

RALCO CORPORATION BERHAD (333101-V)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For 6 months ended 30 Jun 2015 - unaudited

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT PERIOD	PRECEDING YEAR CORRESPONDING PERIOD
	30/6/2015 RM'000	30/6/2014 RM'000	30/6/2015 RM'000	30/6/2014 RM'000
Gross revenue	24,626	21,753	47,382	46,326
Cost of sales	(21,853)	(20,389)	(41,722)	(43,084)
Gross profit	2,773	1,364	5,660	3,242
Other operating income	71	106	244	231
Selling & Distribution expenses	(756)	(619)	(1,502)	(1,306)
Administrative and general expenses	(1,262)	(1,386)	(2,627)	(2,618)
Results from operating activities	826	(535)	1,775	(451)
Finance costs	(138)	(190)	(291)	(397)
Profit before tax	688	(725)	1,484	(848)
Tax expense	(8)	(22)	(27)	(44)
Profit for the period	680	(747)	1,457	(892)
Foreign currency translation difference	-	-	-	-
Hedge of net investment	-	-	-	-
Cashflow hedge	-	-	-	-
Other comprehensive income for the	0	0	0	0
Total comprehensive income for the pe	680	(747)	1,457	(892)
Attributable to:				
Equity holders of the parent	680	(747)	1,457	(892)
Minority interests	-	-	-	-
Profit for the period	680	(747)	1,457	(892)
Comprehensive income attributable to :				
Equity holders of the parent	-	-	-	-
Minority interests	-	-	-	-
Total comprehensive income for the pe	-	-	-	-
Basic earnings per share (sen)	1.62	(1.78)	3.47	(2.12)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUN 2015

The figures have not been audited.

	AS AT 30/6/2015 UNAUDITED RM'000	AS AT 31/12/2014 AUDITED RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	25,167	25,730
Prepaid Lease Payment	3,123	3,135
Investment in quoted securities	-	-
	<u>28,290</u>	<u>28,865</u>
Current Assets		
Inventories	12,944	8,940
Trade and other receivables	23,939	21,389
Tax recoverable	41	29
Fixed Deposit	-	112
Cash and bank balances	2,342	4,358
	<u>39,266</u>	<u>34,828</u>
TOTAL ASSETS	<u>67,556</u>	<u>63,693</u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of The Parent		
Share capital	41,981	41,981
Right Issue - warrants	407	407
Treasury Share.at cost	-	-
Unappropriated profit / (loss)	(4,944)	(6,401)
Total Equity	<u>37,444</u>	<u>35,987</u>
Minority Interest	-	-
	<u>37,444</u>	<u>35,987</u>
Non-Current Liabilities		
Term loan	1,286	2,157
Hire Purchase	1,099	1,209
Deferred Tax	1,601	1,601
	<u>3,986</u>	<u>4,967</u>
Current Liabilities		
Trade and other payables	18,536	15,864
Bill payable	4,871	3,561
Hire Purchase	930	913
Term loan	1,774	1,774
Receivable Finance	-	613
Provision for Taxation	15	14
	<u>26,126</u>	<u>22,739</u>
Total Liabilities	<u>30,112</u>	<u>27,706</u>
TOTAL EQUITY AND LIABILITIES	<u>67,556</u>	<u>63,693</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	<u>0.89</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 2014 and the accompanying explanatory notes attached to the Interim Financial Statements)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED 30 JUN 2015

The figures have not been audited.

	CURRENT YEAR TO DATE 30/6/2015 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/6/2014 RM'000
Profit/(loss) before tax	1,484	(848)
Adjustment for:		
Depreciation and amortisation of property, plant and equipment	1,745	1,744
Gain on disposal of property, plant and equipment	(10)	(5)
Interest expenses	291	397
Interest income	(2)	(2)
Operating profit before changes in working capital	3,508	1,286
Changes in working capital		
Increase in inventories	(4,004)	(2,150)
Decrease in trade & other receivables	(2,550)	4,124
Decrease in trade & other payables	2,672	(1,004)
Cash used in operations	(374)	2,256
Interest received	2	2
Interest paid	(291)	(397)
Tax paid	(38)	(44)
Net cash used in operating activities	(701)	1,817
Cash Flows from Investing Activities:		
Purchase of property, plant & equipment	(1,187)	(223)
Proceed from disposal of PPE	27	5
Net cash used in investing activities	(1,160)	(218)
Cash Flows from Financing Activities:		
Net repayment of hire purchase instalments	(93)	(728)
Net repayment of receivable finance	(613)	-
Net repayment of bills payable	1,310	(1,119)
Net repayment of term loan	(871)	(393)
Net cash used in financing activities	(267)	(2,240)
NET CHANGES IN CASH AND CASH EQUIVALENTS	(2,128)	(641)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	4,470	2,651
CASH AND CASH EQUIVALENTS CARRIED FORWARD	2,342	2,010
Represented by:		
FIXED DEPOSIT	-	111
CASH AND BANK BALANCES	2,342	1,899
BANK OVERDRAFTS	-	-
	2,342	2,010

(The condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2014 and the accompanying explanatory notes attached to the Interim Financial Statements)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUN 2015

The figures have not been audited.

	----- Attributable to equity holders of the parent -----					Minority interest	Total equity
	Share capital RM'000	Treasury Share RM'000	Right Issue Warrants RM'000	Inappropriated profit RM'000	Total RM'000	RM'000	RM'000
At 1 January 2014	41,981	-	407	(6,813)	35,575		35,575
Resale of Treasury Shares		-			-		
Right Issue - Warrant 2009/2019					-		
Net loss for the period				(892)	(892)		(892)
Loss on disposal of treasury shares							
Other comprehensive income					-		
Total comprehensive income				(892)	(892)		(892)
At 30 JUN 2014	41,981		407	(7,705)	34,683	-	34,683
At 1 January 2015	41,981	-	407	(6,401)	35,987	-	35,987
Resale of treasury shares		-					
Right Issue - Warrant 2009/2019							
Net profit for the period				1,457	1,457		1,457
Other comprehensive income					-		-
Loss on disposal of treasury shares					-		-
Total comprehensive income	-	-	-	1,457	1,457	-	1,457
At 30 JUN 2015	41,981	0	407	(4,944)	37,444	-	37,444

(The condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2014 and the accompanying explanatory notes attached to the Interim Financial Statements)

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A) Notes to the Interim Financial Report For the 2nd Quarter ended 30 Jun 2015: 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 2014. 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 2014.

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 2014, 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 2015:

Amendments to MFRS 119, Employee Benefits – Defined Benefit Plans: Employee Contribution
Annual Improvements to MFRSs 2010 – 2012 Cycle
Annual Improvements to MFRSs 2011 – 2013 Cycle

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 2016:

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Presentation of Financial Statements – Disclosure Initiative
Amendments to MFRS 11	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 127	Consolidated and Separate Financial Statements – Equity Method in Separate Financial Statements
Amendments to MFRS 10	Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 128	Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 116	Property, Plant and Equipment – Agriculture Bearer Plants
Amendments to MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 138	Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 12	Disclosure of interests in Other Entities – Applying the Consolidation Exception
Annual improvements to MFRSs 2012 – 2014 Cycle	

Effective for financial periods beginning on or after 1 January 2017:

MFRS 15	Revenue from Contracts with Customer
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Effective for financial periods beginning on or after 1 January 2018:

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
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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 2014 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.

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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
6 Months Ended 30/6/2015				
REVENUE				
External Sales	46,609	773	-	47,382
Inter-segment sales	3,516	925	(4,441)	-
Total revenue	50,125	1,698	(4,441)	47,382

RESULT				
Segment operating profit/(loss)	2,120	(345)	-	1,775
Finance cost	(291)	-		(291)
Profit for the financial period				1,484
Tax expense				(27)
Net Profit for the financial period				1,457

6 Months Ended 30/6/2014

REVENUE				
External Sales	38,369	7,957	-	46,326
Inter-segment sales	6,928	900	(7,828)	-
Total revenue	45,297	8,857	(7,828)	46,326

RESULT				
Segment operating profit/(loss)	(271)	(180)	-	(451)
Finance cost	(397)	-		(397)
Loss for the financial period				(848)
Tax expense				(44)
Net loss for the financial period				(892)

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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
30.6.2015
RM'000**

Approved and contracted for:

- Acquisition of property, plant and equipment

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Notes to the interim Financial Reporting for the 2nd Quarter ended 30 Jun 2015: Explanatory Notes in compliance with Appendix 9B Part A of the BMSB Listing Requirements

(1) Performance Review

Performance for the FPE 30 Jun 2015 versus the corresponding quarter in the FPE 30 Jun 2014

	Current Quarter		Cumulative Quarter	
	Period Ended 30 Jun		Year Ended 30 Jun	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Revenue	24,626	21,753	47,382	46,326
Profit/(Loss) Before Taxation	688	(725)	1,484	(848)

The Group's revenue for the current quarter three (3) months ended 30 Jun 2015 ("2Q2015") increased by RM2.87 million or 13.21% compared to the corresponding quarter ended 30 Jun 2014 ("2Q2014"). For six month financial period ended (FPE) 30 Jun 2015, the Group's revenue was increased by RM1.06 million or 2.28% compare to the FPE 30 Jun 2014. The increase in revenue was mainly due to the increase in demand from existing and new customers.

Group's profit before taxation increased by RM1.41 million or 194.48% from RM0.73 million losses reported in preceding corresponding period 2Q2014 to RM0.69 million profits for the 2Q2015. For six month FPE 30 Jun 2015, Group's profit increase by RM2.33 million or 275% to RM1.48 million as compare to RM0.85 million loses in FPE 30 Jun 2014. This improved performance was in line with the increase in revenue. Beside this, the Group consistently taking cautious action in cost control and operational efficiency improvement also contributed to the improved performance.

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

	Financial Quarter Ended		Variance
	30.6.2015	31.3.2015	
	RM'000	RM'000	RM'000
Revenue	24,626	22,756	1,870
Profit Before Tax	688	796	(108)

The Group's revenue increased by RM1.87 million or 8.22% from RM22.76 million in the preceding quarter to RM24.63 million for the current quarter under review. This improved performance mainly due to the increase in demand from existing and new customers.

Despite Group's revenue was increased by RM1.87 million in current quarter compared to preceding quarter, the Group's profit before tax reduce by RM0.11 million or 13.57% from RM0.80 million recorded in the preceding quarter compared to RM0.69 million for the current quarter under review. This adverse performance was mainly due to the increase in resin price which is the key material in plastic manufacturing sector. The resin price had increased by approximately 10% in current quarter compared to preceding quarter.

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(3) Prospects for Year 2015

The volatility of crude oil price and also Ringgit Malaysia against US Dollar continue challenging the plastic manufacturing industry in Malaysia. Barring unforeseen circumstances, the Group is optimistic in achieving satisfactory results for year 2015.

(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 30/6/2015 RM '000	Preceding year corresponding quarter 30/6/2014 RM '000	Current year to date 30/6/2015 RM '000	Preceding year corresponding period 30/6/2014 RM '000
Taxation	(8)	(22)	(27)	(44)
	<u>(8)</u>	<u>(22)</u>	<u>(27)</u>	<u>(44)</u>
	=====	=====	=====	=====

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

(6) Status of Corporate Proposals and Utilisation of Proceeds

There were no corporate proposals whatsoever during the period under review.

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(7) Group Borrowings and Debts Securities

Total Group borrowings as at 30 Jun 2015 are as follows:

	Current Quarter Ended 30.6.2015 RM'000
Short term borrowings	
Secured:	
Bill payable	4,871
Hire purchases	930
Term loan	1,774
	<hr/>
	7,575
Long term borrowings	
Secured:	
Hire purchases	1,099
Term loan	1,286
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	2,385
Total borrowings	<hr/> 9,960 <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 Jun 2015, into realised and unrealised profits/(losses), pursuant to the directive, are as follows:

	As at 30.6.2015 RM'000	As at 30.6.2014 RM'000
Total retained earnings of the Group		
- Realised	(3,343)	(6,114)
- Unrealised	(1,601)	(1,591)
	<u>(4,944)</u>	<u>(7,705)</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 01/04/15- 30/06/15 (RM'000)	Current Year Qtr 01/04/14- 30/06/14 (RM'000)	Current Year Cumm 01/01/15- 30/06/15 (RM'000)	Current Year Cumm 01/01/14- 30/06/14 (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	-	5	10	5
Property, plant & equipment written off	-	-	-	-
Interest income	1	1	2	2
Rental income	-	69	23	138
Realised gain/(loss) on foreign exchange	54	(29)	83	22
Unrealised gain/(loss) on foreign exchange	-	27	-	(10)
Gain on disposal of unquoted investment	-	-	-	-
Depreciation	(878)	(864)	(1733)	(1,732)
Amortisation of prepaid lease payments	(6)	(6)	(12)	(12)
Interest expense	(138)	(190)	(291)	(397)

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