



RALCO CORPORATION BERHAD [199501003907 (333101-V)]
NOTES TO THE INTERIM FINANCIAL REPORT FOR THE 1ST QUARTER ENDED 31 MARCH 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

The figures have not been audited.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER ENDED 31-Mar-22 RM'000	PRECEDING YEAR QUARTER ENDED 31-Mar-21 RM'000	CURRENT YEAR QUARTER ENDED 31-Mar-22 RM'000	PRECEDING YEAR QUARTER ENDED 31-Mar-21 RM'000
Turnover	12,000	16,091	12,000	16,091
Cost of sales	(11,065)	(13,715)	(11,065)	(13,715)
Gross profit	935	2,376	935	2,376
Other operating income	126	28	126	28
Selling & Distribution expenses	(264)	(454)	(264)	(454)
Administrative and general expenses	(1,441)	(1,416)	(1,441)	(1,416)
Results from operating activities	(644)	534	(644)	534
Finance costs	(219)	(224)	(219)	(224)
Profit/(Loss) before tax	(863)	310	(863)	310
Tax expense	(32)	-	(32)	-
Profit/(Loss) after taxation	(895)	310	(895)	310
Other comprehensive Income/(Loss)	-	-	-	-
Total comprehensive Income/(Loss)	(895)	310	(895)	310
Profit / (Loss) attributable to:				
Equity holders of the parent	(895)	310	(895)	310
Minority interests	-	-	-	-
	(895)	310	(895)	310
Total comprehensive Income/(Loss) attributable to :				
Equity holders of the parent	(895)	310	(895)	310
Minority interests	-	-	-	-
Total comprehensive Income/(Loss)	(895)	310	(895)	310
Basic earnings/(loss) per share (sen)	(1.76)	0.61	(1.76)	0.61

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2021 and the accompanying explanatory notes attached to the Interim Financial Statement.

RALCO CORPORATION BERHAD [199501003907 (333101-V)]
NOTES TO THE INTERIM FINANCIAL REPORT FOR THE 1ST QUARTER ENDED 31 MARCH 2022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

The figures have not been audited.

	As At 31 March 2022 (Unaudited) RM'000	As At 31 December 2021 (Audited) RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	15,182	14,324
Right-of-use assets	38,629	38,944
	<u>53,811</u>	<u>53,268</u>
Current Assets		
Inventories	10,544	10,269
Trade and other receivables	10,506	8,989
Others assets	1,830	1,113
Cash and bank balances	2,067	2,961
	<u>24,947</u>	<u>23,332</u>
TOTAL ASSETS	<u>78,758</u>	<u>76,600</u>
EQUITY AND LIABILITIES		
Share capital	44,962	44,962
Revaluation Reserve	19,781	19,781
Accumulated losses	(22,693)	(21,697)
Total Equity	<u>42,050</u>	<u>43,046</u>
Non-Current Liabilities		
Lease liability	-	-
Amount Owing To Related Parties	13,089	12,888
Hire Purchase	1,101	1,264
Deferred Tax	5,958	5,958
	<u>20,148</u>	<u>20,110</u>
Current Liabilities		
Trade and other payables	10,503	6,349
Bill payable	1,781	2,657
Hire Purchase	811	985
Amount Owing To Related Parties	3,450	3,450
Tax liability	15	3
	<u>16,560</u>	<u>13,444</u>
Total Liabilities	<u>36,708</u>	<u>33,554</u>
TOTAL EQUITY AND LIABILITIES	<u>78,758</u>	<u>76,600</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	<u>0.83</u>	<u>0.85</u>

The condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2021 and the accompanying explanatory notes attached to the Interim Financial Statements

RALCO CORPORATION BERHAD [199501003907 (333101-V)]
NOTES TO THE INTERIM FINANCIAL REPORT FOR THE 1ST QUARTER ENDED 31 MARCH 2022

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

The figures have not been audited.

	← Attributable to equity holders of the parent →			
	Share capital RM'000	Revaluation Reserve RM'000	Accumulated Losses RM'000	Total Equity RM'000
At 1 January 2021	44,962	20,288	(23,207)	42,043
Issuance of Shares	-	-	-	-
Realisation of revaluation reserve	-	(507)	507	-
Net profit/(loss) for the year	-	-	1,003	1,003
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive income/(loss)	-	-	1,003	1,003
At 31 December 2021	<u>44,962</u>	<u>19,781</u>	<u>(21,697)</u>	<u>43,046</u>
Balance as at 31.12.2021, as previously reported	44,962	19,781	(21,697)	43,046
Realisation of revaluation reserve	-	-	-	-
Net profit/(loss) for the quarter	-	-	(996)	(996)
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive income/(loss)	-	-	(996)	(996)
At 31 March 2022	<u>44,962</u>	<u>19,781</u>	<u>(22,693)</u>	<u>42,050</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 2021 and the accompanying explanatory notes attached to the Interim Financial Statement.

RALCO CORPORATION BERHAD [199501003907 (333101-V)]
NOTES TO THE INTERIM FINANCIAL REPORT FOR THE 1ST QUARTER ENDED 31 MARCH 2022

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

The figures have not been audited.

	CURRENT PERIOD ENDED 31-Mar-22 (Unaudited) RM'000	PRECEDING YEAR ENDED 31-Dec-21 (Audited) RM'000
Profit/(Loss) before tax	(863)	1,262
Adjustments for:		
Depreciation of property, plant and equipment	297	1,047
Depreciation of right-of-use assets	332	1,326
Impairment loss on receivables	-	67
Gain on disposal of property, plant and equipment	-	(41)
Interest expenses	219	903
Interest income	(6)	(198)
Inventories reversed	-	-
Impairment loss on receivables no longer required	-	(648)
Unrealised loss on foreign exchange	-	-
Operating profit before changes in working capital	(21)	3,718
Changes in working capital		
(Increase)/Decrease in inventories	(275)	(820)
Decrease/(Increase) in trade & other receivables	(1,516)	4,788
Decrease/(Increase) in others assets	(717)	452
(Decrease)/Increase in amount owing to related parties	65	(1,122)
Decrease in trade & other payables	4,188	(3,093)
Cash generated from operations	1,724	3,923
Interest received	6	198
Interest paid	(219)	(903)
Tax refund	-	-
Tax paid	(20)	(221)
Net cash generated from operating activities	1,491	2,997
Cash Flows from Investing Activities:		
Purchase of property, plant & equipment	(1,172)	(2,680)
Proceed from disposal of PPE	-	44
Net cash used in investing activities	(1,172)	(2,636)
Cash Flows from Financing Activities:		
Net repayment of hire purchase instalments	(337)	(550)
Proceeds from issuance of ordinary shares	-	-
Net repayment of bills payable	(876)	(543)
Payment of lease liabilities	-	-
Net cash used in financing activities	(1,213)	(1,093)
NET CHANGES IN CASH AND CASH EQUIVALENTS	(894)	(732)
Effect of foreign exchange differences	-	-
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	2,961	3,693
CASH AND CASH EQUIVALENTS CARRIED FORWARD	2,067	2,961
Represented by:		
CASH AND BANK BALANCES	2,067	2,961
	2,067	2,961

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2021 and the accompanying explanatory notes attached to the Interim Financial Statements

A) EXPLANATORY NOTES IN COMPLIANCE TO MFRS 134 ON INTERIM FINANCIAL REPORTING

(1) Basis of Preparation

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 2021. 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 2021.

(2) Summary of significant accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2020, except for the adoption of the following new and revised Malaysian Financial Reporting Standards (“MFRS”), amendments to MFRSs and Issue Committee Interpretations (“IC Interpretations”):

a.) New and revised MFRSs, Amendments to MFRSs and IC Interpretations adopted during the financial year.

Title	Effective Date
<i>Interest Rate Benchmark Reform – Phase 2</i> (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021
Amendments to MFRS 16 Covid-19 Related Rent Concessions beyond 30 June 2021	1 April 2021

The adoption of the abovementioned new and revised MFRSs, IC Interpretations and Amendments have no significant impact to the Group’s consolidated financial statements of the current financial period under review or the comparative consolidated financial statements of the prior financial year.

b.) New and revised MFRSs, Amendments to MFRSs and IC Interpretations to be effective after 1 January 2022.

Title	Effective Date
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
<i>Disclosure of Accounting Policies</i> (Amendments to MFRS 101 Presentation of Financial Statements)	1 January 2023
<i>Definition of Accounting Estimates</i> (Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)	1 January 2023
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group intends to adopt the above MFRSs when they become effective.

(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 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 31.03.2022	Plastic Product RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<u>REVENUE</u>				
External Sales	11,916	84	-	12,000
Inter-segment sales	-	546	(546)	-
Total revenue	11,916	630	(546)	12,000

RESULT

Segment operating profit/(loss)	(692)	49	-	(643)
Finance cost	(209)	(11)	-	(220)
Profit for the financial period	(901)	38	-	(863)
Tax expense				(32)
Net profit/(loss) for the financial period				(895)

3 Months Ended 31.03.2021	Plastic Product RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
<u>REVENUE</u>				
External Sales	16,024	67	-	16,091
Inter-segment sales	-	456	(456)	-
Total revenue	16,024	523	(456)	16,091

RESULT

Segment operating loss	507	27	-	534
Finance cost	(207)	(17)	-	(224)
Profit for the financial period	300	10	-	310
Tax expense				-
Net profit the financial period				310

(9) **Valuation of Property, Plant and Equipment**

There was no revaluation of property, plant and equipment during the current financial quarter.

(10) **Material Subsequent Events**

There were no material events arose subsequent from the end of the current financial quarter up to the date of this interim financial report.

(11) **Changes in Composition of the Group**

There were no changes the composition of the Group during the financial period under review.

(12) **Capital Commitment**

The group did not have any material commitment for contracted capital expenditure which might have a material impact to the financial position of the Group except as disclosed below:

	As At 31 March 2022 RM'000	As At 31 December 2021 RM'000
Capital Expenditure		
Approved and contracted for :		
Plant and Equipment	<u>1,667</u>	<u>1,679</u>
Approved and not contracted for :		
Plant and Equipment	<u>1,667</u>	<u>1,946</u>

(13) **Contingent Liabilities or Contingent Assets**

There were no significant contingent liabilities or contingent assets for the Group at the end of current financial period.

(14) **Significant Related Party Disclosure**

The significant related party transactions undertaken during the financial period were as below:

	As at 31 March 2022 RM'000	As at 31 December 2021 RM'000
(Repayment)/Advances from companies in which a director has interest	<u>0</u>	<u>(901)</u>

(15) **Material Litigation**

● 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.

On 14 May 2020 the High Court gave a new date for Case Management on 19 June 2020 and RMSB shall 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.

On 23 June 2020 the Court has directed RMSB to file the Statement of Defence on or before 26 June 2020 and RRPSB to file the Statement of Reply to the RMSB on or before 10 July 2020. The next Case Management was postponed to 13 July 2020.

On 13 July 2020 RRPSB has requested for extension of time to file the Statement of Reply on 17 July 2020 and the Case Management was fixed on 23 July 2020.

The Court has further directed RRPSB to file the Statement of Reply on or before 21 August 2020 and the Case Management has been fixed on 24 August 2020.

On 4 September 2020 RRPSB has file the reply and Defence to the Counterclaim as directed by the Court.

RMSB has filed an application for leave to file rejoinder and reply to RRPSB's reply and Defence to Counterclaim pursuant to Order 18 rule 4 Rules of Court 2012. The Court has directed that the Defendant's Application's (Enclosure 11) supporting the affidavit is to be filed on or before 24 September 2020 and the hearing for the application was fixed on 29 September 2020 through e-review.

Further Case Management for the main suit was fixed on 15 October 2020 for pre-trial directions.

The Court has directed Parties to file and exchange the witness statement of all witnesses on or before 25 Apr 2022. Trial date has been fixed on 17 May 2022 and the hearing by way of zoom.

Shah Alam High Court has on 17 May 2022, recorded a consent judgment for a full and final global settlement sum of RM220,026.50 wherein the said settlement sum shall be paid by the Company's subsidiary, Ralco Respack Polybag Sdn. Bhd. i.e (Plaintiff) in four (4) installments to the Defendant, Respack Manufacturing Sdn. Bhd. on/before 1st December 2022

B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA SECURITIES LISTING REQUIREMENT

(1) Performance Review

Performance for the financial period ended 31 March 2022 as compared with the financial period ended 31 March 2021

	Individual Quarter Ended 31 March				Cumulative Quarter Ended 31 March			
	2022 RM'000	2021 RM'000	RM'000	Var %	2022 RM'000	2021 RM'000	RM'000	Var %
Revenue	12,000	16,091	(4,091)	-25%	12,000	16,091	(4,091)	-25%
Profit/(Loss) Before Taxation	(863)	310	(1,173)	>100%	(863)	310	(1,173)	>100%

Current 1st Quarter 2022 Vs Previous 1st Quarter 2021

The Group's Revenue for the 1st Quarter ended 31 March 2022 decreased by RM4 million or 25% as compared to the preceding period corresponding 1st quarter ended 31 March 2021. The decrease in Revenue was mainly due to lower demand of both injection and blowing moulding products during the current period ended 31 March 2022 coupled with higher operating cost.

With the decrease in Revenue and coupled with higher cost of production, the Group recorded a Loss Before Taxation of RM863,000 in the current quarter as compared to a Profit Before Taxation of RM310,000 in the preceding period corresponding 1st Quarter. The decrease in profit before tax was mainly due to the decrease in sales revenue coupled with higher operating cost.

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

	Individual Quarter		Variance	
	31/03/2022 RM'000	31/12/2021 RM'000	RM'000	%
Revenue	12,000	10,590	1,410	13%
Profit/(Loss) Before Tax	(863)	141	(1,004)	(>100%)

The Group's Revenue for the current 1st Quarter ended 31 March 2022 increased by RM1.41 million or 13% as compared to the preceding 4th Quarter ended 31 December 2021. The increase in revenue was mainly due to higher demand of both injection and blowing moulding products.

The Group recorded a Loss Before Tax of RM0.863 million in the Current 1st Quarter as compared to a Profit Before Taxation of RM0.141 million for the preceding 4th Quarter ended 31 December 2021. This was mainly due to the global increase in raw material cost and operational cost impacted by the Russo-Ukrainian War. The average selling price (ASP) maintained at old rate and not in tandem with the increase in raw material price which caused a lower profit margin as compared to the preceding 4th Quarter ended 31 December 2021.

(3) **Commentary on Prospects and outlook**

First quarter of 2022 was very challenging due to the steep increase in resin prices of approximately 34.6% coupled with TNB's electricity increase from in Feb of 13.5% all due to the sudden increase in petroleum prices. Despite all that, Ralco managed to buffer the impact by improving operational efficiency and utilizing resin and finished goods stock.

The second quarter of 2022 remains challenging, but Ralco expects improvements as we started working with an efficient subcontractor for blow moulding production, increased sales from new contracts secured and also realizing the benefits of improved operational efficiency and improved resin purchasing.

(4) **Variance from profit forecast**

No profit forecast was issued during the financial period under review.

(5) **Trade Receivables**

The credit terms of trade receivables ranged from 0 to 90 days. The aging analysis of trade receivables as at the reporting period was as follows:

Not past due	6,606	5,010
Past due 1 - 30 days	1,976	1,120
Past due 31 - 90 days	538	594
Past due more than 90 days	272	238
	<u>9,392</u>	<u>6,962</u>
Less : Loss allowance	-	-
Add : Other receivables	1,114	2,027
Total	<u><u>10,506</u></u>	<u><u>8,989</u></u>

Trade receivables which are past due as listed above, are not impaired as the Management has assessed these balances and believes that they are recoverable.

(6) **Taxation**

Tax comprises:

	Individual Quarter		Cumulative Quarter	
	31/03/2022	31/03/2021	31/03/2022	31/03/2021
	RM'000	RM'000	RM'000	RM'000
Taxation	(32)	-	(32)	-
Deferred Tax	-	-	-	-
	<u>(32)</u>	<u>-</u>	<u>(32)</u>	<u>-</u>

The Group's effective tax rate was lower than the statutory tax rate mainly due to the availability of Group's unabsorbed tax losses, unutilized capital allowances and reinvestment allowances for set-off against future chargeable income.

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

As at the latest practicable date, 25 May 2022, there was no corporate proposal announced and not completed in the current quarter and financial year-to-date.

(8) **Group Borrowings and Debts Securities**

Total Group borrowings as at 31 March 2022 are as follows:

	As At 31/03/2022 RM'000	As At 31/12/2021 RM'000
Short term borrowings		
Secured:		
Bill payable	1,781	2,657
Hire purchase and lease liabilities	811	985
	2,592	3,642
Long term borrowings		
Secured:		
Hire purchase and lease liabilities	1,101	1,264
	1,101	1,264
Total borrowings	3,693	4,906

(9) **Dividend**

No interim dividend has been proposed by the Board of Director in the current financial period.

(10) **Earnings Per Share**

(a) **Basic Earnings/(Loss) Per Share**

Basic earnings/(loss) per share of the Group is calculated by dividing the net profit attributable to shareholders of the Group for the financial period over the weighted average number of ordinary shares in issue.

	Current Quarter Ended 31 March		Cumulative Quarter Ended 31 March	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit/(Loss) net of tax attributable to Equity Holders of the Parent	(895)	310	(895)	310
Weighted average number of Ordinary Shares in issue ('000)	50,797	50,797	50,797	50,797
Basic/(Loss) per share (Sen)	(1.76)	0.61	(1.76)	0.61

(b) **Diluted Earnings Per Share**

The Group has no potential ordinary shares in issue as at the Balance Sheet date and therefore, diluted earnings per share have not been computed.

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

	Current Quarter Ended 31 March		Cumulative Quarter Ended 31 March	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit/(Loss) for the period is arrived at after crediting/(charging):				
Amortisation and Depreciation	(629)	(580)	(629)	(580)
Impairment loss on receivables	-	67	-	67
Impairment loss on receivables no longer required	-	-	-	-
Interest income	6	15	6	15
Rental income	116	8	116	8
Interest expense	(219)	(224)	(219)	(224)

(11) **Derivative Financial Instruments**

There were no derivative financial instruments as at 31 March 2022.

(12) **Gains/Loss arising from fair value changes of financial liabilities**

There were no material gains or losses arising from fair value changes of the financial liabilities for the current quarter and financial period ended 31 December 2021.

(13) **Authorisation for issue of interim financial statement**

The current interim financial statements were authorized to be issued by the Board of Directors in accordance with a resolution of the Board of Directors on 25 May 2022.

By Order of the Board