Property, plant and equipment written off	21	126
Unrealised gain on foreign exchange	-	(67)
Operating (loss)/profit before changes in working capital	(5,605)	(1,103)
Changes in working capital		
Increase in inventories	56	(2,287)
Increase in trade & other receivables	3,128	1,067
Increase in trade & other payables	4,636	28
Cash generated from/(used in) operations	2,215	(2,295)
Interest received	15	15
Interest paid	(793)	(673)
Tax refund	-	75
Tax paid	(25)	(41)
Net cash generated from/(used in) operating activities	1,412	(2,919)
Cash Flows from Investing Activities:		
Purchase of property, plant & equipment	(2,137)	(2,341)
Proceed from disposal of PPE	296	484
Net cash used in investing activities	(1,841)	(1,857)
Cash Flows from Financing Activities:		
Net drawdown/(repayment) of hire purchase instalments	520	68
Net change in capital	1,595	-
Net (repayment)/drawdown from bills payable	(1,191)	2,644
Net repayment of term loan	-	(236)
Net cash used in financing activities	924	2,476
NET CHANGES IN CASH AND CASH EQUIVALENTS	495	(2,300)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	1,113	3,413
CASH AND CASH EQUIVALENTS CARRIED FORWARD	1,608	1,113
Represented by:		
FIXED DEPOSIT	-	-
CASH AND BANK BALANCES	1,608	1,113
	1,608	1,113

(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 YEAR ENDED 31 DECEMBER 2018

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	Right Issue Warrants RM'000	Revaluation Reserve RM'000	Unappropriated profit RM'000			
At 1 January 2017	41,981	407	-	(6,168)	36,220	-	36,220
Net loss for the period	-	-	-	(6,501)	(6,501)	-	(6,501)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	(6,501)	(6,501)	-	(6,501)
At 31 December 2017	<u>41,981</u>	<u>407</u>	<u>0</u>	<u>(12,669)</u>	<u>29,719</u>	<u>-</u>	<u>29,719</u>
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	-	-	-	(10,047)	(10,047)	-	(10,047)
Other comprehensive income	-	-	-	-	-	-	-
- Revaluation of property, plant & equipment	-	-	21,302	-	21,302	-	21,302
Total comprehensive income	-	-	21,302	(10,047.00)	11,255	-	11,255
At 31 December 2018	<u>43,576</u>	<u>407</u>	<u>21,302</u>	<u>(22,716)</u>	<u>42,569</u>	<u>-</u>	<u>42,569</u>

(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 financial year ended 31 December 2018

A) NOTES TO THE INTERIM FINANCIAL REPORT FOR FINANCIAL YEAR ENDED 31 DECEMBER 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 FRs, 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.

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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.

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(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**

Year Ended 31.12.2018	Plastic Product RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<u>REVENUE</u>				
External Sales	70,246	1,010	-	71,256
Inter-segment sales	-	1,825	(1,825)	-
Total revenue	<u>70,246</u>	<u>2,835</u>	<u>(1,825)</u>	<u>71,256</u>
<u>RESULT</u>				
Segment operating loss	<u>(9,034)</u>	<u>(132)</u>	-	<u>(9,166)</u>
Finance cost	<u>(690)</u>	<u>(103)</u>		<u>(793)</u>
Loss for the financial period				(9,959)
Tax expense				(88)
Net loss for the financial period				<u>(10,047)</u>

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(9) Segmental Reporting (continued)

Year Ended 31.12.2017	Plastic Product RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE				
External Sales	76,112	8,377	-	84,489
Inter-segment sales	5,595	1,825	(7,420)	-
Total revenue	81,707	10,202	(7,420)	84,489
RESULT				
Segment operating loss	(4,874)	(1,192)	-	(6,066)
Finance cost	(591)	(82)	-	(673)
Loss for the financial period				(6,739)
Tax expense				238
Net loss for the financial period				(6,501)

(10) Valuation of Property, Plant and Equipment

Land and building were revalued at the end of the financial period ended 31 December 2018 based on a valuation report prepared by an independent third-party valuer. The revaluation gave rise to a gross revaluation surplus of RM 21,301,760.

(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:

Financial Year Ended 31.12.2018 RM'000

Approved and contracted for:

- Acquisition of property, plant and equipment

2,077

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NOTES TO THE INTERIM FINANCIAL REPORTING FOR THE 4TH QUARTER ENDED 31 DECEMBER 2018: EXPLANATORY NOTES IN COMPLIANCE WITH APPENDIX 9B PART A OF THE BMSB LISTING REQUIREMENTS

(1) Performance Review

Performance for the FPE 31 December 2018 versus the corresponding quarter in the FPE 31 December 2017

	Current Quarter Period Ended 31 Dec				Cumulative Year Ended 31 Dec			
	2018	2017	Var		2018	2017	Var	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	16,008	18,463	(2,455)	(13%)	71,256	84,489	(13,233)	(16%)
(Loss)/Profit Before Taxation	(3,977)	(4,136)	159	4%	(9,959)	(6,739)	(3,220)	(48%)

The Group's revenue for the current quarter three (3) months ended 31 December 2018 ("4Q2018") reduced by RM2.46 million or 13% compared to the corresponding quarter ended 31 December 2017 ("4Q2017"). The Group has incurred a loss before taxation of RM3.98 million in the current quarter ended 31 December 2018 as compared to a loss before taxation of RM4.14 million in corresponding quarter ended 31 December 2017.

For financial year ended 31 December 2018, The Group's revenue reduced by RM13.23 million or 16% compared to financial year ended 31 December 2017. The Group has incurred a loss before taxation of RM9.96 million for current financial year 31 December 2018 as compared to RM6.74 million in financial year ended 31 December 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	
	31.12.2018	30.9.2018	RM'000	%
	RM'000	RM'000		
Revenue	16,008	17,716	(1,708)	(38%)
Loss Before Tax	(3,977)	(2,462)	(1,515)	(11%)

The Group's revenue decreased by RM1.71 million from RM17.72 million in the preceding quarter to RM16.01 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 RM2.46 million in preceding quarter. This adverse performance was mainly due to the decline in revenue and increase in raw material prices.

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(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	
	Period Ended 31 Dec		Year Ended 31 Dec	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Taxation	(79)	247	(88)	238

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 31 December 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	99	Within 12 months	301	75	Completed in Dec 2018
Renovations of Nilai manufacturing plant	436	223	Within 12 months	213	49	
Renovations of Skudai manufacturing plant	700	558	Within 12 months	142	20	Expected to complete by March 2019
Estimated expenses for the Proposed Private Placement	59	59	Within 1 months	-	-	
TOTAL	1,595	939		656	41	

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(7) Status of Corporate Proposals and Utilisation of Proceeds (Continued)

There were no other corporate proposals announced but not completed as at 26 Feb 2019, being the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

(8) Group Borrowings and Debts Securities

Total Group borrowings as at 31 December 2018 are as follows:

	Current Quarter Ended 31.12.2018 RM'000
Short term borrowings	
Secured:	
Bill payable	9,579
Hire purchases	4,496
	<u>14,075</u>
Long term borrowings	
Secured:	
Hire purchases	972
	<u>972</u>
Total borrowings	<u><u>15,047</u></u>

(9) Dividend

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

(10) 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.

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(11) Disclosure realised and unrealised profits/(losses)

The breakdown of the retained earnings of the Group as at 31 December 2018, into realised and unrealised profits/(losses), pursuant to the directive, are as follows:

	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000
Total retained earnings of the Group		
- Realised	(21,434)	(11,202)
- Unrealised	(1,282)	(1,467)
	(22,716)	(12,669)

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.

(12) Profit/(Loss) Before Taxation

	Current quarter ended 31 December		Cumulative quarter ended 31 December	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the period is arrived at after crediting/(charging)				
Impairment loss on receivables	242	658	242	658
Reversal of impairment loss on receivables	-	-	-	-
Gain/(loss) on disposal of property, plant and equipment	130	55	133	175
Property, plant & equipment written off	-	-	(21)	(126)
Inventory written off	-	(161)	-	(161)
Interest income	3	4	15	15
Rental income	45	17	69	72
Realised gain/(loss) on foreign exchange	(147)	185	(286)	325
Unrealised gain/(loss) on foreign exchange	-	67	-	67
Gain on disposal of unquoted investment	-	-	-	-
Depreciation	(770)	(791)	(3,355)	(3,388)
Interest expense	(249)	(196)	(793)	(673)

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 31 December 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 31 December 2018.