



RGT BERHAD

(Incorporated in Malaysia)

Registration No: 198101004909 (71024-T)

**CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

for the financial year ended 30 June 2020

RGT BERHAD

(Incorporated in Malaysia)

Registration No: 198101004909 (71024-T)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Individual quarter		Cumulative period	
		Current Quarter Ended 30.06.2020 (Unaudited) RM'000	Corresponding Preceding Quarter Ended 30.06.2019 (Unaudited) RM'000	Current Year-To-Date Ended 30.06.2020 (Audited) RM'000	Corresponding Preceding Year-To-Date Ended 30.06.2019 (Audited) RM'000
Revenue		26,330	19,060	77,494	94,522
Cost of goods sold		(17,881)	(14,352)	(55,820)	(68,312)
Gross profit		8,449	4,708	21,674	26,210
Interest income		172	174	821	640
Other income/(expenses)		(50)	833	348	1,273
Administrative and general expenses		(3,962)	(2,432)	(12,582)	(12,992)
Finance costs		(6)	(70)	(236)	(400)
Profit before tax	24	4,603	3,213	10,025	14,731
Tax expense	17	(1,068)	(817)	(2,019)	(3,848)
Profit for the financial period/year		3,535	2,396	8,006	10,883
Other comprehensive income for the financial period/year		-	-	-	-
Comprehensive income for the financial period/year		3,535	2,396	8,006	10,883
Profit for the financial period/year attributable to:-					
- Owners of the Company		2,137	1,565	4,971	6,086
- Non-controlling interests		1,398	831	3,035	4,797
		3,535	2,396	8,006	10,883
Comprehensive income for the financial period/year attributable to:-					
- Owners of the Company		2,137	1,565	4,971	6,086
- Non-controlling interests		1,398	831	3,035	4,797
		3,535	2,396	8,006	10,883
Earnings per share:-	23				
- Basic (sen)		0.37	0.27	0.86	1.05
- Diluted (sen)		0.32	0.24	0.77	0.94

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 2020.

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Registration No: 198101004909 (71024-T)

AUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	As at 30.06.2020 RM'000	As at 30.06.2019 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	28,923	41,856
Right-of-use assets	12,538	-
Goodwill	17,147	17,147
Deferred tax assets	249	-
	<u>58,857</u>	<u>59,003</u>
CURRENT ASSETS		
Inventories	13,344	9,327
Receivables	17,196	15,341
Derivatives	8	-
Prepayments	2,321	543
Current tax assets	3	954
Cash and cash equivalents	32,027	24,956
	<u>64,899</u>	<u>51,121</u>
CURRENT LIABILITIES		
Payables	17,692	10,716
Loans and borrowings - secured	764	1,747
Lease liabilities	714	-
Derivatives	5	13
Contract liabilities	1,779	46
Current tax liabilities	518	1
	<u>21,472</u>	<u>12,523</u>
NET CURRENT ASSETS	43,427	38,598
NON-CURRENT LIABILITIES		
Loans and borrowings - secured	2,723	4,197
Lease liabilities	782	-
Deferred tax liabilities	5,003	5,003
	<u>8,508</u>	<u>9,200</u>
NET ASSETS	93,776	88,401
EQUITY		
Share capital	49,352	49,352
Warrant reserve	8,818	8,818
Retained profits	7,110	3,870
Equity attributable to owners of the Company	<u>65,280</u>	<u>62,040</u>
Non-controlling interests	28,496	26,361
TOTAL EQUITY	93,776	88,401
Net assets per ordinary share attributable to owners of the Company (sen)	11.32	10.75

The Audited 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 2020.

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AUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	<u>Share capital</u> RM'000	<u>Non-distributable</u> Warrant reserve RM'000	<u>Distributable</u> (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
Issue of shares to non-controlling interests	-	-	-	-	300	300
Interim single tier dividend of 0.3 sen per share	-	-	(1,731)	(1,731)	-	(1,731)
Dividends to non-controlling interests	-	-	-	-	(1,200)	(1,200)
Total transactions with owners	-	-	(1,731)	(1,731)	(900)	(2,631)
Profit (representing comprehensive income) for the financial year	-	-	4,971	4,971	3,035	8,006
Balance at 30 June 2020	<u>49,352</u>	<u>8,818</u>	<u>7,110</u>	<u>65,280</u>	<u>28,496</u>	<u>93,776</u>
Balance at 1 July 2018	49,352	8,818	(2,216)	55,954	23,990	79,944
Dividends to non-controlling interests (representing total transactions with owners)	-	-	-	-	(2,800)	(2,800)
Disposal of subsidiaries	-	-	-	-	374	374
Profit (representing comprehensive income) for the financial year	-	-	6,086	6,086	4,797	10,883
Balance at 30 June 2019	<u>49,352</u>	<u>8,818</u>	<u>3,870</u>	<u>62,040</u>	<u>26,361</u>	<u>88,401</u>

The Audited 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 2020.

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AUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Current Year-To-Date Ended 30.06.2020 (Audited) RM'000	Corresponding Preceding Year-To-Date Ended 30.06.2019 (Audited) RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	10,025	14,731
Adjustments for:-		
Depreciation of property, plant and equipment	2,763	3,734
Depreciation of right-of-use assets	957	-
Gain on disposal of property, plant and equipment	(79)	(63)
Interest expense	236	400
Interest income	(821)	(640)
Inventories written down	221	241
Loss on disposal of subsidiaries	-	374
Property, plant and equipment written off	3	90
Reversal of inventories written down	(156)	-
Unrealised (gain)/loss on derivatives	(3)	13
Unrealised loss on foreign exchange	134	6
Operating profit before working capital changes	<u>13,280</u>	<u>18,886</u>
Changes in:-		
Inventories	(4,082)	(1)
Receivables and prepayments	(3,823)	5,093
Payables and contract liabilities	8,776	(12,724)
Provisions	-	(1,007)
Derivatives	(13)	(324)
Cash generated from operations	<u>14,138</u>	<u>9,923</u>
Tax paid	(2,799)	(3,225)
Tax refunded	1,999	438
Net cash from operating activities	<u>13,338</u>	<u>7,136</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(2,090)	(1,460)
Acquisition of right-of-use assets	(76)	-
Interest received	821	640
Proceeds from disposal of property, plant and equipment	94	329
Net cash used in investing activities	<u>(1,251)</u>	<u>(491)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to owners of the Company	(1,731)	-
Dividends paid to non-controlling interests	(1,200)	(2,800)
Interest paid	(236)	(400)
Issue of shares to non-controlling interests	300	-
Payment of lease liabilities	(661)	-
Placement of cash and cash equivalents pledged as security (net)	(84)	(102)
Repayment of hire purchase obligations	-	(574)
Repayment of term loans	(1,477)	(1,602)
Net cash used in financing activities	<u>(5,089)</u>	<u>(5,478)</u>

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AUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (CONT'D)

	Current Year-To-Date Ended 30.06.2020 (Audited) RM'000	Corresponding Preceding Year-To-Date Ended 30.06.2019 (Audited) RM'000
Currency translation differences	(11)	(18)
Net increase in cash and cash equivalents	6,987	1,149
Cash and cash equivalents brought forward	21,856	20,707
Cash and cash equivalents carried forward	<u>28,843</u>	<u>21,856</u>
Analysis of cash and cash equivalents:-		
- Highly liquid investments	25,347	19,188
- Term deposits	3,184	3,100
- Cash and bank balances	3,496	2,668
	<u>32,027</u>	<u>24,956</u>
Less: Cash and cash equivalents pledged	<u>(3,184)</u>	<u>(3,100)</u>
	<u>28,843</u>	<u>21,856</u>

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EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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 2020.

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 2020 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 Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures	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 YEAR ENDED 30 JUNE 2020

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 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</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
Amendment to MFRS 16 <i>Covid-19-Related Rent Concessions</i>	1 June 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvement to MFRS Standards 2018 – 2020	1 January 2022

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

On 18 March, 2020, the Malaysian Government had imposed a Movement Control Order (“MCO”) in view of the Covid-19 pandemic. This MCO measure has not significantly affected the Group as we have obtained the approval from the Ministry of International Trade and Industry (“MITI”) of Malaysia to continue to operate during this period with certain conditions, which we have been observing in our workplace.

On 28 April, 2020, MITI has further announced to allow companies with earlier approval to operate during the MCO period to increase its operating capacity to 100% without limitation on operating hours beginning 29 April, 2020.

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

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.

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EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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.

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 30.06.2020 RM'000	Corresponding Preceding Quarter Ended 30.06.2019 RM'000	Current Year-To-Date Ended 30.06.2020 RM'000	Corresponding Preceding Year-To-Date Ended 30.06.2019 RM'000
United States of America	16,278	9,820	46,236	63,410
Europe ^{*1}	7,125	5,570	18,212	16,958
Malaysia	2,179	2,440	9,518	10,151
Others ^{*2}	747	1,230	3,527	4,003
	<u>26,329</u>	<u>19,060</u>	<u>77,493</u>	<u>94,522</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:

	30.06.2020 RM'000
Acquisition of property, plant and equipment	4,271
Acquisition of right-of-use assets	2,981
	<u>7,252</u>

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EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

9. CHANGES IN COMPOSITION

On 1 June, 2020, the Company invested and paid RM70.00 for 70 ordinary shares, constituting 70% equity interest in RGT Industries Sdn Bhd ("RISB"), a company incorporated in Malaysia with an issued share capital of RM100.00 comprising 100 ordinary shares.

Subsequently, the Company has on 18 June 2020 further subscribed additional 699,930 ordinary shares at an issue price of RM1.00 each in the capital of RISB by way of a cash consideration of RM699,930.00. In consequent thereto, the total investment of the Company in RISB has become 700,000 ordinary shares, which represents 70% of the total number of issued shares in RISB.

The rationale to invest in RISB is to provide the Company with opportunity for expansion into the business of precision spray painting services under a controlled cleanroom environment with strategic focus on, but not limited to Hygiene Care and Medical products.

This new business represents a good synergistic fit as it enables greater strategic vertical integration of Rapid Growth Technology Sdn Bhd ("RGTSB")'s value chain process. In addition, a significant portion of the production capacity will be utilized to service our customers' strong ongoing demand for our hygiene care products.

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

10. CONTINGENCIES

There were no significant changes in contingent assets or liabilities since 30 June 2020.

11. SUBSEQUENT EVENTS

There were no material events subsequent to 30 June 2020 that have not been reflected in this interim financial report.

12. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

13. DERIVATIVES

	30.06.2020 RM'000
Forward exchange contracts - at fair value	
- Current asset	8
- Current liabilities	(5)
	<u>3</u>

Forward exchange contracts are used to hedge the exposure to currency risk. The Group does not apply hedge accounting. As at 30 June 2020, the Group had contracts with financial institutions due within 1 year to buy USD139,440 and sell USD100,000 at contractual forward rates.

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EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

13. DERIVATIVES (CONT'D)

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.

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.

Financial assets and financial liabilities

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.

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EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

14. REVIEW OF PERFORMANCE

Current Quarter (Q4'20) vs Corresponding Preceding Quarter (Q4'19)

	Current quarter ended 30.06.2020 RM'000	Corresponding preceding quarter ended 30.06.2019 RM'000	Variance	
			RM'000	%
Revenue	26,330	19,060	7,270	38%
Profit before tax	4,603	3,213	1,390	43%
Profit for the financial period	3,535	2,396	1,139	48%
Profit attributable to owners of the Company	2,137	1,565	572	37%

The Group earned revenue of RM26.33 million compared to the corresponding preceding quarter of RM19.06 million. This is an increase of RM7.27 million or 38% driven by the surge in demand for hygiene care products from our customers arising from the outbreak and spread of Covid-19.

Whilst the Covid-19 pandemic has led to a surge in our order book, it also had two major implications for the Group's operations. Since the beginning of this quarter, factories were allowed to operate at only 50% manpower. This is in compliance with the Movement Control Order (MCO) as legislated by the Malaysian Government. As a result of the necessary safety precaution measures stated above, the Group experienced significant backlog in the fulfilment of sales orders. Revenue would have been higher had the Group been able to operate at full capacity.

The Covid-19 pandemic has also had an impact on driving up production cost and general expenses were higher for this quarter compared to the preceding quarter as the Group had to incur additional expenses such as staff attendance incentives, meal allowance and personal protective care expenses such as face masks, face shield and sanitizers which amounted to approximately RM300,000. During the quarter, there is also a one-off charge of approximately RM574,000 in professional fees incurred in relation to the corporate exercise to acquire the balance 40% stake in RGTSB.

Nevertheless, Profit Before Tax increased by 43% from RM3.21 million to RM4.60 million, compared to preceding quarter.

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EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

14. REVIEW OF PERFORMANCE (CONT'D)

Current Cumulative Period (12M YTD'20) vs Corresponding Preceding Cumulative Period (12M YTD'19)

	Current	Corresponding	Variance	
	Year-to-date ended 30.06.2020 RM'000	preceding Year-to-date ended 30.06.2019 RM'000	RM'000	%
Revenue	77,494	94,522	(17,028)	-18%
Profit before tax	10,025	14,731	(4,706)	-32%
Profit for the financial year	8,006	10,883	(2,877)	-26%
Profit attributable to owners of the Company	4,971	6,086	(1,115)	-18%

For the full financial year ended 30 June 2020, the Group reported a revenue of RM77.49 million for this financial year compared to the corresponding preceding year of RM94.52 million. This decrease of RM17.03 million or 18% is mainly due to decline in export sales to one of our customers in United States of America due to overstocking at their premises.

In line with the lower Group Revenue, Profit Before Tax fell 32% or RM4.70 million from RM14.73 million in the preceding year, to RM10.03 million for the current year.

Current quarter (Q4'20) vs Immediate Preceding Quarter (Q3'20)

	Current	Immediate	Variance	
	Quarter Ended 30.06.2020 RM'000	Preceding Quarter Ended 31.03.2020 RM'000	RM'000	%
Revenue	26,330	15,398	10,932	71%
Profit before tax	4,603	1,406	3,197	227%
Profit for the financial period	3,535	1,102	2,433	221%
Profit attributable to owners of the Company	2,137	610	1,527	250%

The Group revenue of RM26.33 million compared to the preceding quarter of RM15.40 million. This is an increase of RM10.93 million or 71% driven by the surge in demand for hygiene care products from our customers.

Despite the higher production cost, general expense due to a one-off charge of professional fees of RM574,000 and the additional expenses such as staff attendance incentives, meal allowance and personal protective care expenses such as face masks, face shield and sanitizers, the Group managed to record a hike in the Profit before tax by 227% from RM1.41 million to RM4.60 million, compared to preceding quarter.

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EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

15. COMMENTARY ON PROSPECT

Despite the economic challenges caused by the US-China trade war and Covid-19 pandemic, the Group is experiencing strong demand for its Hygiene Care Products which are widely used to prevent and control the spread of infectious diseases, including the Covid-19 pandemic.

As a result of strong sales orders received from our customers in the United States of America and Europe, the Group experienced significant backlog in the fulfilment of sales orders during this quarter. New production lines and machineries were added in this quarter to increase its production capacity to cater for this backlog and future sales. However, with new customers and additional products in the pipeline, the Group is working towards installing more production lines and machineries in an effort to increase its production capacity to meet the demand for our products.

Upon acquisition of the adjacent factory is completed in September 2020, the Group will commence with the expansion and will eventually have double the current production floor and warehousing space. This will cater well to meet future demand growth from not only our existing and new customers but also from new products developed by our internal Research and Development Department. We expect to complete the expansion in stages with the final completion of the production floor by the 30 June 2021.

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 30.06.2020 RM'000	Corresponding Preceding Quarter Ended 30.06.2019 RM'000	Current Year-To-Date ended 30.06.2020 RM'000	Corresponding Preceding Year-To-Date Ended 30.06.2019 RM'000
Tax based on results for the financial period/year:-				
- Current tax	1,321	566	2,500	3,964
- Deferred tax	(249)	229	(249)	(54)
	<u>1,072</u>	<u>795</u>	<u>2,251</u>	<u>3,910</u>
Tax (over)/under provided in prior year:-				
- Current tax	(4)	9	(232)	(69)
- Deferred tax	-	13	-	7
	<u>1,068</u>	<u>817</u>	<u>2,019</u>	<u>3,848</u>

The effective tax rates are lower than the statutory tax rate mainly due to the recognition of deferred tax assets of the subsidiaries.

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Registration No: 198101004909 (71024-T)

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

18. STATUS OF CORPORATE PROPOSALS

There are no other corporate proposals announced but not completed as at the date of the report except for the following:

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. On 24 February 2020, the Company had voluntarily withdrawn the previous listing application pursuant to the Proposals which was submitted on 6 September 2019.

On 19 June 2020, the Company and the Vendors mutually agreed in writing to extend the period for fulfilment of the Conditions Precedent pursuant to the Share Sale Agreement dated 21 August 2019, from 19 June 2020 to 30 June 2021.

The necessary announcement on the revised Proposals will be made once the terms and structure have been finalised and deliberated thereupon. Accordingly thereafter, a new application pursuant to the revised Proposals will be submitted to Bursa Securities.

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	714	782	1,496
- Term loans	764	2,723	3,487
	<u>1,478</u>	<u>3,505</u>	<u>4,983</u>

20. DIVIDEND

The Board does not propose any dividend during the current quarter.

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21. SIGNIFICANT EVENT

On 31 January 2020, RGT Berhad announced that its 60% owned subsidiary company, Rapid Growth Technology Sdn Bhd, has entered into a Sale and Purchase Agreement with ALPS Coating Sdn Bhd 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 ("Property") 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.

On 18 June 2020, ALPS Coating Sdn Bhd has obtained the State Authority's consent to transfer the Property.

Save for the above, there are no other significant events as at the date of the report.

22. CHANGES IN MATERIAL LITIGATION

Tenaga Nasional Berhad ("TNB") vs RGT Berhad

We refer to the above case as disclosed in our 2020 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:-

- a. RM500,000 as initial payment has been paid on 15 October 2018;
- b. 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.

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23. EARNINGS PER SHARE

	Individual quarter		Cumulative period	
	Current Quarter Ended 30.06.2020	Corresponding Preceding Quarter Ended 30.06.2019	Current Year-to-date Ended 30.06.2020	Corresponding Preceding Year-to-date Ended 30.06.2019
Profit attributable to owners of the Company (RM'000)	2,137	1,565	4,971	6,086
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)	87,199	65,400	65,400	71,811
Weighted average number of shares for computing diluted earning per share ('000)	664,129	642,330	642,330	648,741
Earnings per share:-				
- Basic (sen)	0.37	0.27	0.86	1.05
- Diluted (sen)	0.32	0.24	0.77	0.94

24. PROFIT BEFORE TAX

	Individual quarter		Cumulative period	
	Current Quarter Ended 30.06.2020 RM'000	Corresponding Preceding Quarter Ended 30.06.2019 RM'000	Current Year-to-date Ended 30.06.2020 RM'000	Corresponding Preceding Year-to-date Ended 30.06.2019 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Depreciation of property, plant and equipment	675	906	2,763	3,734
Depreciation of right-of-use assets	247	-	957	-
Fair value (gain)/loss on financial instruments mandatorily measured at fair value through profit or loss	(242)	16	(16)	(311)
Gain on disposal of property, plant and equipment	(63)	-	(79)	(63)
(Gain)/Loss on foreign exchange:-				
- Realised	(103)	(79)	(246)	600
- Unrealised	359	(67)	134	6
Interest expense	6	70	236	400
Interest income	(172)	(174)	(821)	(640)
Inventories written down	221	180	221	241
Loss on disposal of subsidiaries	-	374	-	374
Professional and disbursement for corporate exercise	574	-	574	-
Property, plant and equipment written off	1	61	3	90
Reversal of inventories written down	(76)	-	(156)	-

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.