



RGB International Bhd. (603831-K)

(Incorporated in Malaysia)

Interim Unaudited Financial Statements
31 December 2018



CONTENTS

	PAGE
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	1
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	3 - 4
CONSOLIDATED STATEMENT OF CASH FLOWS	5 – 6
EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134	7 – 14
EXPLANATORY NOTES PURSUANT TO APPENDIX 9B (RULE 9.22(2)) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”)	15 – 22



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	Note	3 MONTHS ENDED			12 MONTHS ENDED		
		31 DEC	31 DEC	%	31 DEC	31 DEC	%
		2018	2017		2018	2017	
		RM'000	RM'000	+ / (-)	RM'000	RM'000	+ / (-)
Revenue	10	78,594	93,708	-16%	379,250	252,351	50%
Cost of sales		(65,164)	(71,591)	-9%	(298,967)	(167,884)	78%
- Depreciation		(7,110)	(5,667)	25%	(24,891)	(23,476)	6%
- Others		(58,054)	(65,924)	-12%	(274,076)	(144,408)	90%
Gross profit		13,430	22,117	-39%	80,283	84,467	-5%
Other income		972	717	36%	3,204	3,725	-14%
Administrative expenses		(5,472)	(11,812)	-54%	(36,847)	(43,481)	-15%
- Depreciation		(1,074)	(483)	122%	(3,824)	(1,991)	92%
- Others		(4,398)	(11,329)	-61%	(33,023)	(41,490)	-20%
Selling and marketing expenses		(1,479)	(1,383)	7%	(6,233)	(5,294)	18%
Other (expenses)/gain, net		(865)	487	-278%	(4,334)	1,439	-401%
Finance costs		(226)	(118)	92%	(908)	(482)	88%
Profit before tax		6,360	10,008	-36%	35,165	40,374	-13%
Income tax expense	21	1,830	(3,839)	148%	274	(9,676)	103%
Profit for the financial year		8,190	6,169	33%	35,439	30,698	15%
Other comprehensive (loss)/income, net of tax							
Item that may be subsequently reclassified to profit or loss:							
- Foreign currency translation, representing other comprehensive (loss)/income for the financial year		(81)	(7,991)	-99%	4,924	(20,371)	124%
Total comprehensive income/(loss)		8,109	(1,822)	545%	40,363	10,327	291%
Profit attributable to:							
Owners of the Company		8,182	6,071	35%	35,173	30,278	16%
Non-controlling interests		8	98	-92%	266	420	-37%
		8,190	6,169	33%	35,439	30,698	15%
Total comprehensive income/(loss) attributable to:							
Owners of the Company		8,096	(1,083)	848%	39,675	12,048	229%
Non-controlling interests		13	(739)	102%	688	(1,721)	140%
		8,109	(1,822)	545%	40,363	10,327	291%
Earnings per share attributable to owners of the Company:							
Basic, for profit for the financial year (sen)	27	0.53	0.40 *	33%	2.29	1.98 *	16%
Diluted, for profit for the financial year (sen)	27	0.53	0.39 *	36%	2.27	1.95 *	16%

* 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 31 DECEMBER 2018**

	Note	AS AT 31 DEC 2018 RM'000	AS AT 31 DEC 2017 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	173,198	105,159
Investments in associates		166	162
Right-of-use assets		1,552	-
Lease receivables		8,286	9,870
Trade receivables		25	388
Other receivables		37	46
Due from associates		2,867	-
Intangible assets		2,295	2,674
		<u>188,426</u>	<u>118,299</u>
Current assets			
Inventories		4,725	10,180
Trade receivables		123,399	84,899
Lease receivables		2,246	1,606
Other receivables		47,091	53,174
Due from associates		-	4,077
Deposits with licensed banks		6,287	30,590
Cash and bank balances		56,412	82,932
		<u>240,160</u>	<u>267,458</u>
TOTAL ASSETS		<u>428,586</u>	<u>385,757</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		157,052	134,730
Share premium		-	21,128
Foreign exchange translation reserve		17,508	12,805
Share option reserve		2,177	1,740
Retained earnings		58,060	39,671
		<u>234,797</u>	<u>210,074</u>
Non-controlling interests		<u>20,988</u>	<u>20,820</u>
Total equity		<u>255,785</u>	<u>230,894</u>
Non-current liabilities			
Borrowings	23	5,472	7,206
Lease liabilities		657	-
Trade payables		8,593	230
Deferred tax liabilities		134	132
		<u>14,856</u>	<u>7,568</u>
Current liabilities			
Borrowings	23	13,871	5,573
Lease liabilities		914	-
Trade payables		107,747	60,050
Other payables		34,615	80,850
Due to associates		88	87
Tax payables		710	735
		<u>157,945</u>	<u>147,295</u>
Total liabilities		<u>172,801</u>	<u>154,863</u>
TOTAL EQUITY AND LIABILITIES		<u>428,586</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 YEAR ENDED 31 DECEMBER 2018**

	----- Attributable to owners of the Company -----							Total Equity RM'000
	----- Non-Distributable -----		Foreign Exchange Translation Reserve RM'000	Share Option Reserve RM'000	Retained Earnings RM'000	Total RM'000	Non- controlling Interests RM'000	
	Share Capital RM'000	Share Premium RM'000						
At 1 January 2018	134,730	21,128	12,805	1,740	39,671	210,074	20,820	230,894
Effects of adopting MFRS 9, MFRS 15 and MFRS 16	-	-	201	-	(7,371)	(7,170)	(520)	(7,690)
At 1 January 2018 (as restated)	134,730	21,128	13,006	1,740	32,300	202,904	20,300	223,204
Profit for the financial year	-	-	-	-	35,173	35,173	266	35,439
Foreign currency translations	-	-	4,502	-	-	4,502	422	4,924
Total comprehensive income for the financial year	-	-	4,502	-	35,173	39,675	688	40,363
Transaction with owners:								
Issue of ordinary shares pursuant to ESOS	1,194	-	-	(373)	-	821	-	821
Share option granted under ESOS	-	-	-	810	-	810	-	810
Bonus issue	19,228	(19,228)	-	-	-	-	-	-
Transfer pursuant to Companies Act 2016	1,900	(1,900)	-	-	-	-	-	-
Dividends paid	-	-	-	-	(9,413)	(9,413)	-	(9,413)
Total transactions with owners	22,322	(21,128)	-	437	(9,413)	(7,782)	-	(7,782)
At 31 December 2018	157,052	-	17,508	2,177	58,060	234,797	20,988	255,785



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	----- Attributable to owners of the Company -----							Total Equity RM'000
			----- 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	
At 1 January 2017	132,918	21,124	31,035	964	17,410	203,451	22,541	225,992
Profit for the financial year	-	-	-	-	30,278	30,278	420	30,698
Foreign currency translations	-	-	(18,230)	-	-	(18,230)	(2,141)	(20,371)
Total comprehensive income for the financial year	-	-	(18,230)	-	30,278	12,048	(1,721)	10,327
Transaction with owners:								
Issue of ordinary shares pursuant to ESOS	1,812	4	-	(447)	-	1,369	-	1,369
Share option granted under ESOS	-	-	-	1,223	-	1,223	-	1,223
Dividends paid	-	-	-	-	(8,017)	(8,017)	-	(8,017)
Total transactions with owners	1,812	4	-	776	(8,017)	(5,425)	-	(5,425)
At 31 December 2017	134,730	21,128	12,805	1,740	39,671	210,074	20,820	230,894

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 and the balance of RM1,900,184 was transferred to share capital account.



**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	12 MONTHS ENDED	
	31 DEC 2018 RM'000	31 DEC 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	35,165	40,374
Adjustments for:		
Amortisation of development costs	402	474
Depreciation of property, plant and equipment	27,439	25,467
Depreciation of right-of-use assets	1,276	-
Gain on disposal of property, plant and equipment	(11)	(2)
Impairment of property, plant and equipment	807	3
Impairment losses (non-trade receivables)	262	-
Impairment losses (trade receivables)	769	-
Impairment losses written back (non-trade receivables)	(7)	-
Impairment losses written back (trade receivables)	(541)	-
Interest expense	653	224
Interest income	(424)	(334)
Inventories written back	(137)	294
Property, plant and equipment written off	36	26
Share options granted under ESOS	810	1,223
Unrealised forex losses/(gain)	3,694	(2,022)
Operating profit before changes in working capital	<u>70,193</u>	<u>65,727</u>
Changes in working capital:		
Receivables, amount due from associates and inventories	(27,476)	(54,433)
Payables and amount due to associates	4,625	78,328
Cash from operations	<u>47,342</u>	<u>89,622</u>
Interest paid	(653)	(224)
Tax paid	251	(9,249)
Net cash from operating activities	<u><u>46,940</u></u>	<u><u>80,149</u></u>



**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	12 MONTHS ENDED	
	31 DEC 2018 RM'000	31 DEC 2017 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(94,266)	(34,191)
Proceeds from disposal of property, plant and equipment	12	2
Changes in fixed deposits pledged to licensed banks	2,129	365
Changes in bank balances pledged to licensed banks	2,084	953
Expenditure on development costs	-	(341)
Interest received	424	334
Net cash used in investing activities	(89,617)	(32,878)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown/(repayment) of onshore foreign currency loan	2,374	(1,850)
Net drawdown of term loan and revolving credit	4,197	6,808
Repayment of lease liabilities	(1,235)	-
Repayment of hire purchase creditor	(63)	(74)
Proceeds from issuance of shares	821	1,369
Dividends paid	(9,413)	(8,017)
Net cash used in financing activities	(3,319)	(1,764)
NET CHANGES IN CASH AND CASH EQUIVALENTS	(45,996)	45,507
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(614)	(9,393)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	103,841	67,727
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	57,231	103,841
 * Cash and cash equivalents at end of the financial year comprise the following:		
Cash and bank balances	56,412	82,932
Deposits with licensed banks	6,287	30,590
	62,699	113,522
Less: Fixed deposit pledged to licensed banks	(5,468)	(7,597)
Less: Bank balances pledged to licensed banks	-	(2,084)
	57,231	103,841



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
Lease receivables		9,870				9,870
Trade receivables		388				388
Other receivables		46				46
Intangible assets		2,674				2,674
		<u>118,299</u>				<u>120,629</u>
Current assets						
Inventories		10,180				10,180
Trade receivables	(i)	84,899	(823)			84,076
Lease receivables		1,606				1,606
Other receivables	(i), (ii)	53,174	(1,322)	268		52,120
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>264,452</u>
TOTAL ASSETS		<u>385,757</u>				<u>385,081</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	97	104		13,006
Share option reserve		1,740				1,740
Retained earnings		39,671	(2,851)	(4,520)		32,300
		<u>210,074</u>				<u>202,904</u>
Non-controlling interests		<u>20,820</u>	(520)			<u>20,300</u>
Total equity		<u>230,894</u>				<u>223,204</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 RM'000	EFFECT OF MFRS 15 RM'000	EFFECT OF MFRS 16 RM'000	AS AT 1 JAN 2018
Note	RM'000	RM'000	RM'000	RM'000	RM'000
Non-current liabilities					
Borrowings	7,206				7,206
Lease liabilities	-			1,221	1,221
Trade payables	230				230
Deferred tax liabilities	132				132
	<u>7,568</u>				<u>8,789</u>
Current liabilities					
Borrowings	5,573				5,573
Lease liabilities	-			1,109	1,109
Trade payables	60,050				60,050
Other payables	80,850		4,684		85,534
Due to associates	87				87
Tax payables	735				735
	<u>147,295</u>				<u>153,088</u>
Total liabilities	<u>154,863</u>				<u>161,877</u>
TOTAL EQUITY AND LIABILITIES	<u>385,757</u>				<u>385,081</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	6,260	11,363
Bonus issue	192,283	-
As at 31 December	<u>1,539,090</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		12 MONTHS ENDED	
	31 DEC 2018 RM'000	31 DEC 2017 RM'000	31 DEC 2018 RM'000	31 DEC 2017 RM'000
Segment Revenue				
Sales and Marketing	55,427	71,281	265,124	162,049
Technical Support and Management	22,831	21,490	110,680	87,822
Engineering Services	488	461	3,417	1,636
Others (1)	(89)	539	281	1,096
	<u>78,657</u>	<u>93,771</u>	<u>379,502</u>	<u>252,603</u>
Eliminations	(63)	(63)	(252)	(252)
Revenue	<u>78,594</u>	<u>93,708</u>	<u>379,250</u>	<u>252,351</u>
EBITDA*				
Sales and Marketing	6,964	8,253	24,554	23,138
Technical Support and Management	10,489	9,982	49,965	48,233
Engineering Services	298	140	2,738	694
Others	(241)	(270)	343	755
Unallocated	(1,898)	(1,797)	(11,857)	(6,277)
Total	<u>15,612</u>	<u>16,308</u>	<u>65,743</u>	<u>66,543</u>
Segment Results				
Sales and Marketing	6,810	8,211	24,089	22,971
Technical Support and Management	2,138	4,269	22,946	24,551
Engineering Services	255	139	2,564	692
Others	(709)	(724)	(1,601)	(1,161)
	<u>8,494</u>	<u>11,895</u>	<u>47,998</u>	<u>47,053</u>
Unallocated expenses	(1,908)	(1,769)	(11,925)	(6,197)
- Interest income	67	82	410	286
- Legal and professional fee	(99)	(60)	(701)	(393)
- Realised foreign exchange gain/(loss)	94	(78)	192	(555)
- Staff cost - ESOS	(15)	(429)	(358)	(546)
- Sundry income	25	38	124	254
- Unrealised foreign exchange gain (trade)	729	910	68	552
- Unrealised foreign exchange (loss)/gain (non-trade)	(873)	(341)	(3,762)	1,470
- Other expenses	(1,836)	(1,891)	(7,898)	(7,265)
Operating profit	<u>6,586</u>	<u>10,126</u>	<u>36,073</u>	<u>40,856</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.

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 31 DEC 2018 RM'000
Gaming machines, furnitures, equipment, motor vehicle and renovation	<u>83,800</u>



16. Significant Related Party Transactions

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

	01.10.2018 to 31.12.2018 RM'000	01.01.2018 to 31.12.2018 RM'000
Sales of products to:		
- Channel Paradise Sdn. Bhd.	215	2,476
TSM share of profit from:		
- Timor Holding, S.A.	1,022	3,592

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

The related party transactions described above were undertaken on mutually agreed and negotiated terms.



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			12 MONTHS ENDED		
	31 DEC	31 DEC	%	31 DEC	31 DEC	%
	2018	2017		2018	2017	
	RM'000	RM'000	+/(-)	RM'000	RM'000	+/(-)
Revenue						
Sales and Marketing	55,427	71,281	-22%	265,124	162,049	+64%
Technical Support and Management	22,831	21,490	+6%	110,680	87,822	+26%
Engineering Services	488	461	+6%	3,417	1,636	+109%
Others (1)	(152)	476	-132%	29	844	-97%
Total	78,594	93,708	-16%	379,250	252,351	+50%
EBITDA*						
Sales and Marketing	6,964	8,253	-16%	24,554	23,138	+6%
Technical Support and Management	10,489	9,982	+5%	49,965	48,233	+4%
Engineering Services	298	140	+113%	2,738	694	+295%
Others	(241)	(270)	-11%	343	755	-55%
Unallocated	(1,898)	(1,797)	+6%	(11,857)	(6,277)	+89%
Total	15,612	16,308	-4%	65,743	66,543	-1%
Profit/(Loss) before tax						
Sales and Marketing	6,773	8,210	-18%	24,025	22,929	+5%
Technical Support and Management	2,025	4,222	-52%	22,393	24,369	-8%
Engineering Services	255	139	+83%	2,559	692	+270%
Others	(709)	(724)	-2%	(1,601)	(1,161)	+38%
	8,344	11,847	-30%	47,376	46,829	+1%
Unallocated expenses	(1,984)	(1,839)	+8%	(12,211)	(6,455)	+89%
- Finance cost	(76)	(70)	+9%	(286)	(258)	+11%
- Interest income	67	82	-18%	410	286	+43%
- Legal and professional fee	(99)	(60)	+65%	(701)	(393)	+78%
- Realised foreign exchange gain/(loss)	94	(78)	+221%	192	(555)	+135%
- Staff cost - ESOS	(15)	(429)	-97%	(358)	(546)	-34%
- Sundry income	25	38	-34%	124	254	-51%
- Unrealised foreign exchange gain (trade)	729	910	-20%	68	552	-88%
- Unrealised foreign exchange (loss)/gain (non-trade)	(873)	(341)	+156%	(3,762)	1,470	-356%
- Other expenses	(1,836)	(1,891)	-3%	(7,898)	(7,265)	+9%
Profit before tax	6,360	10,008	-36%	35,165	40,374	-13%

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 decreased by 22% and 18% respectively for the quarter ended 31 December 2018 as compared to previous year's corresponding quarter due to decrease in number of product sold in this quarter.

The profit before tax for Technical Support and Management ("TSM") division decreased by 52% for the quarter ended 31 December 2018 as compared to previous year's corresponding quarter due to provision for jackpot liabilities of RM1.8 million arising from the adoption of MFRS 15, 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

The revenue and profit before tax for SSM division increased by 64% and 5% respectively for the year ended 31 December 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 decreased slightly for the year ended 31 December 2018 as compared to preceding year primarily due to provision for jackpot liabilities of RM1.8 million arising from the adoption of MFRS 15, lower hold factors in certain outlets, higher depreciation on new machines for upgrading and expansion and increase of headcount in certain region.

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

The profit before tax of the Group mainly affected by the unrealised translation of currencies required for operation of RM3.7 million forex loss as compared to the unrealised forex gain of RM2 million in previous year.



18. Comparison with Previous Quarter's Results

	CURRENT QUARTER RM'000	PREVIOUS QUARTER RM'000	% +/(-)
Revenue			
Sales and Marketing	55,427	56,157	-1%
Technical Support and Management	22,831	28,363	-20%
Engineering Services	488	1,902	-74%
Others (1)	(152)	66	-330%
Revenue	<u>78,594</u>	<u>86,488</u>	<u>-9%</u>
EBITDA*			
Sales and Marketing	6,964	7,402	-6%
Technical Support and Management	10,489	13,704	-23%
Engineering Services	298	1,743	-83%
Others	(241)	72	-435%
Unallocated	(1,898)	(1,979)	-4%
Total	<u>15,612</u>	<u>20,942</u>	<u>-25%</u>
Profit/(Loss) before tax			
Sales and Marketing	6,773	7,297	-7%
Technical Support and Management	2,025	6,702	-70%
Engineering Services	255	1,697	-85%
Others	(709)	(398)	+78%
	<u>8,344</u>	<u>15,298</u>	<u>-45%</u>
Unallocated expenses	(1,984)	(2,063)	-4%
- Finance cost	(76)	(66)	+15%
- Interest income	67	86	-22%
- Legal and professional fee	(99)	(332)	-70%
- Realised foreign exchange gain/(loss)	94	(768)	+112%
- Staff cost - ESOS	(15)	(121)	-88%
- Sundry income	25	32	-22%
- Unrealised foreign exchange gain (trade)	729	402	+81%
- Unrealised foreign exchange (loss)/gain (non-trade)	(873)	488	-279%
- Other expenses	(1,836)	(1,784)	+3%
Profit before tax	<u>6,360</u>	<u>13,235</u>	<u>-52%</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 lower revenue and profit before tax in last quarter due to variation in product mix sold.

The profit before tax for TSM division decreased by 70% as compared to previous quarter mainly due to provision for jackpot liabilities of RM1.8 million arising from the adoption of MFRS 15, lower hold factors in certain outlets and higher depreciation on new machines for upgrading and expansion.

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 across the region and exploring into new markets outside Asia. Barring unforeseen circumstances, the Group expects to achieve a better performance next year.

20. Profit Forecast

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

21. Income Tax Expense

	3 MONTHS ENDED		12 MONTHS ENDED	
	31 DEC 2018 RM'000	31 DEC 2017 RM'000	31 DEC 2018 RM'000	31 DEC 2017 RM'000
Income Tax				
- Current period	502	3,856	2,058	9,582
- (Over)/Underprovision in prior year	(2,334)	1	(2,334)	112
Deferred Tax				
- Current period	(7)	(9)	(7)	(9)
- Under/(Over)provision in prior year	9	(9)	9	(9)
	<u>(1,830)</u>	<u>3,839</u>	<u>(274)</u>	<u>9,676</u>

Domestic income tax is calculated at the Malaysian statutory rate of 24% (2017: 24%) of the estimated assessable profit for the financial year. The effective tax rate of the Group for the financial year 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 22 February 2019.

23. Borrowings

	AS AT 31 DEC 2018 RM'000	AS AT 31 DEC 2017 RM'000
Short Term Borrowings:		
<u>Secured</u>		
Onshore foreign currency loan	2,902	472
Revolving credit	9,090	-
Hire purchase creditor	55	63
Term loans	1,824	5,038
	<u>13,871</u>	<u>5,573</u>
Long Term Borrowings:		
<u>Secured</u>		
Hire purchase creditor	-	55
Term loans	5,472	7,151
	<u>5,472</u>	<u>7,206</u>
Total borrowings	<u>19,343</u>	<u>12,779</u>

Borrowings denominated in foreign currency as at 31 December 2018:

	Foreign currency '000	RM equivalent '000
<u>Onshore foreign currency loan</u>		
United States Dollar	700	2,902
<u>Revolving credit</u>		
United States Dollar	2,193	9,090
<u>Term loans</u>		
United States Dollar	1,760	7,296
		<u>19,288</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

The Board of Directors has proposed a final single-tier dividend of RM0.007 per ordinary share for the financial year ended 31 December 2018 based on the enlarged share capital after the bonus issue on the basis of 1 bonus share for every 7 existing shares on 21 September 2018. The proposed dividend is subject to the Shareholders' approval at the forthcoming Annual General Meeting.

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		12 MONTHS ENDED	
	31 DEC 2018 RM'000	31 DEC 2017 RM'000	31 DEC 2018 RM'000	31 DEC 2017 RM'000
Amortisation of development costs	103	103	402	474
Depreciation of property, plant and equipment	7,834	6,150	27,439	25,467
Depreciation of right-of-use assets	350	-	1,276	-
Gain on disposal of property, plant and equipment	-	-	(11)	(2)
Impairment of property, plant and equipment	807	-	807	3
Impairment losses (non-trade receivables)	262	-	262	-
Impairment losses (trade receivables)	255	-	769	-
Impairment losses written back (non-trade receivables)	-	-	(7)	-
Impairment losses written back (trade receivables)	(275)	-	(541)	-
Interest expenses	157	48	653	224
Interest income	(71)	(101)	(424)	(334)
Inventories written back	545	317	(137)	294
Property, plant and equipment written off	7	4	36	26

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

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

	3 MONTHS ENDED		12 MONTHS ENDED	
	31 DEC 2018	31 DEC 2017	31 DEC 2018	31 DEC 2017
Profit attributable to owners of the Company (RM'000)	8,182	6,071	35,173	30,278
Weighted average number of ordinary shares in issue ('000)	1,538,610	1,531,498	1,536,480	1,527,481
Basic earnings per share (sen)	0.53	0.40 *	2.29	1.98 *

(b) Diluted

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

	3 MONTHS ENDED		12 MONTHS ENDED	
	31 DEC 2018	31 DEC 2017	31 DEC 2018	31 DEC 2017
Profit attributable to owners of the Company (RM'000)	8,182	6,071	35,173	30,278
Weighted average number of ordinary shares in issue ('000)	1,538,610	1,531,498	1,536,480	1,527,481
Effect of dilution of share options ('000)	5,944	13,184	14,209	23,573
Adjusted weighted average number of ordinary shares ('000)	1,544,554	1,544,682	1,550,689	1,551,054
Diluted earnings per share (sen)	0.53	0.39 *	2.27	1.95 *

* 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 31 December 2018 and 31 December 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 February 2019, 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 February 2019