



RADIANT GLOBALTECH BERHAD

(Company No. 621297-A)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2019

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RADIANT GLOBALTECH BERHAD (COMPANY NO. 621297-A)
UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER
2019⁽¹⁾

	CURRENT YEAR QUARTER 30.09.19 RM'000	PRECEDING YEAR QUARTER 30.09.18 RM'000	CURRENT YEAR TO DATE 30.09.19 RM'000	PRECEDING YEAR TO DATE 30.09.18 RM'000
Revenue	21,870	14,946	51,941	47,526
Cost of sales	(12,493)	(7,967)	(28,610)	(25,796)
Gross profit	9,377	6,979	23,331	21,730
Other income	218	96	999	228
	9,595	7,075	24,330	21,958
Selling and distribution expenses	(442)	(129)	(962)	(99)
Administrative expenses	(1,239)	(1,099)	(3,595)	(3,538)
Staff costs	(4,746)	(4,088)	(13,792)	(12,498)
Other expenses	(337)	(366)	(940)	(1,642)
Finance costs	(40)	(132)	(139)	(416)
Net reversal/ (impairment losses) on financial assets	1	21	(55)	233
Share of net losses of equity accounted in an associate	-	(2)	-	(38)
Profit before taxation	2,792	1,280	4,847	3,960
Income tax expense	(786)	(332)	(1,010)	(1,048)
Profit after taxation	2,006	948	3,837	2,912
Other comprehensive income, net of tax <i>Item that may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences	16	23	16	8
Total comprehensive income for the financial period	2,022	971	3,853	2,920
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-				
Owners of the Company	1,727	948	3,534	2,912
Non-controlling interest	279	-	303	-
	2,006	948	3,837	2,912

RADIANT GLOBALTECH BERHAD (COMPANY NO. 621297-A)

UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2019⁽¹⁾ (CONT'D)

	CURRENT YEAR QUARTER 30.09.19 RM'000	PRECEDING YEAR QUARTER 30.09.18 RM'000	CURRENT YEAR TO DATE 30.09.19 RM'000	PRECEDING YEAR TO DATE 30.09.18 RM'000
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-				
Owners of the Company	1,743	971	3,550	2,920
Non-controlling interest	279	-	303	-
	2,022	971	3,853	2,920
Earnings per share attributable to owners of the Company:-				
- Basic (Sen)	0.33 ⁽²⁾	0.18	0.67 ⁽²⁾	0.55
- Diluted (Sen)	0.33 ⁽²⁾	0.18	0.67 ⁽²⁾	0.55

Notes:

- (1) The basis of preparation of the Unaudited Consolidated Statements of Profit or Loss and Other Comprehensive Income are disclosed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended ("FYE") 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.
- (2) The basic earnings per share is computed based on profit after taxation attributable to the owners of the Company and divided by the weighted average number of ordinary shares in issue as at 30 September 2019. The diluted earnings per share is equivalent to the basic earnings per share as the Company does not have any convertible securities outstanding.

RADIANT GLOBALTECH BERHAD (COMPANY NO. 621297-A)
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019⁽¹⁾

	Unaudited 30.09.19 RM'000	Audited 31.12.18 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	10,846	11,167
Intangible assets	2,405	-
Right of use assets	276	-
Deferred tax assets	1,135	611
Goodwill on acquisition	185	-
	<u>14,847</u>	<u>11,778</u>
CURRENT ASSETS		
Inventories	7,003	6,079
Trade receivables	18,929	13,188
Other receivables, deposits and prepayments	4,163	5,061
Amount owing by related parties	-	187
Current tax assets	1,739	1,972
Fixed deposits with licensed banks	19,079	18,611
Cash and bank balances	20,621	17,023
	<u>71,534</u>	<u>62,121</u>
Non-current assets classified as held for sale	-	202
	<u>71,534</u>	<u>62,323</u>
TOTAL ASSETS	<u>86,381</u>	<u>74,101</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	48,153	48,153
Merger deficit	(13,681)	(13,681)
Foreign exchange translation reserve	(218)	(234)
Retained profits	27,917	24,383
Shareholders' fund	62,171	58,621
Non-controlling interest	827	-
TOTAL EQUITY	<u>62,998</u>	<u>58,621</u>
NON-CURRENT LIABILITIES		
Hire purchase payables	413	497
Lease liabilities	107	-
Term loans	898	1,415
Deferred revenue	466	586
Deferred tax liabilities	110	-
	<u>1,994</u>	<u>2,498</u>
CURRENT LIABILITIES		
Trade payables	9,258	4,010
Other payables and accruals	10,430	7,888
Amount owing to related parties	4	16
Amount owing to directors	221	162
Bankers' acceptances	421	-
Hire purchase payables	128	170
Lease liabilities	172	-
Term loans	661	592
Current tax liabilities	94	144
	<u>21,389</u>	<u>12,982</u>
TOTAL LIABILITIES	<u>23,383</u>	<u>15,480</u>
TOTAL EQUITY AND LIABILITIES	<u>86,381</u>	<u>74,101</u>

RADIANT GLOBALTECH BERHAD (COMPANY NO. 621297-A)
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER
2019⁽¹⁾ (CONT'D)

Number of issued shares ('000)	525,200	525,200
Net assets per ordinary share attributable to owners of the Company (Sen)	<u>11.84</u>	<u>11.16</u>

Note:

- (1) The basis of preparation of the Unaudited Consolidated Statements of Financial Position are disclosed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended ("FYE") 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

	<---- Non-Distributable ---->			Distributable	Attributable	Non-	Total
	Share	Merger	Foreign	Retained	to	controlling	Equity
	Capital	Deficit	Exchange	Profits	Owners of	interest	
			Translation		the		
			Reserve		Company		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 01.01.18	19,856	(13,681)	(241)	21,426	27,360	-	27,360
Changes in accounting policies	-	-	-	(41)	(41)	-	(41)
Balance at 1.1.2018 (restated)	19,856	(13,681)	(241)	21,385	27,319	-	27,319
Profit after taxation	-	-	-	2,998	2,998	-	2,998
Other comprehensive income for the financial year:							
- Foreign currency translation differences	-	-	7	-	7	-	7
Total comprehensive income for the financial year	-	-	7	2,998	3,005	-	3,005
Contribution by and distribution to owners of the Company:							
- Issuance of shares	28,297	-	-	-	28,297	-	28,297
Balance as at 31.12.18 (Audited)	48,153	(13,681)	(234)	24,383	58,621	-	58,621
Balance as at 01.01.19	48,153	(13,681)	(234)	24,383	58,621	-	58,621
Profit after taxation	-	-	-	3,534	3,534	303	3,837
Other comprehensive income for the financial period:							
- Foreign currency translation differences	-	-	16	-	16	-	16
Total comprehensive income for the financial period	-	-	16	3,534	3,550	303	3,853
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	524	524
Balance as at 30.09.19 (Unaudited)	48,153	(13,681)	(218)	27,917	62,171	827	62,998

Note:

- (1) The basis of preparation of the Unaudited Consolidated Statements of Changes in Equity are disclosed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended (“FYE”) 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

RADIANT GLOBALTECH BERHAD (COMPANY NO. 621297-A)
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2019⁽¹⁾

	CURRENT YEAR TO DATE 30.09.19 RM'000	PRECEDING YEAR TO DATE 30.09.18 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,847	3,960
Adjustments for:		
Amortisation of intangible assets	195	-
Depreciation of property, plant and equipment	626	493
Gain on disposal of an associate	(298)	-
Interest income	(658)	(209)
Interest expenses	139	416
Impairment losses on trade receivables	89	48
Share of net losses of equity accounted in an associate	-	38
Unrealised loss on foreign exchange	96	5
Reversal of impairment losses on trade receivables	(34)	(281)
Operating profit before working capital changes	5,002	4,470
(Increase) / Decrease in inventories	(928)	2,988
(Increase) / Decrease in trade and other receivables	(5,143)	11,053
Increase / (Decrease) in trade and other payables	7,663	(7,366)
Decrease in amount owing by related parties	187	53
Decrease in amount owing to related parties	(12)	(48)
CASH FROM OPERATIONS	6,769	11,150
Income tax paid	(1,240)	(1,737)
Interest paid	(139)	(416)
NET CASH FROM OPERATING ACTIVITIES	5,390	8,997
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(131)	(602)
Interest received	658	209
Acquisition of subsidiaries, net of cash	(2,047)	-
Disposal of an associate, net of cash	500	-
NET CASH FOR INVESTING ACTIVITIES	(1,020)	(393)
CASH FLOWS FOR FINANCING ACTIVITIES		
Net changes of bankers' acceptance	421	479
Payment of listing expenses	-	(1,937)
Proceed from issuance of ordinary shares	-	29,458
Repayment of term loans	(448)	(3,204)
Repayment of hire purchase obligations	(127)	(106)
Repayment of lease liabilities	(121)	-
NET CASH FOR FINANCING ACTIVITIES	(275)	24,690
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,095	33,294
EFFECT OF FOREIGN EXCHANGE TRANSLATION	(29)	(70)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	24,192	10,861
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	28,258	44,085

**RADIANT GLOBALTECH BERHAD (COMPANY NO. 621297-A)
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE QUARTER AND YEAR-
TO-DATE ENDED 30 SEPTEMBER 2019⁽¹⁾ (CONT'D)**

	CURRENT YEAR TO DATE 30.09.19 RM'000	PRECEDING YEAR TO DATE 30.09.18 RM'000
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD COMPRISES:		
Cash and bank balances	20,621	26,504
Fixed deposits with licensed banks	19,079	18,529
	<u>39,700</u>	<u>45,033</u>
Less: Fixed deposits pledged to licensed banks	(442)	(948)
Fixed deposits with tenure of more than 3 months	<u>(11,000)</u>	<u>-</u>
	<u><u>28,258</u></u>	<u><u>44,085</u></u>

Note:

- (1) The basis of preparation of the Unaudited Consolidated Statements of Cash Flows are disclosed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended ("FYE") 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2019**A1. Basis of Preparation**

The interim financial report of the Group is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134, Interim Financial Reporting, International Financial Reporting Standards (“IFRS”) 34, Interim Financial Reporting and Rule 9.22 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

This interim financial report should be read in conjunction with the audited financial statements for the financial year ended (“FYE”) 31 December 2018. These explanatory notes attached to the interim financial report provide explanations of events and transactions that are significant for the understanding of the changes in the financial position and performance of the Group since the FYE 31 December 2018.

A2. Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial report is consistent with those adopted in the audited financial statements for FYE 31 December 2018 except for the adoption of the following MFRS and Amendments to MFRS which came into effect for annual periods beginning on or after 1 January 2019 and are applicable for the Group’s interim financial report for the quarter and year-to-date ended 30 September 2019, as disclosed below:

MFRSs and/or IC Interpretations (including the Consequential Amendments)

IC Interpretation 23 Uncertainty over Income Tax Treatments

Amendments to MFRS 9: Prepayment Features with Negative Compensation

Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement

Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures

Annual Improvements to MFRS Standards 2015 - 2017 Cycles

MFRS 16 Leases

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) do not have any material impact on the financial performance and position of the Group upon their initial application.

MFRS 16 Leases will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

A2. Changes in Accounting Policies (Cont'd)

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

The Group has adopted MFRS 16 Leases on 1 January 2019, and there is no material impact on the financial statement of the Group upon its application.

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial period ended 30 September 2019:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective for annual periods on or after
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108: Definition on material	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) is not expected to have a material impact on the financial statements of the Group upon their initial application.

A3. Auditors' Report

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2018.

A4. Seasonal or Cyclical Factors

The business operations of the Group during the current financial quarter under review were not materially affected by any seasonal or cyclical factors.

A5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items for the current financial quarter under review.

A6. Changes in Estimates

There were no material changes in estimates for the current financial quarter under review.

A7. Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the current financial quarter under review.

A8. Dividends Paid

There was no payment of dividend during the current financial quarter under review.

A9. Segmental Reporting

The Group's operating segments information are as follows:-

	Hardware and Maintenance RM'000	Software RM'000	Group RM'000
Current year quarter ended 30 September 2019			
Revenue			
External revenue	16,016	5,854	21,870
Inter-segment revenue	95	394	489
	<u>16,111</u>	<u>6,248</u>	<u>22,359</u>
Consolidation adjustments			(489)
Consolidated revenue			<u>21,870</u>
Results			
Segmental profit before interest and taxation	801	1,814	2,615
Interest income			217
Finance costs			(40)
Consolidated profit before taxation			<u>2,792</u>
Income tax expense			(786)
Consolidated profit after taxation			<u>2,006</u>

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2019 (CONT'D)
A9. Segmental Reporting (Cont'd)

Preceding year quarter ended 30 September 2018	Hardware and Maintenance RM'000	Software RM'000	Group RM'000
Revenue			
External revenue	12,419	2,527	14,946
Inter-segment revenue	34	173	207
	<u>12,453</u>	<u>2,700</u>	<u>15,153</u>
Consolidation adjustments			(207)
Consolidated revenue			<u>14,946</u>
Results			
Segmental profit before interest and taxation	1,087	414	1,501
Interest income			189
Share of net losses of equity accounted in an Associate			(2)
Finance costs			(132)
IPO expenses	-	(276)	(276)
Consolidated profit before taxation			<u>1,280</u>
Income tax expense			(332)
Consolidated profit after taxation			<u>948</u>

Current year to date ended 30 September 2019	Hardware and Maintenance RM'000	Software RM'000	Group RM'000
Revenue			
External revenue	40,466	11,475	51,941
Inter-segment revenue	231	609	840
	<u>40,697</u>	<u>12,084</u>	<u>52,781</u>
Consolidation adjustments			(840)
Consolidated revenue			<u>51,941</u>
Results			
Segmental profit before interest and taxation	1,545	2,783	4,328
Interest income			658
Finance costs			(139)
Consolidated profit before taxation			<u>4,847</u>
Income tax expense			(1,010)
Consolidated profit after taxation			<u>3,837</u>

A EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2019 (CONT'D)

A9. Segmental Reporting (Cont'd)

Preceding year to date ended 30 September 2018	Hardware and Maintenance RM'000	Software RM'000	Group RM'000
Revenue			
External revenue	40,990	6,536	47,526
Inter-segment revenue	408	884	1,292
	41,398	7,420	48,818
Consolidation adjustments			(1,292)
Consolidated revenue			47,526
Results			
Segmental profit before interest and taxation	3,993	1,299	5,292
Interest income			209
Share of net losses of equity accounted in an Associate			(38)
Finance costs			(416)
IPO expenses	-	(1,087)	(1,087)
Consolidated profit before taxation			3,960
Income tax expense			(1,048)
Consolidated profit after taxation			2,912

A10. Significant Events Subsequent to the End of the Interim Financial Period

There were no significant events subsequent to the end of the current financial quarter that have not been reflected in this interim financial report.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current financial quarter under review.

A12. Fair Value of Financial Instruments

There were no gain or losses arising from fair value changes for all financial assets and liabilities for the current financial quarter under review.

A13. Capital Commitments

There were no capital commitments for the current financial quarter under review.

A14. Contingent Liabilities

The Group has no contingent liabilities as at the date of this report.

A15. Related Party Transactions

During the current financial quarter, the Board of Directors is of the opinion that there were no material related party transactions which would have a significant impact on the financial position and business of the Group.

B. ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Group Performance

For the quarter ended 30 September 2019 (3Q19)

For the third quarter ended 30 September 2019 (3Q19), the Group reported 46.29% stronger revenue of RM21.87 million from RM14.95 million in the preceding year corresponding quarter ended 30 September 2018 (3Q18).

RM16.02 million or 73.26% of the revenue in 3Q19 was contributed by the Hardware and Maintenance segment, while the remaining RM5.85 million or 26.74% was derived from the Software segment.

As a comparison, RM12.42 million or 83.08% of the Group's revenue in 3Q18 was derived from the Hardware and Maintenance segment, while the remaining RM2.53 million or 16.92% was from the Software Segment.

The Group recorded 34.39% higher gross profit to RM9.38 million in 3Q19 from RM6.98 million in 3Q18. Notwithstanding the higher gross profit, overall gross profit margin reduced to 42.88% in 3Q19 from 46.69% in 3Q18. This drop was mainly due to lower gross profit margin for the Hardware and Maintenance segment where certain customers closed certain outlets. The said impact on overall gross profit margin was compensated by increased revenue contribution from Software segment which carries higher gross profit margin. In line with higher revenue and gross profit, the Group recorded higher profit before tax of RM2.79 million in 3Q19, from RM1.28 million in 3Q18.

For the nine months ended 30 September 2019 (3CQ19)

For 3CQ19, the Group recorded 9.28% higher revenue of RM51.94 million from RM47.53 million in the previous corresponding nine months ended 30 September 2018 (3CQ18).

Of total 3CQ19 revenue, RM40.47 million or 77.92% was contributed by the Hardware and Maintenance segment, while the balance RM11.47 million or 22.08% was derived from the Software segment.

As a comparison, RM40.99 million or 86.24% of 3CQ18 revenue was contributed by the Hardware and Maintenance segment, while the remaining RM6.54 million or 13.76% was from the Software segment.

The Group recorded 7.37% higher gross profit to RM23.33 million in 3CQ19 from RM21.73 million in 3CQ18. It was mainly due to increased revenue contribution from Software segment which carries higher gross margin as well as addition of new software solutions. Correspondingly, the Group recorded higher profit before tax of RM4.85 million in 3CQ19, from RM3.96 million in 3CQ18.

B. ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B2. Comparison with Immediate Preceding Quarter Results

	Quarter Ended		<---- Changes ---->	
	30.09.19 RM'000	30.06.19 RM'000	RM'000	%
Revenue	21,870	16,251	5,619	34.58
Profit before taxation	<u>2,792</u>	<u>1,330</u>	<u>1,462</u>	<u>109.92</u>

The Group's revenue of RM21.87 million for the current quarter under review was 34.58% higher than the RM16.25 million recorded in the previous quarter due to higher revenue contribution from both Hardware and Maintenance segment and Software segment.

The Group's profit before tax of RM2.79 million increased 109.92% from RM1.33 million achieved in the previous quarter. This was mainly due to higher revenue from Software segment which generate higher gross profit margin.

B3. Prospects

The Group maintains its three-pronged strategy of increasing its range of products and services, entering new market segments and expanding its geographical footprint.

The Group will maintain its efforts to increase its product portfolio, through in-house research and development, and leveraging on the range of solutions of recently-acquired companies, Adaptive POS Sdn Bhd and Infoconnect Commerce Sdn Bhd. The Group also had entered into a reseller agreement with Strongpoint Technology AB, which provides the Group with the exclusive rights to sell, distribute and provide support for their products and services within Malaysia and Singapore for a period of 24 months from March 2019.

The Group plans to diversify its customer base to different retail customer types such as shopping centre retailers, airport retailers and utility retailers. The Group also intends to grow its clientele to further penetrate food and beverage (F&B) retail chains, and serve manufacturing and industrial (non-retail) corporations in the Southeast Asia (SEA) region.

Having already set foot in Cambodia and Vietnam, the Group will continue its expansion in SEA region with near term focus on the Indonesian market to complement its existing presence in SEA region. This is on the back of the region's large population, rapid urbanisation and strong economic growth, which are anticipated to lead retailers to convert from manual systems to automated retail technology solutions.

In addition, the Group had in May 2019 added a Singapore-based F&B customer to its portfolio and has rolled out front-end point-of-sales (POS) equipment and cloud based back-end and mobile retail services to all its 26 outlets in Singapore. Under the agreement, the Group would provide the POS retail solutions for a period of three years.

In July 2019, the Group was awarded a RM20.0 million contract from LG CNS Malaysia Sdn Bhd to supply retail technology hardware and provide maintenance services over a period of 42 months.

Furthermore, the Group had also registered approximately 150 trade suppliers of Manjaku Baby Mall, the largest one-stop baby mall chain store in Malaysia with 26 stores nationwide on-board AX Retail B2B portal in October 2019.

B. ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B3. Prospects (Cont'd)

We are mindful of the rapid technology advancement and we are witnessing more home-grown chains switching to digital technologies to boost operational efficiency and improve quality of products. Being able to provide the full scale of services from front-end retail hardware equipment to cloud-based back-end and mobile retail services, we are well positioned to capture these opportunities.

With the above scenarios and the recently secured contracts, the Board expects the Group to perform satisfactorily for the 2019 financial year.

B4. Profit Forecast

The Group did not issue any profit forecast or guarantee during the current financial quarter under review.

B5. Income Tax Expense

The breakdown of income tax expense are as follows:-

	Quarter Ended		Year-To-Date Ended	
	30.09.19 RM'000	30.09.18 RM'000	30.09.19 RM'000	30.09.18 RM'000
Income tax expense	629	22	1,344	1,274
Under provision in previous financial year	87	159	79	159
Deferred tax assets	(40)	151	(523)	(385)
Deferred tax liabilities	110	-	110	-
	<u>786</u>	<u>332</u>	<u>1,010</u>	<u>1,048</u>
Effective tax rate (%) ⁽¹⁾	<u>28.15</u>	<u>25.94</u>	<u>20.84</u>	<u>26.46</u>

Notes:

(1) The Group's effective tax rate for the third quarter ended 30 September 2019 of 28.15% is higher than the statutory tax rate of 24.00% mainly due to deferred tax liabilities and non-deductible expenses.

(2) Income tax expense is recognised based on management's best estimate.

B6. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this report.

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B. ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)
B7. Use of Proceeds Raised from IPO

The gross proceeds raised from the IPO of RM29.46 million and status of utilisation as at 30 September 2019 is disclosed in the following table:

No.	Purpose	Proposed utilisation		Deviation ⁽¹⁾		Actual utilisation RM'000	Intended timeframe for utilisation (from the listing date 24 Jul 2018)
		RM'000	%	RM'000	RM'000		
i.	Business and Capital expansion:-	11,600	39.38	-	-	17	Within 24 months
	- <i>Malaysia operation</i>	10,000	33.95	-	-	17	
	- <i>RG Vietnam's business</i>	1,600	5.43	-	-	-	
ii.	Working capital:-	4,757	16.15	417	-	300	Within 24 months
	- <i>Operating expenses</i>	1,457	4.95	417	-	-	
	- <i>Payment of inventories</i>	1,500	5.09	-	-	-	
	- <i>Payroll expenses</i>	1,800	6.11	-	-	300	
iii.	Expansion of retail software business:-	3,000	10.18	-	-	417	Within 24 months
	- <i>Advertising and marketing costs</i>	1,200	4.07	-	-	-	
	- <i>Payroll expenses</i>	1,800	6.11	-	-	417	
iv.	Repayment of bank borrowings:-	6,601	22.41	(132)	-	6,469	Within 6 months
v.	Estimated listing expenses	3,500	11.88	(285)	-	3,215	Within 3 months
	Total	29,458	100.00	-	-	10,418	

Note:

(1) The actual utilisation for repayment of bank borrowings amounted to RM6.47 million, while that for listing expenses amounted to RM3.22 million. In accordance with section 3.6(v) of the Prospectus, the excess arising therefrom totalling RM0.42 million will be used for working capital purposes.

The use of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 28 June 2018 ("Prospectus").

B. ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B8. Group Borrowings and Debt Securities

The Group's borrowings as at 30 September 2019 are as follows:

	Unaudited 30.09.19 RM'000	Audited 31.12.18 RM'000
Current:		
Bankers' acceptances	421	-
Hire purchase payables	128	170
Term loans	661	592
	<u>1,210</u>	<u>762</u>
Non-current:		
Hire purchase payables	413	497
Term loans	898	1,415
	<u>1,311</u>	<u>1,912</u>

All the borrowings are secured and denominated in Ringgit Malaysia.

B9. Material Litigation

As at the date of this report, the Group is not engaged in any material litigation.

B10. Dividend

No dividend has been declared or recommended for payment by the Company during the current financial quarter under review.

B11. Earnings Per Share

The basic and diluted earnings per share for the current financial quarter and year-to-date are computed as follows:

	Quarter Ended		Year-To-Date Ended	
	30.09.19	30.09.18	30.09.19	30.09.18
	RM'000	RM'000	RM'000	RM'000
Profit after taxation attributable to owners of the Company	<u>1,727</u>	<u>948</u>	<u>3,534</u>	<u>2,912</u>
Weighted average number of ordinary shares ('000)	<u>525,200</u>	<u>525,200</u>	<u>525,200</u>	<u>525,200</u>

B. ADDITIONAL INFORMATION REQUIRED BY THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONT'D)

B11. Earnings Per Share (Cont'd)

	Quarter Ended		Year-To-Date Ended	
	30.09.19	30.09.18	30.09.19	30.09.18
Earnings per share attributable to owners of the Company				
- Basic ⁽¹⁾ (Sen)	0.33	0.18	0.67	0.55
- Diluted ⁽²⁾ (Sen)	<u>0.33</u>	<u>0.18</u>	<u>0.67</u>	<u>0.55</u>

Notes:

- (1) The basic earnings per share is computed based on profit after taxation attributable to the owners of the Company and divided by the weighted average number of ordinary shares in issue as at 30 September 2019.
- (2) The diluted earnings per share is equivalent to the basic earnings per share as the Company does not have any convertible securities.

B12. Notes to the Statements of Profit or Loss and Other Comprehensive Income

Profit before taxation is arrived at after charging / (crediting):-

	Quarter Ended		Year-To-Date Ended	
	30.09.19 RM'000	30.09.18 RM'000	30.09.19 RM'000	30.09.18 RM'000
Amortisation of intangible assets	65	-	195	-
Depreciation of property, plant and equipment	224	166	626	493
Interest income	(217)	(189)	(658)	(209)
Interest expenses	40	132	139	416
Realised loss/(gain) on foreign exchange	53	37	24	(57)
Unrealised loss/(gain) on foreign exchange	24	(133)	96	5
Reversal of impairment losses on trade receivables	(15)	(21)	(34)	(281)
Impairment losses on trade receivables	<u>14</u>	<u>-</u>	<u>89</u>	<u>48</u>

BY ORDER OF THE BOARD