

RALCO CORPORATION BERHAD (199501003907 (333101-V))

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For financial year ended 31 December 2019 - unaudited

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER 31/12/2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/12/2018 RM'000	CURRENT PERIOD 31/12/2019 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/12/2018 RM'000
Gross revenue	13,139	16,008	55,283	71,256
Cost of sales	(12,175)	(17,338)	(53,233)	(72,144)
Gross profit/(loss)	964	(1,330)	2,050	(888)
Other operating income	846	74	3,624	261
Selling & Distribution expenses	(356)	(668)	(1,728)	(2,284)
Administrative and general expenses	(3,679)	(1,805)	(7,268)	(6,255)
Results from operating activities	(2,225)	(3,729)	(3,322)	(9,166)
Finance costs	(326)	(249)	(971)	(793)
Loss before tax	(2,551)	(3,978)	(4,293)	(9,959)
Tax expense	1,747	561	1,751	552
Loss after taxation	(804)	(3,417)	(2,542)	(9,407)
Other comprehensive income for the period	-	21,302	-	21,302
Total comprehensive (expense)/income for the period	(804)	17,885	(2,542)	11,895
Loss after taxation attributable to:				
Equity holders of the parent	(804)	(3,417)	(2,542)	(9,407)
Minority interests	-	-	-	-
Loss after taxation	(804)	(3,417)	(2,542)	(9,407)
Total comprehensive (expenses)/income attributable to :				
Equity holders of the parent	(804)	17,885	(2,542)	11,895
Minority interests	-	-	-	-
Total comprehensive (expenses)/income for the period	(804)	17,885	(2,542)	11,895
Basic loss per share (sen)	(1.74)	(7.40)	(5.51)	(20.37)

RALCO CORPORATION BERHAD (199501003907 (333101-V))
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

The figures have not been audited.

	AS AT 31/12/2019 UNAUDITED RM'000	AS AT 31/12/2018 AUDITED RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	15,400	56,817
Right-of-use assets	39,205	-
	<u>54,605</u>	<u>56,817</u>
Current Assets		
Inventories	10,589	13,320
Trade and other receivables	11,513	15,180
Others assets	825	422
Tax recoverable	26	57
Cash and bank balances	2,056	1,608
	<u>25,009</u>	<u>30,587</u>
TOTAL ASSETS	<u>79,614</u>	<u>87,404</u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of The Parent		
Share capital	43,576	43,576
Right Issue - warrants	407	407
Revaluation Reserve	20,795	21,302
Accumulated loss	(24,118)	(22,076)
Total Equity	<u>40,660</u>	<u>43,209</u>
Minority Interest	-	-
	<u>40,660</u>	<u>43,209</u>
Non-Current Liabilities		
Lease liability	35	-
Other Payables	12,527	-
Hire Purchase	2,662	3,910
Deferred Tax	5,621	7,429
	<u>20,845</u>	<u>11,339</u>
Current Liabilities		
Lease liability	131	-
Trade and other payables	11,975	21,710
Bill payable	4,295	9,579
Hire Purchase	1,663	1,558
Amount owing to a Director	1	1
Tax liability	44	8
	<u>18,109</u>	<u>32,856</u>
Total Liabilities	<u>38,954</u>	<u>44,195</u>
TOTAL EQUITY AND LIABILITIES	<u>79,614</u>	<u>87,404</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	<u><u>0.88</u></u>	<u><u>0.94</u></u>

(The condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2018 and the accompanying explanatory notes attached to the Interim Financial Statements)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

The figures have not been audited.

	----- Attributable to equity holders of the parent -----				Total	Minority interest	Total equity
	Share capital	Right Issue Warrants	Revaluation Reserve	Unappropriated profit			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018	41,981	407	-	(12,669)	29,719	-	29,719
Issuance of shares via private placement	1,595	-	-	-	1,595	-	1,595
Net loss for the period	-	-	-	(9,407)	(9,407)	-	(9,407)
Other comprehensive income	-	-	21,302	-	21,302	-	21,302
Total comprehensive (expense)/income	-	-	-	(9,407)	11,895	-	11,895
At 31 December 2018	43,576	407	21,302	(22,076)	43,209	-	43,209
Balance as at 31.12.2018/1.1.2019, as previously reported	43,576	407	21,302	(22,076)	43,209	-	43,209
Effect of adoption of MFRS 16	-	-	-	(7)	(7)	-	(7)
Balance as at 31.12.2018/1.1.2019, restated	43,576	407	21,302	(22,083)	43,202	-	43,202
Realisation of revaluation reserve	-	-	(507)	507	-	-	-
Net loss for the period	-	-	-	(2,542)	(2,542)	-	(2,542)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	(2,542)	(2,542)	-	(2,542)
At 31 December 2019	43,576	407	20,795	(24,118)	40,660	-	40,660

(The condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2018 and the accompanying explanatory notes attached to the Interim Financial Statements)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

The figures have not been audited.

	CURRENT YEAR ENDED 31/12/2019 RM'000	PRECEDING YEAR ENDED 31/12/2018 RM'000
Loss before tax	(4,293)	(9,959)
Adjustments for:		
Bad debt written off	-	13
Depreciation of property, plant and equipment	2,995	3,359
Depreciation of right-of-use assets	1,193	-
Impairment loss on receivables	1,568	339
Loss/(Gain) on disposal of property, plant and equipment	558	(137)
Interest expenses	971	793
Interest income	(11)	(15)
Inventories written down	777	91
Impairment loss on receivables no longer required	-	(18)
Fair Value Adjustment on Other Payables	(2,964)	
Property, plant and equipment written off	122	21
Operating profit/(loss) before changes in working capital	916	(5,513)
Changes in working capital		
Decrease in inventories	1,953	56
Decrease in trade & other receivables	2,099	3,433
(Increase)/Decrease in Others assets	(401)	99
Decrease in Amount due to a director	-	1
Increase in trade & other payables	5,754	4,399
Cash generated from operations	10,321	2,475
Interest received	11	15
Interest paid	(960)	(793)
Tax refund	61	13
Tax paid	(50)	(38)
Net cash generated from operating activities	9,383	1,672
Cash Flows from Investing Activities:		
Purchase of property, plant & equipment	(2,286)	(1,073)
Proceed from disposal of PPE	545	295
Net cash used in investing activities	(1,741)	(778)
Cash Flows from Financing Activities:		
Net repayment of hire purchase instalments	(1,760)	(803)
Net change in capital	-	1,595
Net repayment of bills payable	(5,284)	(1,191)
Payment of lease liabilities	(150)	-
Net cash used in financing activities	(7,194)	(399)
NET CHANGES IN CASH AND CASH EQUIVALENTS	448	495
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	1,608	1,113
CASH AND CASH EQUIVALENTS CARRIED FORWARD	2,056	1,608
Represented by:		
CASH AND BANK BALANCES	2,056	1,608
	2,056	1,608

(The condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2018 and the accompanying explanatory notes attached to the Interim Financial Statements)

RALCO CORPORATION BERHAD – (199501003907 (333101-V))

Unaudited Quarterly report on consolidated results for the financial year ended 31 December 2019

A) NOTES TO THE INTERIM FINANCIAL REPORT FOR FINANCIAL YEAR ENDED 31 DECEMBER 2019: 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 2018. 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 2018.

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 2018, 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 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

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Standards issued but not yet effective

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

There were no issuances, cancellations, repurchase, resale and repayment of debts and equity securities in the current financial period under review.

7. Dividend Paid

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

8. Segmental Reporting

12 Months Ended 31.12.2019	Plastic Product RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<u>REVENUE</u>				
External Sales	54,868	415	-	55,283
Inter-segment sales	-	1,825	(1,825)	-
Total revenue	<u>54,868</u>	<u>2,240</u>	<u>(1,825)</u>	<u>55,283</u>
<u>RESULT</u>				
Segment operating profit/(loss)	<u>(3,345)</u>	<u>2,318</u>	<u>(2,295)</u>	<u>(3,322)</u>
Finance cost	<u>(884)</u>	<u>(87)</u>		<u>(971)</u>
Loss for the financial period				(4,293)
Tax income				1,751
Net loss for the financial period				<u>(2,542)</u>

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Segmental Reporting (continued)

12 Months 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	70,246	2,835	(1,825)	71,256
<u>RESULT</u>				
Segment operating loss	(9,034)	(132)	-	(9,166)
Finance cost	(690)	(103)	-	(793)
Loss for the financial period				(9,959)
Tax expense				552
Net loss for the financial period				(9,407)

9. Valuation of Property, Plant and Equipment

There has been no revaluation of property, plant and equipment during the current quarter.

10. Material Subsequent Events

There were no changes during the financial period under review.

11. Changes in Composition of the Group

There were no changes during the financial period under review.

12. Contingent Liabilities or Contingent Assets

Contingent liabilities as at the reporting date are as follows:

**Financial
Year Ended
31.12.2019
RM'000**

Approved and contracted for:

- Acquisition of property, plant and equipment

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13. Material Litigation

● Ralco's wholly-owned subsidiary, Ralco Plastic Sdn Bhd (RPSB) issued a sealed Writ and Statement of Claim on 7 November 2018 to claim against one of its customers, S & M Edible Oil Sdn Bhd (S & M) to recover long overdue principal amount of RM708,989 together with interest as at 31.12.2018.

However, the customer filed a counter-claim on 31 December 2018 for quality of goods delivered and relevant damages suffered.

The quantum of claim and counter-claim are subject to dispute and are to be determined by the court upon examination of witnesses and evidences led through trial. The outcome of the claims between the Group and the customer is uncertain.

RPSB had filed its Reply to Defendant and Defendant's Counter Claim on 2 May 2019 and accordingly S & M had filed its reply on 22 May 2019.

RPSB had filed the Summary Judgement Application and Striking Out Application with the high court on 15 June 19 and accordingly served to S & M solicitors on 15 June 19.

RPSB filed the Plaintiff's Affidavits in Reply for the Summary Judgment Application and Striking Out Applications ("Applications") with the High Court ("Court") on 17 July 2019 and accordingly served to S & M Edible Oil (M) Sdn. Bhd.'s ("the Defendant") solicitors on 17 July 2019.

On 7 October 2019, the Court dismissed the Plaintiff's Applications for Summary Judgement and Striking Out and directed the Parties to proceed to trial.

RPSB had filed an appeal on the 31st.October,2019 against the Learned Judge's decision in dismissing the Plaintiff's Summary Judgment Application.

During the Case Management on 25 November 2019, the High Court Judge has fixed the next case management on 20 January 2020 for the parties to inform the status of the appeal at the Court of Appeal.

During the Case Management on 20 January 2020, the High Court Judge has fixed the next Case Management on 24 February 2020 pending the status of Ralco Plastic Sdn Bhd's appeal to the Court of Appeal.

Case Management on the Appellant's appeal on Enclosure 15 was held on 18 February 2020. The Court of Appeal has fixed the next Case Management on 18 March 2020, pending filing of the supplementary record of Appeal.

During the Case Management on 24 February 2020, the High Court Judge has fixed the next Case Management on 29 March 2020 pending the status of Ralco Plastic Sdn. Bhd' s appeal to the Court of Appeal.

● Ralco's wholly-owned subsidiary, Ralco Respack Polybag Sdn Bhd (RRPSB) had filed the writ of summons against Respack Manufacturing Sdn Bhd at the Shah Alam High Court on 21 February 2020 to recover long overdue amount of RM1,541,795.35 from Respack Manufacturing Sdn Bhd which included the interests at the rate of 1.5% per month until 31 Jan 2020 and interest at the rate of 5% per annum on the amount claimed from the filing date of the writ of summons until the date of full settlement with costs.

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Unaudited Quarterly report on consolidated results for the financial year ended 31 December 2019

NOTES TO THE INTERIM FINANCIAL REPORTING FOR THE 3RD QUARTER ENDED 31 DECEMBER 2019: EXPLANATORY NOTES IN COMPLIANCE WITH APPENDIX 9B PART A OF THE BMSB LISTING REQUIREMENTS

(1) Performance Review

Performance for the FPE 31 December 2019 versus the corresponding quarter in the FPE 31 December 2018

	Current Quarter Period Ended 31 December				Cumulative Quarter Year Ended 31 December			
	2019	2018	Var		2019	2018	Var	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	13,139	16,008	(2,869)	(18%)	55,283	71,256	(15,973)	(22%)
Profit/(Loss) Before Taxation	(2,551)	(3,978)	1,427	36%	(4,293)	(9,959)	5,666	57%

The Group's revenue for the current quarter three (3) months ended 31 December 2019 ("4Q2019") reduced by RM2.869 million or 18% compared to the corresponding quarter ended 31 December 2018 ("4Q2018"). The decrease in revenue was mainly due to the decline in demand from existing customers who are operating in palm oil sector.

The Group has incurred a loss before taxation of RM2.551 million in the current quarter ended 31 December 2019 as compared to a loss before taxation of RM3.978 million in corresponding quarter ended 31 December 2018. This improved performance was mainly due to lower cost of materials and better control on the factory overhead cost in the current quarter under review.

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

	Financial Quarter Ended		Variance	
	31.12.2019	30.9.2019	RM'000	%
	RM'000	RM'000		
Revenue	13,139	13,711	(572)	(4%)
Loss Before Tax	(2,551)	923	(3,474)	(376%)

The Group's revenue decreased by RM0.572 million from RM13.711 million in the preceding quarter to RM13.139 million for the current quarter under review. The Group has incurred a loss before taxation of RM2.551 million for the current quarter under review as compared to a profit before taxation of RM0.923 million in preceding quarter. This declining performance in current quarter under review was mainly due to previous quarter's recognition of fair value gain RM2.964 million on the adjustment of other payables, the Group's current quarter impairment of receivables RM1.568 million and the Group's current quarter write-down of inventory RM0.77 million. Otherwise, the Group's current quarter performance would have improved by RM1.828 million compared to previous quarter.

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Unaudited Quarterly report on consolidated results for the financial year ended 31 December 2019

(3) Prospects for Year 2020

Raw material costs are expected to rise in tandem with higher crude oil prices and volatile foreign currency exchange rates. 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 31		Year Ended 31 December	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Taxation	1,747	561	1,751	552

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 announced but not completed as at the date of quarterly report.

(7) Group Borrowings and Debts Securities

Total Group borrowings as at 31 December 2019 are as follows:

	Current Quarter Ended 31.12.2019 RM'000
Short term borrowings	
Secured:	
Bill payable	4,295
Hire purchases	1,663
	<hr/>
	5,958
Long term borrowings	
Secured:	
Hire purchases	2,662
	<hr/>
	2,662
Total borrowings	<hr/> <hr/>
	8,620

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Unaudited Quarterly report on consolidated results for the financial year ended 31 December 2019

(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 – (199501003907 (333101-V))

Unaudited Quarterly report on consolidated results for the financial year ended 31 December 2019

(10) Profit/(Loss) Before Taxation

	Current quarter ended 31 December		Cumulative quarter ended 31 December	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit for the period is arrived at after crediting/(charging)				
Impairment loss on receivables	(1,568)	(339)	(1,568)	(339)
Reversal of impairment loss on receivables	-	18	-	18
Gain/(loss) on disposal of property, plant and equipment	42	134	(558)	137
Property, plant & equipment written off	-	-	(122)	(21)
Inventory written off	-	-	-	-
Inventory written down	(777)	-	(777)	(91)
Interest income	3	3	11	15
Rental income	122	45	488	69
Realised gain/(loss) on foreign exchange	(17)	(147)	(147)	(286)
Unrealised gain/(loss) on foreign exchange	-	-	-	-
Gain on disposal of unquoted investment	-	-	-	-
Depreciation	(1,094)	(793)	(4,188)	(3,359)
Fair Value Adjustment on other payables	-	-	2,964	-
Interest expense	(326)	(249)	(971)	(793)

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

(11) Derivative Financial Instruments

There were no derivative financial instruments as at 31 December 2019.

(12) 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.

(13) AUDITORS REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the preceding Audited Financial Statements of the Company and its subsidiaries for the financial year ended 31 December 2018 contain an unqualified report.

RALCO CORPORATION BERHAD – (199501003907 (333101-V))

Unaudited Quarterly report on consolidated results for the financial year ended 31 December 2019

(14) CHANGES IN MATERIAL LITIGATION

Ralco's wholly-owned subsidiary, Ralco Plastic Sdn Bhd (RPSB) issued a sealed Writ and Statement of Claim on 7 November 2018 to claim against one of its customers, S & M Edible Oil Sdn Bhd (S & M) to recover long overdue principal amount of RM708,989 together with interest as at 31.12.2018.

However, the customer filed a counter-claim on 31 December 2018 for quality of goods delivered and relevant damages suffered.

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- Ralco's wholly-owned subsidiary, Ralco Respack Polybag Sdn Bhd (RRPSB) had filed the writ of summons against Respack Manufacturing Sdn Bhd at the Shah Alam High Court on 21 February 2020 to recover long overdue amount of RM1,541,795.35 from Respack Manufacturing Sdn Bhd which included the interests at the rate of 1.5% per month until 31 Jan 2020 and interest at the rate of 5% per annum on the amount claimed from the filing date of the writ of summons until the date of full settlement with costs.