



RGB International Bhd. (603831-K)

(Incorporated in Malaysia)

Interim Unaudited Financial Statements
30 September 2018



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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

	Note	3 MONTHS ENDED			9 MONTHS ENDED		
		30 SEP	30 SEP	%	30 SEP	30 SEP	%
		2018	2017	+ / (-)	2018	2017	+ / (-)
		RM'000	RM'000		RM'000	RM'000	
Revenue	10	86,488	61,265	41%	300,656	158,643	90%
Cost of sales		(63,065)	(39,496)	60%	(233,803)	(96,293)	143%
- Depreciation		(6,550)	(5,839)	12%	(17,781)	(17,809)	0%
- Others		(56,515)	(33,657)	68%	(216,022)	(78,484)	175%
Gross profit		23,423	21,769	8%	66,853	62,350	7%
Other income		726	766	-5%	2,232	3,008	-26%
Administrative expenses		(9,782)	(10,738)	-9%	(31,375)	(31,669)	-1%
- Depreciation		(918)	(491)	87%	(2,750)	(1,508)	82%
- Others		(8,864)	(10,247)	-13%	(28,625)	(30,161)	-5%
Selling and marketing expenses		(1,064)	(870)	22%	(4,754)	(3,911)	22%
Other gain/(expenses), net		129	507	-75%	(3,469)	952	-464%
Operating profit		13,432	11,434	17%	29,487	30,730	-4%
Finance costs		(197)	(123)	60%	(682)	(364)	87%
Profit before tax		13,235	11,311	17%	28,805	30,366	-5%
Income tax expense	21	(1,149)	(1,819)	-37%	(1,556)	(5,837)	-73%
Profit for the financial period		12,086	9,492	27%	27,249	24,529	11%
Other comprehensive income/(loss), net of tax							
Item that may be subsequently reclassified to profit or loss:							
- Foreign currency translation, representing other comprehensive income/(loss) for the financial period		5,441	(3,324)	264%	5,005	(12,380)	140%
Total comprehensive income		17,527	6,168	184%	32,254	12,149	165%
Profit attributable to:							
Owners of the Company		11,991	9,370	28%	26,991	24,207	12%
Non-controlling interests		95	122	-22%	258	322	-20%
		12,086	9,492	27%	27,249	24,529	11%
Total comprehensive income attributable to:							
Owners of the Company		16,917	6,394	165%	31,579	13,131	140%
Non-controlling interests		610	(226)	370%	675	(982)	169%
		17,527	6,168	184%	32,254	12,149	165%
Earnings per share attributable to owners of the Company:							
Basic, for profit for the financial period (sen)	27	0.78	0.61 *	28%	1.76	1.59 *	11%
Diluted, for profit for the financial period (sen)	27	0.78	0.61 *	28%	1.74	1.57 *	11%

* The comparative basic earnings per ordinary share and diluted earnings per ordinary share were recalculated to conform the changes in bonus issue on 21 September 2018.



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018**

	Note	AS AT 30 SEP 2018 RM'000	AS AT 31 DEC 2017 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	127,503	105,159
Investments in associates		165	162
Right-of-use assets		1,835	-
Long term lease receivables		8,945	9,870
Trade receivables		99	388
Other receivables		34	46
Development costs		491	788
Other intangible assets		1,036	1,016
Goodwill on combination		870	870
		<u>140,978</u>	<u>118,299</u>
Current assets			
Inventories		3,068	10,180
Trade receivables		103,863	84,899
Short term lease receivables		2,227	1,606
Other receivables		62,568	53,174
Due from associates		3,014	4,077
Deposits with licensed banks		6,256	30,590
Cash and bank balances		79,636	82,932
		<u>260,632</u>	<u>267,458</u>
TOTAL ASSETS		<u>401,610</u>	<u>385,757</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		155,039	134,730
Share premium		1,900	21,128
Foreign exchange translation reserve		17,487	12,805
Share option reserve		2,174	1,740
Retained earnings		54,520	39,671
		<u>231,120</u>	<u>210,074</u>
Non-controlling interests		<u>20,996</u>	<u>20,820</u>
Total equity		<u>252,116</u>	<u>230,894</u>
Non-current liabilities			
Borrowings	23	6,742	7,206
Trade payables		3,616	230
Deferred tax liabilities		132	132
		<u>10,490</u>	<u>7,568</u>
Current liabilities			
Borrowings	23	7,624	5,573
Trade payables		96,082	60,050
Other payables		34,739	80,850
Due to associates		89	87
Tax payables		470	735
		<u>139,004</u>	<u>147,295</u>
Total liabilities		<u>149,494</u>	<u>154,863</u>
TOTAL EQUITY AND LIABILITIES		<u>401,610</u>	<u>385,757</u>
Net assets per share (sen)		<u>15</u>	<u>16</u>



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

	----- Attributable to owners of the Company -----							
	----- Non-Distributable -----							
	Share Capital RM'000	Share Premium RM'000	Foreign Exchange Translation Reserve RM'000	Share Option Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non- controlling Interests RM'000	Total Equity RM'000
At 1 January 2018	134,730	21,128	12,805	1,740	39,671	210,074	20,820	230,894
Effect of adopting MFRS 9, MFRS 15 and MFRS 16	-	-	94	-	(2,729)	(2,635)	(499)	(3,134)
At 1 January 2018 (as restated)	134,730	21,128	12,899	1,740	36,942	207,439	20,321	227,760
Profit for the financial period	-	-	-	-	26,991	26,991	258	27,249
Foreign currency translations	-	-	4,588	-	-	4,588	417	5,005
Total comprehensive income for the financial period	-	-	4,588	-	26,991	31,579	675	32,254
Transaction with owners:								
Issue of ordinary shares pursuant to ESOS	1,081	-	-	(342)	-	739	-	739
Share option granted under ESOS	-	-	-	776	-	776	-	776
Bonus issue	19,228	(19,228)	-	-	-	-	-	-
Dividends paid	-	-	-	-	(9,413)	(9,413)	-	(9,413)
Total transactions with owners	20,309	(19,228)	-	434	(9,413)	(7,898)	-	(7,898)
At 30 September 2018	155,039	1,900	17,487	2,174	54,520	231,120	20,996	252,116



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

	----- Attributable to owners of the Company -----						Non- controlling Interests	Total Equity
	----- Non-Distributable -----							
	Share Capital RM'000	Share Premium RM'000	Foreign Exchange Translation Reserve RM'000	Share Option Reserve RM'000	Retained Earnings RM'000	Total RM'000	RM'000	RM'000
At 1 January 2017	132,918	21,124	31,035	964	17,410	203,451	22,541	225,992
Profit for the financial period	-	-	-	-	24,207	24,207	322	24,529
Foreign currency translations	-	-	(11,076)	-	-	(11,076)	(1,304)	(12,380)
Total comprehensive income for the financial period	-	-	(11,076)	-	24,207	13,131	(982)	12,149
Transaction with owners:								
Issue of ordinary shares pursuant to ESOS	1,295	4	-	(282)	-	1,017	-	1,017
Share option granted under ESOS	-	-	-	545	-	545	-	545
Dividends paid	-	-	-	-	(8,017)	(8,017)	-	(8,017)
Total transactions with owners	1,295	4	-	263	(8,017)	(6,455)	-	(6,455)
At 30 September 2017	134,213	21,128	19,959	1,227	33,600	210,127	21,559	231,686

With the introduction of the Companies Act 2016 effective 31 January 2017, the concepts of authorised share capital and par value of share capital have been abolished. Notwithstanding this provision, the Company may utilise its share premium account for purposes stipulated in Section 618(3) of the Companies Act 2016 for a transitional period of 24 months from 31 January 2017. On 21 September 2018, share premium account of RM19,228,335 had been utilised for the bonus issue of the Company.



**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

	9 MONTHS ENDED	
	30 SEP	30 SEP
	2018	2017
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	28,805	30,366
Adjustments for:		
Amortisation of development costs	299	371
Depreciation of property, plant and equipment	19,605	19,317
Depreciation of right-of-use assets	926	-
Gain on disposal of property, plant and equipment	(11)	(2)
Impairment of property, plant and equipment	-	3
Impairment losses (trade receivables)	514	-
Impairment losses written back (non-trade receivables)	(7)	-
Impairment losses written back (trade receivables)	(266)	-
Interest expense	496	176
Interest income	(353)	(233)
Inventories written back	(682)	(23)
Property, plant and equipment written off	29	22
Share options granted under ESOS	776	545
Unrealised forex losses/(gain)	3,550	(1,453)
Operating profit before changes in working capital	<u>53,681</u>	<u>49,089</u>
Changes in working capital:		
Receivables, amount due from associates and inventories	(22,039)	2,719
Payables and amount due to associates	(7,248)	22,690
Cash from operations	<u>24,394</u>	<u>74,498</u>
Interest paid	(496)	(176)
Tax paid	(1,821)	(5,681)
Net cash from operating activities	<u>22,077</u>	<u>68,641</u>



**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

	9 MONTHS ENDED	
	30 SEP 2018 RM'000	30 SEP 2017 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(39,982)	(24,179)
Proceeds from disposal of property, plant and equipment	12	2
Changes in fixed deposits pledged to licensed banks	2,134	(20)
Changes in bank balances pledged to licensed banks	2,084	404
Expenditure on development costs	-	(341)
Interest received	353	233
Net cash used in investing activities	(35,399)	(23,901)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown/(repayment) of onshore foreign currency loan	2,374	(2,338)
Net repayment of term loan and revolving credit	(2,630)	(1,577)
Repayment of lease liabilities	(888)	-
Repayment of hire purchase creditor	(46)	(54)
Proceeds from issuance of shares	739	1,017
Dividends paid	(9,413)	(8,017)
Net cash used in financing activities	(9,864)	(10,969)
NET CHANGES IN CASH AND CASH EQUIVALENTS	(23,186)	33,771
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(226)	(5,033)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	103,841	67,727
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	80,429	96,465
 * Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	79,636	96,124
Deposits with licensed banks	6,256	10,956
	85,892	107,080
Less: Fixed deposit pledged to licensed banks	(5,463)	(7,982)
Less: Bank balances pledged to licensed banks	-	(2,633)
	80,429	96,465



PART A - EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Securities.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017. The 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 the financial year ended 31 December 2017.

2. Changes in Accounting Policies

2.1 Adoption of Standards, Amendments and Issues Committee (“IC”) Interpretations and changes in accounting policies

During the financial period, the Group has adopted the following Standards, Amendments and IC Interpretations:

Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*

MFRS 15 *Revenue from Contracts with Customers*

Clarifications to MFRS 15

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

Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*

Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*

IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

Amendments to MFRS 140 *Transfers of Investment Property*

Besides, the Group has elected to early adopt the following Standard is mandatory for financial periods beginning on or after 1 January 2019:

MFRS 16 *Leases*

The Group does not expect the adoption of the above Standards to have a significant impact on the financial statements, except for MFRS 9, MFRS 15 and MFRS 16.

The Group is applying the retrospective method upon adoption of MFRS 9 *Financial Instruments*. In accordance with the transitional requirements of this Standard, comparative figures are not restated.

Meanwhile, the Group is applying the modified retrospective method upon adoption of MFRS 15 *Revenue from Contracts with Customers* and the cumulative effects would be shown as an adjustment to the opening retained earnings on 1 January 2018.

The Group has early adopted MFRS 16 *Leases* and applied this Standard retrospectively with the cumulative effect of initially applying the Standard recognised at the date of initial application, comparative figures are not restated.



2. Changes in Accounting Policies (Continued)

2.1 Adoption of Standards, Amendments and Issues Committee (“IC”) Interpretations and changes in accounting policies (Continued)

The following reconciliation provide the impact upon initial application of MFRS 9, MFRS 15 and MFRS 16 on the financial position and equity of the Group.

Reconciliation of financial position and equity

	Note	AS AT 31 DEC 2017 RM'000	EFFECT OF MFRS 9 RM'000	EFFECT OF MFRS 15 RM'000	EFFECT OF MFRS 16 RM'000	AS AT 1 JAN 2018 RM'000
ASSETS						
Non-current assets						
Property, plant and equipment		105,159				105,159
Investments in associates		162				162
Right-of-use assets	(iii)	-			2,330	2,330
Long term lease receivables		9,870				9,870
Trade receivables		388				388
Other receivables		46				46
Development costs		788				788
Other intangible assets		1,016				1,016
Goodwill on combination		870				870
		<u>118,299</u>				<u>120,629</u>
Current assets						
Inventories		10,180				10,180
Trade receivables	(i)	84,899	(729)			84,170
Short term lease receivables		1,606				1,606
Other receivables	(i), (ii)	53,174	(1,016)	268		52,426
Due from associates	(i)	4,077	(1,129)			2,948
Deposits with licensed banks		30,590				30,590
Cash and bank balances		82,932				82,932
		<u>267,458</u>				<u>264,852</u>
TOTAL ASSETS		<u>385,757</u>				<u>385,481</u>
EQUITY AND LIABILITIES						
Equity attributable to owners of the Company						
Share capital		134,730				134,730
Share premium		21,128				21,128
Foreign exchange translation reserve		12,805	87	6		12,898
Share option reserve		1,740				1,740
Retained earnings		39,671	(2,462)	(267)		36,942
		<u>210,074</u>				<u>207,438</u>
Non-controlling interests		<u>20,820</u>	(499)			<u>20,321</u>
Total equity		<u>230,894</u>				<u>227,759</u>



2. Changes in Accounting Policies (Continued)

2.1 Adoption of Standards, Amendments and Issues Committee (“IC”) Interpretations and changes in accounting policies (Continued)

Reconciliation of financial position and equity (Continued)

		AS AT 31 DEC 2017	EFFECT OF MFRS 9	EFFECT OF MFRS 15	EFFECT OF MFRS 16	AS AT 1 JAN 2018
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
Non-current liabilities						
Borrowings	(iii)	7,206			1,221	8,427
Trade payables		230				230
Deferred tax liabilities		132				132
		<u>7,568</u>				<u>8,789</u>
Current liabilities						
Borrowings	(iii)	5,573			1,109	6,682
Trade payables		60,050				60,050
Other payables	(ii)	80,850		529		81,379
Due to associates		87				87
Tax payables		735				735
		<u>147,295</u>				<u>148,933</u>
Total liabilities		<u>154,863</u>				<u>157,722</u>
TOTAL EQUITY AND LIABILITIES		<u>385,757</u>				<u>385,481</u>

Note

- (i) The increase in impairment for trade receivables, other receivables and amounts due from associates is due to MFRS 9 replaces the current ‘incurred loss’ model with a forward-looking ‘expected credit loss’ model.
- (ii) The recognition of deferred revenue is due to the effect of changes to the timing of revenue recognition for identified performance obligations arising from sales activities upon adoption of MFRS 15.
- (iii) The Group is required to recognise the right-of-use of the underlying lease asset and the future lease payment liabilities in the statements of financial position upon adoption of MFRS 16.



2. Changes in Accounting Policies (Continued)

2.2 Standards issued but not yet effective

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been early adopted by the Group.

Title	Effective Date
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	Deferred

The Group does not expect the adoption of the above Standards to have a significant impact on the financial statements.

3. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements for the financial year ended 31 December 2017 was not qualified.

4. Significant Event

During the quarter under review, there were no events that have not been reflected in the financial statements.

5. Comments about Seasonal or Cyclical Factors

The overall business of the Group was not affected by any significant seasonal factors.



6. Unusual Items due to their Nature, Size or Incidence

There were no items affecting assets, liabilities, equity, net income, or cash flows during the current quarter that are unusual because of their nature, size and incidence.

7. Changes in Estimates

There were no changes in the nature and amount of estimates reported that will have a material effect in the current quarter.

8. Changes in Debts and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities except for the following:

- **Share Capital**

	Number of ordinary shares ('000)	
	2018	2017
As at 1 January	1,340,547	1,329,184
Issue of ordinary shares pursuant to ESOS	5,467	11,363
Bonus issue	192,283	-
As at 30 September/31 December	<u>1,538,297</u>	<u>1,340,547</u>

9. Dividends Paid

A final single-tier dividend of RM0.007 per ordinary share for the year ended 31 December 2017 was paid on 28 June 2018.


10. Segmental Information

Segment information is presented in respect of the Group's business segments:

	3 MONTHS ENDED		9 MONTHS ENDED	
	30 SEP 2018 RM'000	30 SEP 2017 RM'000	30 SEP 2018 RM'000	30 SEP 2017 RM'000
Segment Revenue				
Sales and Marketing	56,157	38,554	209,697	90,768
Technical Support and Management	28,363	22,219	87,849	66,332
Engineering Services	1,902	294	2,929	1,175
Others (1)	129	261	370	557
	<u>86,551</u>	<u>61,328</u>	<u>300,845</u>	<u>158,832</u>
Eliminations	(63)	(63)	(189)	(189)
Revenue	<u>86,488</u>	<u>61,265</u>	<u>300,656</u>	<u>158,643</u>
EBITDA*				
Sales and Marketing	7,402	5,039	17,590	14,885
Technical Support and Management	13,704	13,653	39,476	38,251
Engineering Services	1,743	67	2,440	554
Others	72	286	584	1,025
Unallocated	(1,979)	(1,147)	(9,959)	(4,480)
Total	<u>20,942</u>	<u>17,898</u>	<u>50,131</u>	<u>50,235</u>
Segment Results				
Sales and Marketing	7,308	4,997	17,279	14,760
Technical Support and Management	6,820	7,769	20,808	20,282
Engineering Services	1,699	67	2,309	553
Others	(398)	(266)	(892)	(437)
	<u>15,429</u>	<u>12,567</u>	<u>39,504</u>	<u>35,158</u>
Unallocated expenses	(1,997)	(1,133)	(10,017)	(4,428)
- Interest income	86	82	343	204
- Legal and professional fee	(332)	(137)	(602)	(333)
- Realised foreign exchange (loss)/gain	(768)	224	98	(477)
- Staff cost - ESOS	(121)	(31)	(343)	(117)
- Sundry income	32	63	99	216
- Unrealised foreign exchange gain/(loss) (trade)	402	(114)	(661)	(358)
- Unrealised foreign exchange gain/(loss) (non-trade)	488	396	(2,889)	1,811
- Other expenses	(1,784)	(1,616)	(6,062)	(5,374)
Operating profit	<u>13,432</u>	<u>11,434</u>	<u>29,487</u>	<u>30,730</u>

Note

(1) "Others" consist of revenue from leasing of Chateau building, manufacturing activities, research & development activities and inter-segment transaction.

* Earnings before interest, taxation, depreciation, amortisation, impairment of property, plant & equipment, intangible assets and investments.



11. Valuation of Property, Plant and Equipment

The Group did not revalue any of its property, plant and equipment during the current quarter.

12. Subsequent Events

There were no material events subsequent to the end of the current quarter except for:

- (a) The Company has allotted the following ordinary shares for cash pursuant to the Company's ESOS:
- (i) 82,971 ordinary shares at an issue price of RM0.088 per ordinary share;
 - (ii) 103,539 ordinary shares at an issue price of RM0.091 per ordinary share;
 - (iii) 46,624 ordinary shares at an issue price of RM0.092 per ordinary share;
 - (iv) 73,372 ordinary shares at an issue price of RM0.103 per ordinary share;
 - (v) 71,542 ordinary shares at an issue price of RM0.193 per ordinary share; and
 - (vi) 10,000 ordinary shares at an issue price of RM0.215 per ordinary share.

13. Changes in the Composition of the Group during the quarter

There were no material changes in the composition of the Group during the current quarter.

14. Changes in Contingent Liabilities and Contingent Assets

There were no material changes in contingent liabilities and assets since the previous quarter.

15. Capital Commitments

The amount of capital commitments approved but not provided for in the interim financial statements is as follows:

	AS AT 30 SEP 2018 RM'000
Gaming machines, furnitures, equipment, motor vehicle and renovation	<u>65,800</u>



16. Significant Related Party Transactions

There were no significant related party transactions during the current quarter except for:

	01.07.2018 to 30.09.2018 RM'000	01.01.2018 to 30.09.2018 RM'000
Sales of products to:		
- Channel Paradise Sdn. Bhd.	9	2,261
TSM share of profit from:		
- Timor Holding, S.A.	597	2,570

Related parties are corporations in which certain Directors of the Company have substantial interest in these corporations.

The related party transactions described above were carried out on terms and conditions not materially different from those obtainable from transactions with unrelated parties.



B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B (RULE 9.22(2)) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”)

17. Performance Review

	3 MONTHS ENDED			9 MONTHS ENDED		
	30 SEP	30 SEP	%	30 SEP	30 SEP	%
	2018	2017		2018	2017	
	RM'000	RM'000	+/(-)	RM'000	RM'000	+/(-)
Revenue						
Sales and Marketing	56,157	38,554	+46%	209,697	90,768	+131%
Technical Support and Management	28,363	22,219	+28%	87,849	66,332	+32%
Engineering Services	1,902	294	+547%	2,929	1,175	+149%
Others (1)	66	198	-67%	181	368	-51%
Total	86,488	61,265	+41%	300,656	158,643	+90%
EBITDA*						
Sales and Marketing	7,402	5,039	+47%	17,590	14,885	+18%
Technical Support and Management	13,704	13,653	+0%	39,476	38,251	+3%
Engineering Services	1,743	67	+2501%	2,440	554	+340%
Others	72	286	-75%	584	1,025	-43%
Unallocated	(1,979)	(1,147)	+73%	(9,959)	(4,480)	+122%
Total	20,942	17,898	+17%	50,131	50,235	-0%
Profit/(Loss) before tax						
Sales and Marketing	7,297	4,977	+47%	17,252	14,719	+17%
Technical Support and Management	6,702	7,726	-13%	20,368	20,147	+1%
Engineering Services	1,697	67	+2433%	2,304	553	+317%
Others	(398)	(266)	+50%	(892)	(437)	+104%
	15,298	12,504	+22%	39,032	34,982	+12%
Unallocated expenses	(2,063)	(1,193)	+73%	(10,227)	(4,616)	+122%
- Finance cost	(66)	(60)	+10%	(210)	(188)	+12%
- Interest income	86	82	+5%	343	204	+68%
- Legal and professional fee	(332)	(137)	+142%	(602)	(333)	+81%
- Realised foreign exchange (loss)/gain	(768)	224	-443%	98	(477)	+121%
- Staff cost - ESOS	(121)	(31)	+290%	(343)	(117)	+193%
- Sundry income	32	63	-49%	99	216	-54%
- Unrealised foreign exchange gain/(loss) (trade)	402	(114)	+453%	(661)	(358)	+85%
- Unrealised foreign exchange gain/(loss) (non-trade)	488	396	+23%	(2,889)	1,811	-260%
- Other expenses	(1,784)	(1,616)	+10%	(6,062)	(5,374)	+13%
Profit before tax	13,235	11,311	+17%	28,805	30,366	-5%

Note

(1) “Others” consist of revenue from leasing of Chateau building, manufacturing activities, research & development activities and inter-segment transaction.

* Earnings before interest, taxation, depreciation, amortisation, impairment of property, plant & equipment, intangible assets and investments.



17. Performance Review (Continued)

(i) Comparison with previous year's corresponding quarter

The revenue and profit before tax for Sales and Marketing ("SSM") division increased by 46% and 47% respectively for the quarter ended 30 September 2018 as compared to previous year's corresponding quarter due to increase in number of product sold in this quarter.

The profit before tax for Technical Support and Management ("TSM") division decreased by 13% for the quarter ended 30 September 2018 as compared to previous year's corresponding quarter due to lower hold factors in certain outlets, higher depreciation on new machines for upgrading and expansion and increase of headcount in certain region.

The revenue of Engineering Services division increased as compared to previous year's corresponding quarter due to higher demand of our engineering services.

(ii) Comparison with previous year's corresponding period

The revenue and profit before tax for SSM division increased by 131% and 17% respectively for nine months period ended 30 September 2018 as compared to preceding year due to increase in number of product sold and variation in product mix.

The profit before tax for TSM division increased slightly for nine months period ended 30 September 2018 as compared to preceding year primarily due to a better performance in certain outlets despite an increase of depreciation on new machines and higher headcount.

The loss before taxation for Others is mainly related to R&D expenditures.


18. Comparison with Previous Quarter's Results

	CURRENT QUARTER RM'000	PREVIOUS QUARTER RM'000	% +/(-)
Revenue			
Sales and Marketing	56,157	138,368	-59%
Technical Support and Management	28,363	27,469	+3%
Engineering Services	1,902	510	+273%
Others (1)	66	49	+35%
Revenue	<u>86,488</u>	<u>166,396</u>	<u>-48%</u>
EBITDA*			
Sales and Marketing	7,402	9,601	-23%
Technical Support and Management	13,704	10,221	+34%
Engineering Services	1,743	368	+374%
Others	72	113	-36%
Unallocated	(1,979)	(4,588)	-57%
Total	<u>20,942</u>	<u>15,715</u>	<u>+33%</u>
Profit/(Loss) before tax			
Sales and Marketing	7,297	9,472	-23%
Technical Support and Management	6,702	4,081	+64%
Engineering Services	1,697	323	+425%
Others	(398)	(342)	+16%
	<u>15,298</u>	<u>13,534</u>	<u>+13%</u>
Unallocated expenses	(2,063)	(4,675)	-56%
- Finance cost	(66)	(86)	-23%
- Interest income	86	130	-34%
- Legal and professional fee	(332)	(177)	+88%
- Realised foreign exchange (loss)/gain	(768)	560	-237%
- Staff cost - ESOS	(121)	(111)	+9%
- Sundry income	32	24	+33%
- Unrealised foreign exchange gain/(loss) (trade)	402	(385)	+204%
- Unrealised foreign exchange gain/(loss) (non-trade)	488	(2,595)	+119%
- Other expenses	(1,784)	(2,035)	-12%
Profit before tax	<u>13,235</u>	<u>8,859</u>	<u>+49%</u>

Note

(1) "Others" consist of revenue from leasing of Chateau building, manufacturing activities, research & development activities and inter-segment transaction.

* Earnings before interest, taxation, depreciation, amortisation, impairment of property, plant & equipment, intangible assets and investments.



18. Comparison with Previous Quarter's Results (Continued)

SSM division recorded higher revenue and profit before tax in last quarter due to a bulk sales to an Integrated Resort in Indochina as reported in previous quarter.

The profit before tax for TSM division increased by 46% as compared to previous quarter mainly due to higher performance of certain outlets.

The loss before taxation for Others is mainly related to R&D expenditures.

19. Commentary on Prospects

The Group continues to capitalise on the strong performance of new and existing products under its portfolio in SSM division, to increase number of concession machines through the existing and new concessions, to carry out further improvement in the performance of concession machines in TSM division, to promote the provision of engineering expertise to all licensed operators across the region and exploring into new markets outside Asia. Barring unforeseen circumstances, the Group expects to achieve a better performance in this year.

20. Profit Forecast

The company did not announce any profit forecast for the financial year.

21. Income Tax Expense

	3 MONTHS ENDED		9 MONTHS ENDED	
	30 SEP	30 SEP	30 SEP	30 SEP
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Income Tax				
- Current period	1,149	1,708	1,556	5,726
- Underprovision in prior year	-	111	-	111
	<u>1,149</u>	<u>1,819</u>	<u>1,556</u>	<u>5,837</u>

Domestic income tax is calculated at the Malaysian statutory rate of 24% (2017: 24%) of the estimated assessable profit for the financial period. The effective tax rate of the Group for the financial period is lower than the statutory income tax rate mainly due to income subjected to different tax jurisdictions and income not subjected to tax, partially offset by expenses not deductible for tax purposes.

22. Corporate Proposals

Save as disclosed below, there were no corporate proposals announced but not completed as at 23 November 2018.



23. Borrowings

	AS AT 30 SEP 2018 RM'000	AS AT 31 DEC 2017 RM'000
Short Term Borrowings:		
<u>Secured</u>		
Onshore foreign currency loan	2,901	472
Revolving credit	1,809	-
Hire purchase creditor	66	63
Lease liabilities	1,025	-
Term loans	1,823	5,038
	<u>7,624</u>	<u>5,573</u>
Long Term Borrowings:		
<u>Secured</u>		
Hire purchase creditor	5	55
Lease liabilities	810	-
Term loans	5,927	7,151
	<u>6,742</u>	<u>7,206</u>
Total borrowings	<u>14,366</u>	<u>12,779</u>
Borrowings denominated in foreign currency as at 30 September 2018:		
	Foreign currency '000	RM equivalent '000
<u>Onshore foreign currency loan</u>		
United States Dollar	700	2,901
<u>Revolving credit</u>		
United States Dollar	436	1,809
<u>Lease liabilities</u>		
United States Dollar	186	770
Philippine Peso	5,520	423
Thai Baht	124	16
Hong Kong Dollar	473	251
<u>Term loans</u>		
United States Dollar	1,870	7,750
		<u>13,920</u>



24. Material Litigation

The Group does not have any material litigation, which in the opinion of the Directors, would have a material impact on the financial results of the Group.

25. Dividends

As disclosed in Note 9.

26. Notes to the Statement of Profit or Loss and Other Comprehensive Income

The profit before taxation is after accounting for the following:

	3 MONTHS ENDED		9 MONTHS ENDED	
	30 SEP	30 SEP	30 SEP	30 SEP
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Amortisation of development costs	101	194	299	371
Depreciation of property, plant and equipment	7,137	6,330	19,605	19,317
Depreciation of right-of-use assets	331	-	926	-
Gain on disposal of property, plant and equipment	(11)	(1)	(11)	(2)
Impairment of property, plant and equipment	-	-	-	3
Impairment losses (trade receivables)	107	-	514	-
Impairment losses written back (non-trade receivables)	(7)	-	(7)	-
Impairment losses written back (trade receivables)	(258)	-	(266)	-
Interest expenses	138	63	496	176
Interest income	(88)	(92)	(353)	(233)
Inventories written back	(816)	(265)	(682)	(23)
Property, plant and equipment written off	6	-	29	22

**27. Earnings Per Share****(a) Basic**

Basic earnings per ordinary share is calculated by dividing the profit for the financial period attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial period.

	3 MONTHS ENDED		9 MONTHS ENDED	
	30 SEP 2018	30 SEP 2017	30 SEP 2018	30 SEP 2017
Profit attributable to owners of the Company (RM'000)	<u>11,991</u>	<u>9,370</u>	<u>26,991</u>	<u>24,207</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,537,739</u>	<u>1,529,483</u>	<u>1,535,763</u>	<u>1,526,127</u>
Basic earnings per share (sen)	<u>0.78</u>	<u>0.61 *</u>	<u>1.76</u>	<u>1.59 *</u>

(b) Diluted

Diluted earnings per ordinary share is calculated by dividing the profit for the financial period attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial period adjusted for the effects of dilutive potential ordinary shares.

	3 MONTHS ENDED		9 MONTHS ENDED	
	30 SEP 2018	30 SEP 2017	30 SEP 2018	30 SEP 2017
Profit attributable to owners of the Company (RM'000)	<u>11,991</u>	<u>9,370</u>	<u>26,991</u>	<u>24,207</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,537,739</u>	<u>1,529,483</u>	<u>1,535,763</u>	<u>1,526,127</u>
Effect of dilution of share options ('000)	<u>9,021</u>	<u>12,008</u>	<u>13,419</u>	<u>19,606</u>
Adjusted weighted average number of ordinary shares ('000)	<u>1,546,760</u>	<u>1,541,491</u>	<u>1,549,182</u>	<u>1,545,733</u>
Diluted earnings per share (sen)	<u>0.78</u>	<u>0.61 *</u>	<u>1.74</u>	<u>1.57 *</u>

* Pursuant to the requirements of MFRS 133 *Earnings per Share*, the weighted average number of ordinary shares used in the calculation of basic and diluted earnings per ordinary share above for the current and previous quarters and year-to-date ended 30 September 2018 and 30 September 2017 have been retrospectively adjusted to reflect the bonus issue on 21 September 2018.



RGB International Bhd. (603831-K)

28. Authorisation for Issue

On 26 November 2018, the Board of Directors authorised the issue of these interim financial statements.

By Order of the Board
RGB International Bhd. (603831-K)

Datuk Chuah Kim Seah
Managing Director
26 November 2018