



RGT BERHAD

(Incorporated in Malaysia)

Registration No: 198101004909 (71024-T)

CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

for the financial period ended 31 December 2019

RGT BERHAD

(Incorporated in Malaysia)

Registration No: 198101004909 (71024-T)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

(THE FIGURES HAVE NOT BEEN AUDITED)

| | Note | Individual quarter | | Cumulative period | |
|---|------|---|---|--|--|
| | | Current Quarter Ended 31.12.2019 RM'000 | Corresponding Preceding Quarter Ended 31.12.2018 RM'000 | Current Period-To-Date Ended 31.12.2019 RM'000 | Corresponding Preceding Period-To-Date Ended 31.12.2018 RM'000 |
| Revenue | | 17,142 | 25,224 | 35,766 | 49,842 |
| Cost of goods sold | | (12,760) | (17,594) | (26,397) | (35,672) |
| Gross profit | | 4,382 | 7,630 | 9,369 | 14,170 |
| Interest Income | | 233 | 163 | 441 | 342 |
| Other income / (expense) | | (8) | (72) | 191 | 418 |
| Administrative and general expenses | | (2,896) | (3,489) | (5,828) | (7,018) |
| Finance costs | | (83) | (153) | (157) | (250) |
| Profit before tax | 23 | 1,628 | 4,079 | 4,016 | 7,662 |
| Tax expense | 17 | (128) | (1,087) | (647) | (2,071) |
| Profit for the financial period | | 1,500 | 2,992 | 3,369 | 5,591 |
| Other comprehensive income for the financial period | | - | - | - | - |
| Comprehensive income for the financial period | | 1,500 | 2,992 | 3,369 | 5,591 |
| Profit for the financial period attributable to:- | | | | | |
| - Owners of the Company | | 1,012 | 1,617 | 2,224 | 2,888 |
| - Non-controlling interests | | 488 | 1,375 | 1,145 | 2,703 |
| | | 1,500 | 2,992 | 3,369 | 5,591 |
| Comprehensive income for the financial period attributable to:- | | | | | |
| - Owners of the Company | | 1,012 | 1,617 | 2,224 | 2,888 |
| - Non-controlling interests | | 488 | 1,375 | 1,145 | 2,703 |
| | | 1,500 | 2,992 | 3,369 | 5,591 |
| Earnings per share:- | 22 | | | | |
| - Basic (sen) | | 0.18 | 0.28 | 0.39 | 0.50 |
| - Diluted (sen) | | 0.16 | 0.28 | 0.35 | 0.50 |

The Condensed Consolidated Financial Statements should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the year ended 30 June 2019.

RGT BERHAD

(Incorporated in Malaysia)

Registration No: 198101004909 (71024-T)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

| | As at 31.12.2019 (Unaudited) RM'000 | As at 30.06.2019 (Audited) RM'000 |
|---|--|--|
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 28,438 | 41,856 |
| Right-of-use asset | 12,464 | - |
| Goodwill | 17,147 | 17,147 |
| | <u>58,049</u> | <u>59,003</u> |
| CURRENT ASSETS | | |
| Inventories | 8,052 | 9,327 |
| Receivables | 10,315 | 15,341 |
| Prepayments | 1,233 | 543 |
| Current tax assets | 13 | 954 |
| Derivatives | 9 | - |
| Cash and cash equivalents | 32,976 | 24,956 |
| | <u>52,598</u> | <u>51,121</u> |
| CURRENT LIABILITIES | | |
| Payables | 9,592 | 10,716 |
| Loans and borrowings - secured | 986 | 1,747 |
| Derivatives | 4 | 13 |
| Contract liabilities | 5 | 46 |
| Lease liabilities | 677 | - |
| Current tax liabilities | 7 | 1 |
| | <u>11,271</u> | <u>12,523</u> |
| NET CURRENT ASSETS | 41,327 | 38,598 |
| NON-CURRENT LIABILITIES | | |
| Loans and borrowings - secured | 3,132 | 4,197 |
| Lease liabilities | 671 | - |
| Deferred tax liabilities | 5,003 | 5,003 |
| | <u>8,806</u> | <u>9,200</u> |
| NET ASSETS | 90,570 | 88,401 |
| EQUITY | | |
| Share capital | 49,352 | 49,352 |
| Warrant reserve | 8,818 | 8,818 |
| Retained profits | 6,094 | 3,870 |
| Equity attributable to owners of the Company | <u>64,264</u> | <u>62,040</u> |
| Non-controlling interests | 26,306 | 26,361 |
| TOTAL EQUITY | 90,570 | 88,401 |
| | | |
| Net assets per ordinary share attributable to owners of the Company (sen) | <u>11.14</u> | <u>10.75</u> |

The Condensed Consolidated Financial Statements should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the year ended 30 June 2019.

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Registration No: 198101004909 (71024-T)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

(THE FIGURES HAVE NOT BEEN AUDITED)

| | Share capital RM'000 | Non-distributable Warrant reserve RM'000 | (Accumulated losses)/Retained profits RM'000 | Equity attributable to owners of the Company RM'000 | Non- controlling interests RM'000 | Total equity RM'000 |
|---|----------------------------|---|---|---|--|---------------------------|
| Balance at 1 July 2019 | 49,352 | 8,818 | 3,870 | 62,040 | 26,361 | 88,401 |
| Dividend to non-controlling interests (representing total transactions with owners) | - | - | - | - | (1,200) | (1,200) |
| Profit (representing comprehensive income) for the financial period | - | - | 2,224 | 2,224 | 1,145 | 3,369 |
| Balance at 31 December 2019 | <u>49,352</u> | <u>8,818</u> | <u>6,094</u> | <u>64,264</u> | <u>26,306</u> | <u>90,570</u> |
| Balance at 1 July 2018 | 49,352 | 8,818 | (2,216) | 55,954 | 23,990 | 79,944 |
| Dividend to non-controlling interests (representing total transactions with owners) | - | - | - | - | (1,200) | (1,200) |
| Profit (representing comprehensive income) for the financial period | - | - | 2,888 | 2,888 | 2,703 | 5,591 |
| Balance at 31 December 2018 | <u>49,352</u> | <u>8,818</u> | <u>672</u> | <u>58,842</u> | <u>25,493</u> | <u>84,335</u> |

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RGT BERHAD

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Registration No: 198101004909 (71024-T)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

(THE FIGURES HAVE NOT BEEN AUDITED)

| | Current Period-To-Date Ended 31.12.2019 RM'000 | Corresponding Preceding Period-To-Date Ended 31.12.2018 RM'000 |
|--|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 4,016 | 7,662 |
| Adjustments for:- | | |
| Depreciation of property, plant and equipment | 1,405 | 1,880 |
| Depreciation of right-of-use asset | 474 | - |
| Gain on disposal of property, plant and equipment | (16) | (59) |
| Interest expense | 157 | 245 |
| Interest income | (441) | (342) |
| Inventories written down | - | 61 |
| Property, plant and equipment written off | 2 | 15 |
| Unrealised loss on foreign exchange | 123 | 126 |
| Unrealised gain on derivatives | (5) | (1) |
| Operating profit before working capital changes | <u>5,715</u> | <u>9,587</u> |
| Changes in:- | | |
| Inventories | 1,275 | (1,635) |
| Receivables and prepayments | 4,169 | (106) |
| Payables and contract liabilities | (1,107) | (5,615) |
| Derivatives | (13) | (324) |
| Cash generated from operations | <u>10,039</u> | <u>1,907</u> |
| Tax paid | (1,658) | (1,274) |
| Tax refunded | <u>1,956</u> | <u>487</u> |
| Net cash from operating activities | 10,337 | 1,120 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 441 | 342 |
| Proceeds from disposal of property, plant and equipment | 31 | 325 |
| Purchase of property, plant and equipment | <u>(246)</u> | <u>(1,330)</u> |
| Net cash from/(used in) investing activities | 226 | (663) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividend paid to non-controlling interests | (1,200) | (1,200) |
| Interest paid | (157) | (245) |
| Placement of cash and cash equivalents pledged as security (net) | (46) | (51) |
| Repayment of lease liabilities | (327) | - |
| Repayment of hire purchase obligations | - | (435) |
| Repayment of term loans | <u>(847)</u> | <u>(788)</u> |
| Net cash used in financing activities | (2,577) | (2,719) |
| Currency translation differences | (12) | 15 |

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019 (CONT'D)

(THE FIGURES HAVE NOT BEEN AUDITED)

| | Current Period-To-Date Ended 31.12.2019 RM'000 | Corresponding Preceding Period-To-Date Ended 31.12.2018 RM'000 |
|---|---|---|
| Net increase in cash and cash equivalents | 7,974 | (2,247) |
| Cash and cash equivalents brought forward | 21,856 | 20,707 |
| Cash and cash equivalents carried forward | <u>29,830</u> | <u>18,460</u> |
| Analysis of cash and cash equivalents:- | | |
| - Highly liquid investments | 28,011 | 16,918 |
| - Term deposits | 3,146 | 2,273 |
| - Cash and bank balances | 1,819 | 2,318 |
| | <u>32,976</u> | <u>21,509</u> |
| Less: Cash and cash equivalents pledged | <u>(3,146)</u> | <u>(3,049)</u> |
| | <u>29,830</u> | <u>18,460</u> |

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EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

PART A: EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134, INTERIM FINANCIAL REPORTING

1. BASIS OF PREPARATION

The interim financial report have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2019.

The significant accounting policies and method of computation adopted in the interim financial report are consistent with those adopted in the annual financial statements for the financial year ended 30 June 2019 except for the adoption of the following MFRSs:-

| MFRS (Issued as at the end of the reporting period) | Effective for annual periods beginning on or after |
|--|---|
| MFRS 16 <i>Leases</i> | 1 January 2019 |
| IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i> | 1 January 2019 |
| Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i> | 1 January 2019 |
| Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i> | 1 January 2019 |
| Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i> | 1 January 2019 |
| Annual Improvements to MFRS Standards 2015 – 2017 Cycle | 1 January 2019 |

The adoption of the above MFRSs did not result in any significant changes in the accounting policies of the Group except as follows:-

MFRS 16 *Leases*

MFRS 16, which replaces MFRS 117 *Leases* and other related interpretations, eliminates the distinction between finance and operating leases for lessees. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Group adopted MFRS 16 on 1 July 2019 with any cumulative effect of initial application recognised at that date without restating the comparative information presented under MFRS 117.

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EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

1. BASIS OF PREPARATION (CONT'D)

The Group has not applied the following MFRSs which have been issued as at the end of reporting period but are not yet effective:-

| MFRS (Issued as at the end of the reporting period) | Effective for annual periods beginning on or after |
|--|--|
| MFRS 17 <i>Insurance Contracts</i> | 1 January 2021 |
| Amendments to MFRS 3 <i>Definition of a Business</i> | 1 January 2020 |
| Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> | Deferred |
| Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i> | 1 January 2020 |
| Amendments to References to the Conceptual Framework in MFRS Standards | 1 January 2020 |
| Interest Rate Benchmark Reform (Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instrument: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosure) | 1 January 2020 |

Management foresees that the initial application of the above MFRSs will not result in any significant changes in the accounting policies of the Group.

2. SEASONALITY OR CYCLICALITY OF OPERATIONS

The business operations of the Group were not materially affected by any seasonal or cyclical factor.

3. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current interim period.

4. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported in prior interim period of the current financial year or changes in estimates of amounts reported in prior financial year.

5. DEBT AND EQUITY SECURITIES

There were no other issuances, cancellations, repurchases, resale or repayments of debt and equity securities during the current interim period.

6. DIVIDENDS PAID

No dividend was paid during the current interim period.

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EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

7. SEGMENTAL INFORMATION

Operating Segments

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely the manufacture and sale of plastic parts and products.

Geographical Information

The Group operates in Malaysia and generates revenue from the following geographical locations of customers:-

| | Individual quarter | | Cumulative period | |
|--------------------------|---|--|--|---|
| | Current Quarter Ended 31.12.2019 RM'000 | Corresponding Preceding Quarter Ended 31.12.2018 RM'000 | Current Period-To-Date Ended 31.12.2019 RM'000 | Corresponding Preceding Period-To-Date Ended 31.12.2018 RM'000 |
| United States of America | 10,234 | 19,265 | 20,710 | 36,821 |
| Europe ^{*1} | 3,895 | 3,018 | 7,656 | 6,801 |
| Malaysia | 2,438 | 2,296 | 5,366 | 5,044 |
| Others ^{*2} | 575 | 645 | 2,034 | 1,176 |
| | <u>17,142</u> | <u>25,224</u> | <u>35,766</u> | <u>49,842</u> |

Notes:-

^{*1} Comprise countries such as Switzerland and United Kingdom.

^{*2} Comprise countries such as China, Canada and others

8. CONTRACTUAL COMMITMENT

The Group has no other material contractual commitment in respect of property, plant and equipment as at the end of current quarter under review except for the following:

| | 31.12.2019 RM'000 |
|------------------------------|----------------------|
| Purchase - land and building | 7,425 |
| - plant and equipment | 45 |
| Total Commitments | <u>7,470</u> |

9. CHANGES IN COMPOSITION

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

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EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

10. CONTINGENCIES

There were no significant changes in contingent assets or liabilities since 31 December 2019.

11. SUBSEQUENT EVENTS

There were no other material events subsequent to 31 December 2019 that have not been reflected in this interim financial report except for the following:

On 31 January 2020, RGT Berhad ("RGTBHD") announced that its 60% owned subsidiary company, Rapid Growth Technology Sdn Bhd ("RGTSB"), has entered into a Sale and Purchase Agreement with ALPS Coating Sdn Bhd ("ACSB") to purchase a piece of land and hereditaments held under Pajakan Negeri No. Hakmilik 11102, Lot 14731 (formerly known as HSD 56710, PT 965), Mukim 13, Daerah Seberang Perai Tengah, Negeri Pulau Pinang) with the factory building erected thereon bearing assessment address No. 1024 Lgk Perindustrian Bukit Minyak 2, Tmn Bukit Minyak, 14100 Simpang Ampat for a total purchase consideration of RM7,500,000.00 and subject to the terms and conditions stipulated in the Sale and Purchase Agreement. For further details, please refer to Bursa website for the announcement made by the Company.

12. SIGNIFICANT RELATED PARTY TRANSACTIONS

There were no significant related party transactions during the current interim period.

13. DERIVATIVES

| | 31.12.2019 RM'000 |
|--|----------------------|
| Forward exchange contracts - at fair value | |
| - Current assets | 9 |
| - Current liabilities | 4 |
| | <hr/> |

Forward exchange contracts are used to hedge the exposure to currency risk. The Group does not apply hedge accounting. As at 31 December 2019, the Group had contracts with financial institutions due within 1 year to buy USD74,000 and sell USD100,000 at contractual forward rates.

The fair values of forward exchange contracts were quoted by the financial institutions, which normally measured the fair values using present value technique by discounting the differences between contractual forward prices and observable current market forward prices using risk-free interest rate (i.e. Level 2).

Fair Value Changes of Financial Liabilities

The Group does not remeasure its financial liabilities at fair value after the initial recognition.

Fair Value

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

13. DERIVATIVES (CONT'D)

The inputs to valuation techniques used to measure fair value are categorised into the following levels of fair value hierarchy:-

- (i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- (ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- (iii) Level 3 - unobservable inputs for the asset or liability.

The carrying amounts of receivables, cash and cash equivalents, payables and loans and borrowings which are short-term in nature or repayable on demand are reasonable approximations of fair values. The fair values of long-term loans and borrowings are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2).

The fair values of forward exchange contracts are measured using present value technique by discounting the differences between contractual forward prices and observable current market forward prices using risk-free interest rate (i.e. Level 2).

There were no transfers between levels of fair value hierarchy during the current interim period.

PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

14. REVIEW OF PERFORMANCE

Current Quarter (Q2'20) vs Corresponding Preceding Quarter (Q2'19)

| | Current quarter ended 31.12.2019 RM'000 | Corresponding preceding quarter ended 31.12.2018 RM'000 | Variance | |
|--|---|--|----------|------|
| | | | RM'000 | % |
| Revenue | 17,142 | 25,224 | (8,082) | -32% |
| Profit before tax | 1,628 | 4,079 | (2,451) | -60% |
| Profit for the financial period | 1,500 | 2,992 | (1,492) | -50% |
| Profit attributable to owners of the Company | 1,012 | 1,617 | (605) | -37% |

The Group recorded a revenue of RM17.14 million which was lower by RM8.08 million as compared to corresponding preceding quarter of RM25.22 million. The decrease was mainly due to decline in export sales to our customer arising from over stocking at its premises. The Group reported a decrease of RM2.45 million on profit before tax ("PBT") to RM1.63 million in the current quarter. The decrease in PBT was mainly due to the lower revenue reported in this quarter.

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EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

14. REVIEW OF PERFORMANCE (CONT'D)

Current Cumulative Period (6M YTD'20) vs Corresponding Preceding Cumulative Period (6M YTD'19)

| | Current period-to-date ended 31.12.2019 RM'000 | Corresponding preceding period-to-date ended 31.12.2018 RM'000 | Variance | |
|--|--|---|----------|------|
| | | | RM'000 | % |
| Revenue | 35,766 | 49,842 | (14,076) | -28% |
| Profit before tax | 4,016 | 7,662 | (3,646) | -48% |
| Profit for the financial period | 3,369 | 5,591 | (2,222) | -40% |
| Profit attributable to owners of the Company | 2,224 | 2,888 | (664) | -23% |

The Group recorded a revenue of RM35.77 million which was lower by RM14.08 million as compared to corresponding preceding period of RM49.84 million. The decrease was mainly due to decline in export sales to one of our customers in United States of America. The Group reported a decrease of RM3.65 million on profit before tax ("PBT") to RM4.02 million in the current quarter. The decrease in PBT was mainly due to the lower revenue reported in this quarter.

Current quarter (Q2'20) vs Immediate Preceding Quarter (Q1'20)

| | Current Quarter Ended 31.12.2019 RM'000 | Immediate Preceding Quarter Ended 30.09.2019 RM'000 | Variance | |
|--|---|--|----------|------|
| | | | RM'000 | % |
| Revenue | 17,142 | 18,624 | (1,482) | -8% |
| Profit before tax | 1,628 | 2,388 | (760) | -32% |
| Profit for the financial period | 1,500 | 1,869 | (369) | -20% |
| Profit attributable to owners of the Company | 1,012 | 1,212 | (200) | -17% |

On a quarter on quarter comparison, the Group's revenue for the quarter ended 31 December 2019 decreased by RM1.48 million or 8% while PBT decreased by RM0.76 million or 32% for the current quarter as compared to the preceding quarter. The decrease in profit before tax was mainly due to lower revenue and lower margin products manufactured in this quarter.

15. COMMENTARY ON PROSPECT

Despite the current economic challenges, the prospect of the global plastics industry is still expected to remain positive. The positive outlook for plastic products can be largely attributed to the diversity of application of plastics due to its unique properties leading to greater demand from multiple industries. The rapid technological advancement in increasing or improving the already unique properties of plastics will further drive demand for plastic products.

The Group is expected to improve further in light of the growing demand for companies to provide value-added services or the plastic products to Malaysia and global markets.

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EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

16. PROFIT FORECAST

The Group did not issue any profit forecast in any form of public documentation and announcement.

17. TAX EXPENSE

| | Individual quarter | | Cumulative period | |
|---|--|--|---|---|
| | Current Quarter Ended 31.12.2019 RM'000 | Corresponding Preceding Quarter Ended 31.12.2018 RM'000 | Current Period-To-Date ended 31.12.2019 RM'000 | Corresponding Preceding Period-To-Date Ended 31.12.2018 RM'000 |
| Tax based on results for the financial period:- | | | | |
| - Current tax | 322 | 1,548 | 841 | 2,410 |
| - Deferred tax | - | (455) | - | (283) |
| | <u>322</u> | <u>1,093</u> | <u>841</u> | <u>2,127</u> |
| Tax over provided in prior period:- | | | | |
| - Current tax | (194) | - | (194) | (50) |
| - Deferred tax | - | (6) | - | (6) |
| | <u>128</u> | <u>1,087</u> | <u>647</u> | <u>2,071</u> |

The effective tax rate of the Group for the current quarter and current period-to-date under review was lower than the statutory tax rate of 24%. This was mainly due to Automation Capital Allowance ("ACA") tax incentive enjoyed by RGTSB.

18. STATUS OF CORPORATE PROPOSALS

On 21 August 2019, the Company made an announcement to Bursa Malaysia Securities Berhad ("Bursa Securities") to undertake the following proposals:-

- (i) Proposed acquisition of the remaining 40% equity interest in Rapid Growth Technology Sdn. Bhd. for a purchase consideration of RM48,000,000 to be satisfied entirely via issuance of 282,352,941 ordinary shares at an issue price of RM0.17 per shares to a nominee company owned by the vendors ("Proposed Acquisition"); and
- (ii) Proposed exemption to the vendors, their nominee company and the persons acting in concert with them from the obligation to undertake a mandatory take-over offer for all the remaining Shares and Warrants in the Company not already held by them pursuant to the Proposed Acquisition under Paragraph 4.08(1) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions ("Proposed Exemption")

(collectively referred to as "Proposals")

The listing application in relation to the Proposals has been submitted to Bursa Securities on 6 September 2019.

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EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

19. BORROWINGS

The Group's loans and borrowings as at end of the reporting period were as follows:-

| | Short-term RM'000 | Long-term RM'000 | Total RM'000 |
|---------------------|----------------------|---------------------|-----------------|
| Secured:- | | | |
| - Lease liabilities | 677 | 671 | 1,348 |
| - Term loans | 986 | 3,132 | 4,118 |
| | <u>1,663</u> | <u>3,803</u> | <u>5,466</u> |

20. DIVIDEND

On 19 February 2020, the Directors declared a single tier interim dividend of 0.3 sen per ordinary share in respect of the financial year ending 30 June 2020.

The entitlement date and payment date are on 4 March 2020 and 18 March 2020 respectively.

21. CHANGES IN MATERIAL LITIGATION

Tenaga Nasional Berhad ("TNB") vs RGT Berhad

We refer to the above case as disclosed in our 2019 Annual Report. The Company has agreed with TNB to settle the total sum of RM1,980,000 which include the cost, interest thereon and allocator cost ("Settlement Sum"). The Settlement Sum agreed by both parties are as follows:-

- RM500,000 as initial payment has been paid on 15 October 2018;
- The balance of RM1,480,000 to be paid in 24 monthly instalments consisting of 23 equal instalments of RM61,666 and 1 final instalment of RM61,682 starting from 15 November 2018 to 15 October 2020.

The Settlement Sum has been fully accounted for in the financial statements of the Group.

Save as disclosed above, neither the Company nor any of its subsidiary companies is involved in any material litigation as at the latest practicable date, which has a material effect on the financial position of the Group.

RGT BERHAD

(Incorporated in Malaysia)

Registration No: 198101004909 (71024-T)

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

22. EARNINGS PER SHARES

| | Individual quarter | | Cumulative period | |
|---|----------------------------------|--|---|---|
| | Current Quarter Ended 31.12.2019 | Corresponding Preceding Quarter Ended 31.12.2018 | Current Period-to-date Ended 31.12.2019 | Corresponding Preceding Period-to-date Ended 31.12.2018 |
| Profit attributable to owners of the Company (RM'000) | 1,012 | 1,617 | 2,224 | 2,888 |
| Weighted average number of ordinary shares in issue ('000) | 576,930 | 576,930 | 576,930 | 576,930 |
| Number of shares under warrant deemed to have been issued for no consideration ('000) | 58,133 | - | 58,133 | - |
| Weighted average number of shares for computing diluted earning per share ('000) | 635,063 | 576,930 | 635,063 | 576,930 |
| Earnings per share:- | | | | |
| - Basic (sen) | 0.18 | 0.28 | 0.39 | 0.50 |
| - Diluted (sen) | 0.16 | 0.28 * | 0.35 | 0.50 * |

* The diluted earnings per share equals the basic earnings per share as there were no dilutive potential ordinary shares during the financial quarter.

23. PROFIT BEFORE TAX

| | Individual quarter | | Cumulative period | |
|--|---|---|--|--|
| | Current Quarter Ended 31.12.2019 RM'000 | Corresponding Preceding Quarter Ended 31.12.2018 RM'000 | Current Period-to-date Ended 31.12.2019 RM'000 | Corresponding Preceding Period-to-date Ended 31.12.2018 RM'000 |
| Profit before tax is arrived at after charging/(crediting):- | | | | |
| Depreciation of property, plant and equipment | 691 | 940 | 1,405 | 1,880 |
| Depreciation of right-of-use asset | 237 | - | 474 | - |
| Fair value gain on financial instruments mandatorily measured at fair value through profit or loss | (31) | (12) | (18) | (325) |
| Gain on disposal of property, plant and equipment | - | - | (16) | (59) |
| Interest expense | 83 | 148 | 157 | 245 |
| Interest income | (233) | (163) | (441) | (342) |
| Inventories written down | - | 61 | - | 61 |
| Property, plant and equipment written off | 2 | 15 | 2 | 15 |
| (Gain)/Loss on foreign exchange:- | | | | |
| - Realised | (8) | 87 | (147) | 366 |
| - Unrealised | 165 | 225 | 123 | 126 |

Save for the above, the other items as required under Paragraph 16 of Part A of Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.