

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For financial year ended 31 March 2020 - unaudited

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER 31/03/2020 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31/03/2019 RM'000	CURRENT PERIOD 31/03/2020 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31/03/2019 RM'000
Gross revenue	13,626	14,550	13,626	14,550
Cost of sales	(12,616)	(14,851)	(12,616)	(14,851)
Gross profit/(loss)	1,010	(301)	1,010	(301)
Other operating income	173	250	173	250
Selling & Distribution expenses	(422)	(480)	(422)	(480)
Administrative and general expenses	(1,301)	(1,222)	(1,301)	(1,222)
Results from operating activities	(540)	(1,753)	(540)	(1,753)
Finance costs	(292)	(257)	(292)	(257)
Loss before tax	(832)	(2,010)	(832)	(2,010)
Tax expense	(2)	(3)	(2)	(3)
Loss after taxation	(834)	(2,013)	(834)	(2,013)
Other comprehensive income for the period	-	-	-	-
Total comprehensive (expense)/income for the period	(834)	(2,013)	(834)	(2,013)
Loss after taxation attributable to:				
Equity holders of the parent	(834)	(2,013)	(834)	(2,013)
Minority interests	-	-	-	-
Loss after taxation	(834)	(2,013)	(834)	(2,013)
Total comprehensive (expenses)/income attributable to :				
Equity holders of the parent	(834)	(2,013)	(834)	(2,013)
Minority interests	-	-	-	-
Total comprehensive (expenses)/income for the period	(834)	(2,013)	(834)	(2,013)
Basic loss per share (sen)	(1.81)	(4.36)	(1.81)	(4.36)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

The figures have not been audited.

	AS AT 31/03/2020 UNAUDITED RM'000	AS AT 31/12/2019 AUDITED RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	13,406	13,965
Right-of-use assets	40,805	40,640
	<u>54,211</u>	<u>54,605</u>
Current Assets		
Inventories	9,649	10,589
Trade and other receivables	12,556	11,807
Others assets	898	531
Tax recoverable	28	26
Cash and bank balances	176	2,056
	<u>23,307</u>	<u>25,009</u>
TOTAL ASSETS	<u>77,518</u>	<u>79,614</u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of The Parent		
Share capital	43,576	43,576
Right Issue - warrants	-	-
Revaluation Reserve	20,795	20,795
Accumulated loss	(27,319)	(23,846)
Total Equity	<u>37,052</u>	<u>40,525</u>
Minority Interest	-	-
	<u>37,052</u>	<u>40,525</u>
Non-Current Liabilities		
Lease liability	-	35
Amount Owing To Related Parties	12,023	12,662
Hire Purchase	2,029	2,674
Deferred Tax	5,622	5,621
	<u>19,674</u>	<u>20,992</u>
Current Liabilities		
Lease liability	-	131
Trade and other payables	13,785	11,175
Bill payable	3,756	4,295
Hire Purchase	1,891	1,651
Amount Owing To Related Parties	1,300	800
Amount owing to a Director	-	1
Tax liability	60	44
	<u>20,792</u>	<u>18,097</u>
Total Liabilities	<u>40,466</u>	<u>39,089</u>
TOTAL EQUITY AND LIABILITIES	<u>77,518</u>	<u>79,614</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	<u><u>0.80</u></u>	<u><u>0.88</u></u>

(The condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2019 and the accompanying explanatory notes attached to the Interim Financial Statements)

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

The figures have not been audited.

	----- Attributable to equity holders of the parent -----				Total equity RM'000
	Share capital RM'000	Non-distributable Warrant Reserve RM'000	Revaluation Reserve RM'000	Accumulated Losses RM'000	
At 1 January 2019	43,576	407	21,302	(22,083)	43,202
Realisation of revaluation reserve	-	-	(507)	507	-
Transfer of warrant reserve to accumulated losses upon expiry	-	(407)	-	407	-
Net loss for the period	-	-	-	(2,677)	(2,677)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(2,677)	(2,677)
At 31 December 2019	43,576	-	20,795	(23,846)	40,525
Balance as at 31.12.2019, as previously reported	43,576	-	20,795	(23,846)	40,525
Realisation of revaluation reserve	-	-	-	-	-
Fair Value Adjustment	-	-	-	(2,638)	(2,638)
Net loss for the period	-	-	-	(834)	(834)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(834)	(834)
At 31 March 2020	43,576	-	20,795	(27,318)	37,053

(The condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2019 and the accompanying explanatory notes attached to the Interim Financial Statements)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

The figures have not been audited.

	CURRENT YEAR ENDED 31/03/2020 RM'000	PRECEDING YEAR ENDED 31/12/2019 RM'000
Loss before tax	(832)	(4,428)
Adjustments for:		
Bad debt written off	-	-
Depreciation of property, plant and equipment	615	2,863
Depreciation of right-of-use assets	-	1,324
Impairment loss on receivables	-	1,565
Loss/(Gain) on disposal of property, plant and equipment	-	558
Interest expenses	291	971
Interest income	(2)	(11)
Inventories written down	-	777
Impairment loss on receivables no longer required	-	-
Fair Value Adjustment on Other Payables	(129)	(2,964)
Property, plant and equipment written off	-	122
Operating profit/(loss) before changes in working capital	<u>(57)</u>	<u>777</u>
Changes in working capital		
Decrease in inventories	939	1,953
Decrease in trade & other receivables	(1,969)	1,808
(Increase)/Decrease in Others assets	(853)	(107)
Increase in amount owing to related parties	-	13,462
Increase/(Decrease) in trade & other payables	<u>1,518</u>	<u>(8,178)</u>
Cash generated from operations	(422)	9,715
Interest received	2	11
Interest paid	(291)	(970)
Tax refund	-	60
Tax paid	<u>(5)</u>	<u>(50)</u>
Net cash generated from operating activities	(716)	8,766
Cash Flows from Investing Activities:		
Purchase of property, plant & equipment	(220)	(1,868)
Proceed from disposal of PPE	<u>-</u>	<u>545</u>
Net cash used in investing activities	(220)	(1,323)
Cash Flows from Financing Activities:		
Net repayment of hire purchase instalments	(405)	(1,571)
Net change in capital	-	-
Net repayment of bills payable	(539)	(5,284)
Payment of lease liabilities	<u>-</u>	<u>(140)</u>
Net cash used in financing activities	(944)	(6,995)
NET CHANGES IN CASH AND CASH EQUIVALENTS	(1,880)	448
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	2,056	1,608
CASH AND CASH EQUIVALENTS CARRIED FORWARD	<u>176</u>	<u>2,056</u>
Represented by:		
CASH AND BANK BALANCES	176	2,056
	<u>176</u>	<u>2,056</u>

(The condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2019 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 March 2020

A) NOTES TO THE INTERIM FINANCIAL REPORT FOR FINANCIAL YEAR ENDED 31 MARCH 2020: 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 2019. 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 2019.

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 2019, 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**

3 Months Ended 31.03.2020	Plastic Product RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<u>REVENUE</u>				
External Sales	13,093	533	-	13,626
Inter-segment sales	-	456	(456)	-
Total revenue	<u>13,093</u>	<u>989</u>	<u>(456)</u>	<u>13,626</u>
<u>RESULT</u>				
Segment operating profit/(loss)	<u>(498)</u>	<u>(42)</u>	-	<u>(540)</u>
Finance cost	<u>(268)</u>	<u>(24)</u>		<u>(292)</u>
Loss for the financial period				(832)
Tax expense				(2)
Net loss for the financial period				<u>(834)</u>

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Segmental Reporting (continued)

12 Months Ended 31.12.2019	Plastic Product RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
REVENUE				
External Sales	54,868	415	-	55,283
Inter-segment sales	-	1,825	(1,825)	-
Total revenue	54,868	2,240	(1,825)	55,283
RESULT				
Segment operating loss	(3,553)	97	-	(3,456)
Finance cost	(884)	(87)	-	(971)
Loss for the financial period				(4,427)
Tax income				1,751
Net loss for the financial period				(2,676)

(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 31.03.2020 RM'000
Approved and contracted for:	
- Acquisition of property, plant and equipment	1,512

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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 (RMSB) at the Shah Alam High Court on 21 February 2020 to recover long overdue amount of RM1,541,795.35 from RMSB 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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NOTES TO THE INTERIM FINANCIAL REPORTING FOR THE 1ST QUARTER ENDED 31 MARCH 2020: EXPLANATORY NOTES IN COMPLIANCE WITH APPENDIX 9B PART A OF THE BMSB LISTING REQUIREMENTS

(1) Performance Review

Performance for the FPE 31 March 2020 versus the corresponding quarter in the FPE 31 March 2019

	Current Quarter Period Ended 31 March				Cumulative Quarter Year Ended 31 March			
	2020	2019	Var		2020	2019	Var	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	13,626	14,550	(924)	(6%)	13,626	14,550	(924)	(6%)
Profit/(Loss) Before Taxation	(832)	(2,010)	1,178	59%	(832)	(2,010)	1,178	59%

The Group's revenue for the current quarter three (3) months ended 31 March 2020 ("1Q2020") reduced by RM0.924 million or 6% compared to the corresponding quarter ended 31 March 2019 ("1Q2019"). The decrease in revenue was mainly due to the decline in demand from certain existing customers.

The Group has incurred a loss before taxation of RM0.832 million in 1Q2020 as compared to a loss before taxation of RM2.010 million in 1Q2019. This improved performance was mainly due to lower cost of raw materials and generally lower direct costs in line with the lower sales 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	
	31.03.2020	31.12.2019	RM'000	%
	RM'000	RM'000		
Revenue	13,626	13,140	486	3.7%
Loss Before Tax	(832)	(2,686)	1,854	69.0%

The Group's revenue increased by RM0.486 million from RM13.140 million in the preceding quarter to RM13.626 million for the current quarter under review. The Group has incurred a loss before taxation of RM0.832 million for the current quarter under review as compared to a loss before taxation of RM2.686 million in preceding quarter. This higher loss in the preceding quarter can be mainly attributable the provision for doubtful debts of RM1.568 million and the provision for slow moving inventories of RM0.777 million at year-end.

(3) Prospects for Year 2020

Raw material costs are expected to drop in tandem with declining crude oil prices offset by volatile foreign currency exchange rates. The Group will continue to operate under a challenging and competitive environment, especially due to uncertainties brought about by the Covid-19 pandemic. In this respect the Group will continue to focus its efforts to control costs, improve production efficiency and increase productivity.

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(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 March		Period Ended 31 March	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	RM'000	RM'000	RM'000	RM'000
Taxation	2	3	2	3

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 3rd June 2020 the Company announced that it proposes to undertake a private placement of up to 10% of the issued ordinary shares of the Company ("Proposed Private Placement").

The Proposed Private Placement will be undertaken in accordance with the general mandate pursuant to Section 75 of the Companies Act 2016 obtained from the shareholders of the Company at its 24th Annual General Meeting held on 13 June 2019, whereby the Board has been authorised to allot and issue new ordinary shares in Ralco not exceeding 10% of the issued ordinary shares of the Company (excluding treasury shares).

As of the date of this report, the exercise is in progress and the Company will make the necessary announcements on further developments as and when necessary.

(7) Group Borrowings and Debts Securities

Total Group borrowings as at 31 March 2020 are as follows:

	Current Quarter Ended 31.03.2020 RM'000
Short term borrowings	
Secured:	
Bill payable	3,756
Hire purchases	1,891
	<u>5,647</u>
Long term borrowings	
Secured:	
Bill payable	-
Hire purchases	2,029
	<u>2,029</u>
Total borrowings	<u>7,676</u>

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Unaudited Quarterly report on consolidated results for the financial year ended 31 March 2020

(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.

(10) **Profit/(Loss) Before Taxation**

	Current quarter ended		Cumulative quarter ended	
	31 March		31 March	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	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	-	(125)	-	(125)
Property, plant & equipment written off	-	-	-	-
Inventory written off	-	-	-	-
Interest income	2	3	2	3
Rental income	122	122	122	122
Realised gain/(loss) on foreign exchange	57	21	57	21
Unrealised gain/(loss) on foreign exchange	-	-	-	-
Gain on disposal of unquoted investment	-	-	-	-
Depreciation	(615)	(1,021)	(615)	(1,021)
Amortisation of prepaid lease payments	-	-	-	-
Interest expense	(291)	(257)	(291)	(257)

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

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

This disclosure note is no longer applicable.

(12) **Derivative Financial Instruments**

There were no derivative financial instruments as at 31 March 2020.

(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 March 2020.

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Unaudited Quarterly report on consolidated results for the financial year ended 31 March 2020

(14) 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 2019 contain an unqualified report.

(15) CHANGES IN MATERIAL LITIGATION

- Ralco Plastic Sdn Bhd (RPSB) claim against S & M Edible Oil Sdn Bhd (S & M)

The case is still ongoing and the latest development is that the Court has maintained 17 June 2020 in respect of the Appellant's appeal on Enclosure 15.

- Ralco Respack Polybag Sdn Bhd (RRPSB) against Respack Manufacturing Sdn Bhd (RMSE)

The case is still ongoing and the Court has given a new date for Case Management on 19 June 2020. The Defendant is to file the reply to the Court within two weeks after the end of the Conditional Movement Control Order (CMCO), i.e. on or before 23 June 2020.

The Company will make the necessary announcements on further developments of both the above matters as and when necessary.

