

RAYA INTERNATIONAL BERHAD

(Company No: 412406-T)

(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

On consolidated results for the third quarter ended 30 September 2016

SUMMARY OF KEY FINANCIAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended 30 September 2016 RM'000	Quarter Ended 30 September 2015 RM'000	Period Ended 30 September 2016 RM'000	Period Ended 30 September 2015 RM'000
Revenue	20,170	300	50,253	13,092
Profit before tax	28	187	52	237
Income tax expense	-	-	-	-
Profit for the period	28	187	52	237
Profit attributable to:				
Owners of the Company	10	187	3	237
Non-controlling interest	18	-	49	-
	28	187	52	237
Basic earnings per share (sen)	0.02	0.14	0.04	0.18
Proposed/Declared Dividend per share (sen)	N/A	N/A	N/A	N/A

RAYA INTERNATIONAL BERHAD
(Company No: 412406-T)
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(These figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30 September 2016	QUARTER ENDED 30 September 2015	PERIOD ENDED 30 September 2016	PERIOD ENDED 30 September 2015
	RM'000	RM'000	RM'000	RM'000
Revenue	20,170	300	50,253	13,092
Operating expenses	(20,131)	(197)	(50,118)	(12,803)
Other operating income	35	181	57	334
Employee benefits expenses	(37)	(34)	(108)	(64)
Depreciation	(9)	(30)	(32)	(85)
Finance costs	-	(33)	-	(237)
Profit before tax	28	187	52	237
Income tax expense	-	-	-	-
Profit after tax	28	187	52	237
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	28	187	52	237
Profit attributable to:				
Owners of the Company	10	187	3	237
Non-controlling interest	18	-	49	-
	28	187	52	237
Total comprehensive income attributable to:				
Owners of the Company	10	187	3	237
Non-controlling interest	18	-	49	-
	28	187	52	237
Earnings per share (sen)				
(a) Basic	0.02	0.14	0.04	0.18
(b) Diluted	0.02	0.14	0.04	0.18

Notes:

The Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to these interim financial statements.

RAYA INTERNATIONAL BERHAD
(Company No: 412406-T)
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at 30 September 2016 RM'000	Audited As at 31 December 2015 RM'000
ASSETS		
Non-current Asset		
Property, plant and equipment	198	226
Total Non-current Asset	<u>198</u>	<u>226</u>
Current Assets		
Inventories	398	403
Trade receivables	6,205	3,438
Other receivables and prepaid expenses	505	408
Tax recoverable	15	125
Cash and bank balances	1,257	4,122
Total Current Assets	<u>8,380</u>	<u>8,496</u>
TOTAL ASSETS	<u><u>8,578</u></u>	<u><u>8,722</u></u>
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	14,345	14,345
Share premium	9,403	9,403
Accumulated loss	(15,633)	(15,636)
Equity Attributable to Owners of the Company	<u>8,115</u>	<u>8,112</u>
Non-controlling interests	204	155
Total Equity	<u>8,319</u>	<u>8,267</u>
Current Liabilities		
Trade payables	103	97
Other payables and accruals	154	354
Tax liabilities	2	4
Total Current Liabilities	<u>259</u>	<u>455</u>
Total Liabilities	<u>259</u>	<u>455</u>
TOTAL EQUITY AND LIABILITIES	<u><u>8,578</u></u>	<u><u>8,722</u></u>
Net asset per share attributable to owners of the Company (sen)	<u>5.80</u>	<u>5.76</u>

Note :

The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to these interim financial statements.

RAYA INTERNATIONAL BERHAD
 (Company No: 412406-T)
 (Incorporated in Malaysia)
QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(These figures have not been audited)

	Attributable to equity holders of the Company					Non-controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Revaluation Reserve RM'000	Accumulated Loss RM'000	Total RM'000		
Period ended 30 September 2016							
At 1 January 2016	14,345	9,403	-	(15,636)	8,112	155	8,267
Profit for the period	-	-	-	3	3	49	52
At 30 September 2016	<u>14,345</u>	<u>9,403</u>	<u>-</u>	<u>(15,633)</u>	<u>8,115</u>	<u>204</u>	<u>8,319</u>
Period ended 30 September 2015							
At 1 January 2015	13,041	8,826	2,727	(17,879)	6,715	3	6,718
Profit for the period	-	-	-	237	237	-	237
At 30 September 2015	<u>13,041</u>	<u>8,826</u>	<u>2,727</u>	<u>(17,642)</u>	<u>6,952</u>	<u>3</u>	<u>6,955</u>

Note :

The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to these interim financial statements.

RAYA INTERNATIONAL BERHAD

(Company No: 412406-T)

(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(These figures have not been audited)

	PERIOD ENDED	
	30 September 2016 RM('000)	30 September 2015 RM('000)
Cash Flows From Operating Activities		
Profit before taxation	52	237
Adjustments for:		
Depreciation of property, plant and equipment	32	85
Gain on disposal of property, plant and equipment	-	(14)
Inventories written off	4	-
Interest income	(5)	-
Waiver of director's advance	-	(320)
Operating profit before working capital changes	83	(12)
Net change in current assets	(2,863)	1,718
Net change in current liabilities	(194)	(1,481)
Cash generated from/(used in) operations	(2,974)	225
Tax paid	(2)	(2)
Tax refund	110	-
Net cash from/(used in) operating activities	(2,866)	223
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(4)	(129)
Proceeds from disposal of property, plant and equipment	-	14
Interest income received	5	-
Net cash used in investing activities	1	(115)
Cash Flows From Financing Activities		
Repayment of term loan	-	(128)
Finance costs paid	-	(237)
Net cash used in financing activities	-	(128)
Net decrease in cash and cash equivalents	(2,865)	(20)
Cash and cash equivalents at beginning of period	4,122	(80)
Cash and cash equivalents at end of period	1,257	(100)
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	1,257	602
Bank overdrafts	-	(702)
	1,257	(100)

The Unaudited Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to these interim financial statements.

RAYA INTERNATIONAL BERHAD

(Company No: 412406-T)

(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

A EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134

A1 Basis of preparation

The interim financial report has been prepared in accordance with MFRS 134, Interim Financial Reporting and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market.

This interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2015. The explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the financial year ended 31 December 2015.

A2 Significant accounting policies

The significant accounting policies and methods adopted by the Group in the preparation of this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2015 except for the adoption of the following Amendments and Annual Improvement to Standards.

Adoption of Amendments and Annual Improvements to Standards

MFRS 14	Regulatory Deferral Accounts
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 116 and MFRS 138	Property, Plant and Equipment and Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Property, Plant and Equipment and Agriculture - Bearer Plants
Annual Improvements to MFRSs 2012 - 2014 Cycle	
Amendments to MFRS 101	Presentation of Financial Statements - Disclosure Initiative
Amendments to MFRS 10, MFRS 12 and MFRS 128	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception

The adoption of the above pronouncements did not have any impact on the financial statements of the Group.

MFRS and Amendments to MFRSs issued but not yet effective for the current financial year

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

Effective for financial periods beginning on or after 1 January 2018:

MFRS 9	Financial Instruments (IFRS 9 issued by International Accounting Standards Board ("IASB") in July 2014)
MFRS 15	Revenue from Contracts with Customers
Clarifications to MFRS 15 Revenue Contracts with Customers	
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions

MFRS and Amendments to MFRSs issued but not yet effective for the current financial year (Cont'd)

Effective for financial periods beginning on or after 1 January 2019:

MFRS 16

Leases

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application.

As at the date of authorisation of the Interim Report, the Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture were issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective and have not been adopted by the Group as they are not relevant to the Group. The effective dates of these Standards have been deferred, and are yet to be announced by MASB. The Group will adopt these Standards when they become effective and if they are applicable.

A3 Auditors' report of preceding annual financial statements

The audit report of the preceding annual financial statements was not subject to any qualification.

A4 Seasonality or cyclical

The Group's interim operations were not affected by seasonal or cyclical factors.

A5 Unusual items

During the current quarter under review, there were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence.

A6 Material changes in estimates

There were no major changes in the estimates of amounts reported in prior interim periods of the current financial year or in prior financial years that have had a material effect on the results in the quarter under review.

A7 Debt and equity securities

There were no major issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the quarter under review.

A8 Dividends

No dividend has been declared or paid during the period under review.

A9 Segment information

BUSINESS SEGMENTS	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED	QUARTER ENDED	PERIOD ENDED	PERIOD ENDED
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	RM('000)	RM('000)	RM('000)	RM('000)
<u>Segment Revenue</u>				
Oil Trading Services	20,170	-	50,231	-
Air Filtration System, Fast Moving Consumer Products & Ancillary Support Services, General Trading & Services	-	300	7	13,902
Consultancy Services	-	-	15	-
Total including inter-segment sales	20,170	300	50,253	13,902
Elimination of inter-segment sales	-	-	-	-
Total Revenue	20,170	300	50,253	13,902

Segment Profit/(Loss) Before Tax

Oil Trading Services	221	-	476	-
Investment Holding	(183)	18	(424)	37
Air Filtration System, Fast Moving Consumer Products & Ancillary Support Services, General Trading & Services	(10)	169	(13)	200
Consultancy Services	-	-	13	-
Total Profit Before Tax	28	187	52	237

A10 Valuation of property, plant and equipment

There has been no revaluation of property, plant & equipment during the current financial period.

A11 Subsequent material events

There were no material events subsequent to the end of the quarter under review which is likely to substantially affect the results of the operations of the Group.

A12 Changes in the composition of the Group

There were no changes in the composition of the Group during the quarter under review.

A13 Contingencies

There were no contingent liabilities or contingent assets arising since 31 December 2015.

A14 Capital commitments

The Group does not have any capital commitment as at 30 September 2016.

A15 Significant related party transactions

There were no significant related party transactions during the quarter under review.

A16 Profit before taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30 September 2016 RM('000)	QUARTER ENDED 30 September 2015 RM('000)	PERIOD ENDED 30 September 2016 RM('000)	PERIOD ENDED 30 September 2015 RM('000)
Profit before tax is arrived at after charging/(crediting) the following				
(a) Other income (interest income)	5	N/A	5	N/A
(b) Depreciation and amortisation	9	30	32	85
(c) Deposits written off	N/A	N/A	N/A	N/A
(d) Impairment loss on receivables	N/A	N/A	N/A	N/A
(e) Bad debts written off	N/A	N/A	N/A	N/A
(f) Provision for inventories	N/A	N/A	N/A	N/A
(g) Inventories written off/down	N/A	N/A	4	N/A
(h) (Gain)/Loss on disposal of quoted/unquoted investments	N/A	N/A	N/A	N/A
(i) (Gain)/Loss on disposal of assets	N/A	N/A	N/A	(14)
(j) Impairment of goodwill on consolidation	N/A	N/A	N/A	N/A
(k) Foreign exchange (gain)/loss	(30)	N/A	(30)	N/A
(l) Loss on derivatives	N/A	N/A	N/A	N/A
(m) Interest expenses	N/A	33	N/A	237
(n) Unusual items	N/A	N/A	N/A	N/A

RAYA INTERNATIONAL BERHAD

(Company No: 412406-T)

(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

NOTES

B ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING REQUIREMENTS

B1 Review of performance

For the current quarter, the Group recorded a significant increase in revenue of RM20million as compared to RM300k reported in the same quarter preceding year mainly due to the higher volume of oil trading as the Group concentrates on this segment. Despite the significant hike in the revenue, the Group posted a lower profit before tax of RM28k, a decline of RM159k as compared to the same quarter of the preceding year. The drop in the profit before tax is mainly due to lower margins earned from oil trading. The decline in profit before tax is also due to lower operating income earned during the current quarter which is attributable to no waiver of shareholders advances was recorded in the current quarter as opposed to a RM320k recorded in the previous year corresponding quarter.

B2 Variation of results against preceding quarter

	Current quarter 30 September 2016 RM'000	Preceding quarter 30 June 2016 RM'000
Revenue	20,170	20,231
Profit before tax	28	19

As compared to the previous quarter, there is no significant change in the revenue of the Group which saw a slight decrease of RM61k. The Group has however, reported a higher profit before tax for the current quarter due to higher foreign exchange gain arising from its oil trading activities.

B3 Prospects for current financial year

In building a long term sustainable business model, the Group has diversified its principal activities to include oil bunkering and trading in oil products to increase the revenue streams and enhance the prospects of the Group. The Group's strategy is to diversify into oil bunkering and trading of oil products which have consistent demand and growth prospects, instead of depending on the trading of water filtration components and fast moving consumer goods activities.

The Group expects to continue to face challenges in its water filter trading activities for the coming financial year due to competition from cheaper products in the market. The management is also of the view that prospects for trading and distribution of fast moving consumer goods for flood aid victims is highly dependent on weather and availability of government aid programs, and is thus unpredictable and cannot be depended upon as a sustainable business.

B4 Profit forecast and profit guarantee

Not applicable as the Group has not previously provided a profit forecast in a public document or a profit guarantee.

B5 Taxation

No provision for income tax has been made during the current quarter as the Group has sufficient unutilised tax losses to set off the tax payable.

B6 Unquoted investments and properties

There were no acquisitions or disposals of unquoted investments or properties during the financial quarter under review.

B7 Quoted and marketable securities

The Group does not hold any quoted or marketable securities as at 30 September 2016. There were no purchases or disposals of quoted securities for the current quarter.

B8 Status of corporate proposal

There were no corporate proposals undertaken by the Group during the period under review other than as follow:

i) *Private Placement*

On 28 December 2015, the Company completed its private placement exercise of 13,041,138 new ordinary shares of RM0.10 each in the Company representing approximately 10 % of the existing issued and paid-up share capital of the Company at RM0.15 per share.

The utilisation of proceeds from the above private placement is as follows:

Purpose	Proposed Utilisation RM('000)	Actual Utilisation as at 30 September 2016 RM('000)	Balance Unutilised RM('000)
General trading business	1,060	409	651
Application of Petroleum Development Act, licenses and related expenses for oil bunkering activity	294	409	(115)
Working capital	533	461	72
Estimated expenses in relation to the Private Placement	69	95	(26)
	<u>1,956</u>	<u>1,374</u>	<u>582</u>

ii) *Purposed Diversification and Proposed Special Bumiputera Issue*

On 4 February 2016, the Company announced a proposal to undertake the following:

- Proposed diversification of the principal activities of Raya and its subsidiaries to include oil bunkering and trading of oil related products;
- Proposed special bumiputera issue of up to 20,500,000 Raya Shares representing approximately 12.5% of the issued and paid up share capital of Raya, to bumiputera investors to be identified and/or approved by the Ministry of International Trade and Industry ("MITI") ("Proposed Special Bumiputera Issue");

The above proposals had been approved by the relevant authorities and shareholders. On 26 October 2016, the Company had completed the issuance of a first tranche of 12,500,000 new Raya Shares at RM0.16 as part of the Proposed Special Bumiputra Issue. The Company completed the issuance of the balance 8,000,000 new shares at RM0.16 per share on 8 November 2016.

B9 Group borrowings and debt securities

The following are the bank borrowings of the Group as at 30 September 2016:

	As at 30 September 2016 RM'000	As at 30 September 2015 RM'000
Short-Term Borrowings:		
Bank Overdraft	-	702
Term Loan (Secured)	-	223
Total	<u>-</u>	<u>925</u>
Non Current Borrowings:		
Term Loan (Secured)	-	3,681
Total	<u>-</u>	<u>3,681</u>

B10 Material litigation

As at the date of this report, the Group has no material litigation which will materially and adversely affect the position or business of the Group.

B11 Dividends

The Directors do not recommend the payment of any dividend in respect of the current financial period.

B12 Earnings per share

	Individual quarter ended 30 September 2016	Individual quarter ended 30 September 2015	Cumulative period ended 30 September 2016	Cumulative period ended 30 September 2015
Basic Earnings Per Share				
Profit for the period (RM'000)	28	187	52	237
Weighted Average Number of Ordinary Shares in Issue('000)	143,452	130,410	143,452	130,410
Basic Earnings Per Share (sen)	<u>0.02</u>	<u>0.14</u>	<u>0.04</u>	<u>0.18</u>

Basic earnings per share is calculated by dividing the net profit for the period under review by the weighted average number of ordinary shares in issue during the period.

The Company does not have any financial instrument in issue or other contract that may entitle its holder to ordinary share which may dilute its basic earnings per share.

B13 Realised and Unrealised Profits

Supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad are as follow:

	As at 30 September 2016 RM '000	As at 30 September 2015 RM '000
Total accumulated profits/(losses) of the Company and its subsidiaries:		
- Realised	(16,547)	(18,614)
- Unrealised	-	53
	<u>(16,547)</u>	<u>(18,561)</u>
Add: Consolidation adjustments	914	919
Total group accumulated losses as per consolidated accounts	<u>(15,633)</u>	<u>(17,642)</u>

By Order of the Board

Dato' Tan Seng Hu
Managing Director
Kuala Lumpur

Date: 9 November 2016