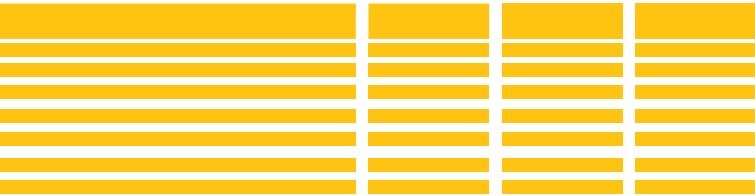




**RGB International Bhd.**  
(603831-K)



A N N U A L R E P O R T 2 0 1 7

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# VISION MISSION

To be a leading manufacturer, distributor, concession and technical support services provider in the gaming industry in Asia region.

To be the premier integrated Gaming Solutions Specialist focusing on the manufacturing, distribution, concession and management of, and technical support for gaming machines that provide ultimate recreational experience.

## CORE VALUES

Our commitment to excellence springs forth from a strong foundation of CORE VALUES:

### OUR PEOPLE, OUR KEY ASSETS

Continuously identifying new talents and developing our team in upholding high standards of ethics and integrity at all times.

### QUALITY

Striving and delivering the best quality of services and products.

### CORPORATE LEADERSHIP

Increasing shareholders value while simultaneously focusing on growth guided by good corporate governance and financial discipline.

### CORPORATE SOCIAL RESPONSIBILITY

Participating in projects that benefit the community and environment.

# CORPORATE PROFILE

RGB International Bhd. (“RGB” or “the Company”) was incorporated in Malaysia on 16 January 2003.

RGB is an investment holding company with its subsidiaries (“RGB Group” or “the Group”) primarily involved in:

- sales and marketing, and manufacturing of electronic gaming machines and equipment (“SSM”)
- machine concession programmes and technical support management (“TSM”)
- on-site technical solution, preventive maintenance and repair services for electronic gaming machines and equipment (“Engineering”)

The history of RGB’s involvement in the gaming industry began way back in 1986 through its wholly owned subsidiary, RGB Sdn. Bhd. (“RGSB”). Through RGSB, RGB is acknowledged as a leading supplier of electronic gaming machines and casino equipment in Asia region. Today, the Group is also a major machine concession programmes provider in Asia.

RGB has marked its presence in Malaysia and also operates in Kingdom of Cambodia, Lao PDR, Vietnam, Singapore, the Philippines, Macau SAR, Timor-Leste and Nepal.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Dato' Mahinder Singh Dulku** / Independent Non-Executive Chairman  
**Datuk Chuah Kim Seah** / Managing Director  
**Datuk Steven Lim Tow Boon** / Chief Operating Officer  
**Mr. Mazlan Ismail** / Executive Director  
**Mr. Chuah Kim Chiew** / Deputy Chief Operating Officer  
**Mr. Ng Eng Tong** / Senior Independent Non-Executive Director  
**Ms. Lam Voon Kean** / Independent Non-Executive Director  
**Tan Sri Norazman Hamidun** / Independent Non-Executive Director

### Audit Committee

Ms. Lam Voon Kean, Chairman  
 Dato' Mahinder Singh Dulku  
 Mr. Ng Eng Tong  
 Tan Sri Norazman Hamidun

### Remuneration Committee

Dato' Mahinder Singh Dulku, Chairman  
 Mr. Ng Eng Tong  
 Ms. Lam Voon Kean  
 Tan Sri Norazman Hamidun

### Nomination Committee

Mr. Ng Eng Tong, Chairman  
 Dato' Mahinder Singh Dulku  
 Ms. Lam Voon Kean  
 Tan Sri Norazman Hamidun

### Employees' Share Option Scheme ("ESOS") Committee

Mr. Ng Eng Tong, Chairman  
 Dato' Mahinder Singh Dulku  
 Datuk Steven Lim Tow Boon  
 Ms. Lam Voon Kean  
 Tan Sri Norazman Hamidun

### Credit Review & Risk Assessment ("CRRA") Committee

Dato' Dr. Gan Kong Meng, Chairman  
 Datuk Chuah Kim Seah  
 Ms. Teh Mun Hui

### Executive Committee

Datuk Chuah Kim Seah, Chairman  
 Datuk Steven Lim Tow Boon  
 Mr. Mazlan Ismail  
 Mr. Chuah Kim Chiew  
 Mr. Chuah Eng Hwa  
 Ms. Teh Mun Hui  
 Mr. Ganaser Kaliappen

### Company Secretary

Ms. Woon Mei Ling  
 (MAICSA 7047736)

### Registered Office

Suite 16-1 (Penthouse Upper)  
 Menara Penang Garden  
 42-A Jalan Sultan Ahmad Shah  
 10050 Penang, Malaysia  
 Tel : +(60)4 229 4390  
 Fax : +(60)4 226 5860

### Principal Place of Business

8 Green Hall, 10200 Penang, Malaysia  
 Tel : +(60)4 263 1111  
 Fax : +(60)4 263 1188  
 E-mail : ir@rgbgames.com  
 Website : www.rgbgames.com

### Share Registrars

Agriteum Share Registration Services  
 Sdn. Bhd.  
 2<sup>nd</sup> Floor, Wisma Penang Garden  
 42 Jalan Sultan Ahmad Shah  
 10050 Penang, Malaysia  
 Tel : +(60)4 228 2321  
 Fax : +(60)4 227 2391

### Legal Form and Domicile

Public Limited Liability Company  
 Incorporated and Domiciled in Malaysia

### Stock Exchange Listing

Main Market of Bursa Malaysia  
 Securities Berhad  
 Stock code : 0037  
 Stock name : RGB

### Auditors

BDO (AF 0206)  
 Chartered Accountants  
 51-21-F Menara BHL  
 Jalan Sultan Ahmad Shah  
 10050 Penang, Malaysia

### Principal Bankers

Malayan Banking Berhad  
 Maybank International Labuan Branch  
 Hong Leong Bank Berhad  
 United Overseas Bank (Malaysia) Bhd.  
 The Bank of East Asia, Limited

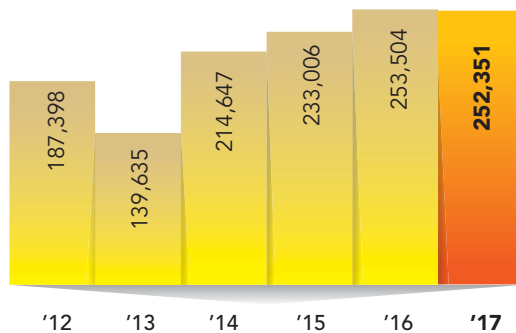
# GROUP FINANCIAL HIGHLIGHTS

	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000
Revenue	252,351	253,504	233,006	214,647	139,635	187,398
Profit Before Tax	40,374	30,993	25,111	19,696	6,530	6,133
EBITDA*	66,543	64,002	62,323	55,081	49,030	52,233
Net Profit	30,699	25,301	21,289	18,156	5,966	6,036
Cash and Bank Balances	82,932	69,840	75,528	44,793	26,855	26,030
Property, Plant and Equipment	105,159	107,862	118,578	108,075	115,180	107,841
Total Assets	385,757	297,668	301,920	267,814	217,319	230,557
Shareholders' Equity	210,074	203,452	175,253	104,708	74,962	59,495

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

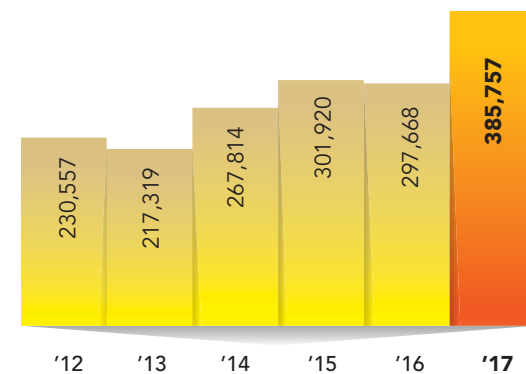
## REVENUE

(RM'000)



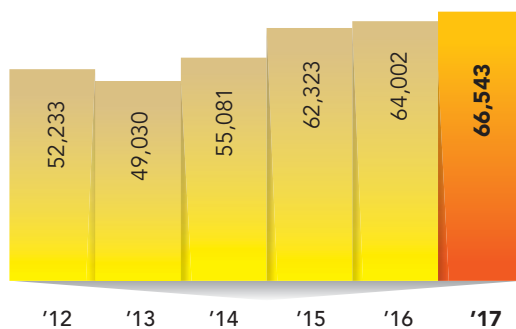
## TOTAL ASSETS

(RM'000)



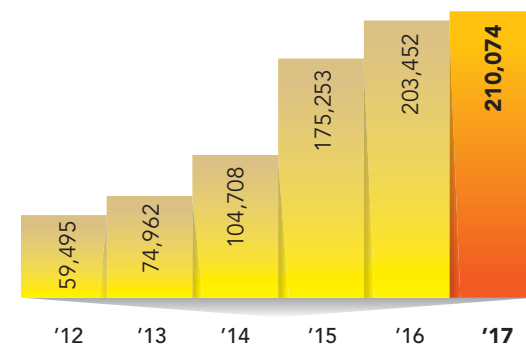
## EBITDA\*

(RM'000)



## SHAREHOLDERS' EQUITY

(RM'000)



# CORPORATE STRUCTURE

**RGB International Bhd.** (603831-K)  
 (Incorporated in Malaysia)





## DATO' MAHINDER SINGH DULKU, DSPN, PKT

Independent Non-Executive Chairman

Age	75
Gender	Male
Nationality	Malaysian
Date of appointment	28 April 2006
Date appointed as Senior Independent Non-Executive Director	18 April 2007
Date appointed as Chairman	31 March 2014
No. of Board meetings attended	5/5
Qualification	Utter Barrister, Lincoln's Inn, UK
Board Committee membership	<ul style="list-style-type: none"> <li>• Chairman of Remuneration Committee</li> <li>• Member of Audit Committee</li> <li>• Member of Nomination Committee</li> <li>• Member of ESOS Committee</li> </ul>
Working experience	Admitted as an Advocate & Solicitor, Malaya in 1973, Dato' Mahinder has been practising law specialising in land, contract and corporate laws. He has more than 40 years of legal practice experience and had been elected twice as Chairman of Penang Bar Committee and a member of Bar Council over that period.
Other information	<ul style="list-style-type: none"> <li>• Trustee of Penang Swimming Club</li> <li>• Trustee of Old Xaverians' Association, Penang</li> <li>• Chairman of the Board of Governors of Khalsa Dharmik School, Penang</li> <li>• Director of several other private limited companies</li> </ul>



PROFILE OF  
DIRECTORS

## DATUK CHUAH KIM SEAH, DMSM, DSDK, JP

Managing Director ("MD")

<b>Age</b>	65
<b>Gender</b>	Male
<b>Nationality</b>	Malaysian
<b>Date of appointment</b>	30 October 2003
<b>No. of Board meetings attended</b>	5/5
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Fellow, Association of Chartered Certified Accountants</li> <li>• Member, Malaysian Institute of Accountants ("MIA")</li> </ul>
<b>Board Committee membership</b>	<ul style="list-style-type: none"> <li>• Chairman of Executive Committee</li> <li>• Member of CRRA Committee</li> </ul>
<b>Working experience</b>	Datuk Chuah and his brother, Mr. Chuah Kim Chiew, marked their beginning in the gaming and amusement industry through RGBSB. He has garnered more than 30 years' experience in strategic, sales and marketing management. Presently, Datuk Chuah plans and develops the Group's strategic business direction, plans and policies. He also assesses potential business ventures and alliances for the Group.
<b>Other information</b>	<ul style="list-style-type: none"> <li>• Director of several subsidiaries of RGB</li> <li>• Director of several other private limited companies</li> </ul>



## DATUK STEVEN LIM TOW BOON, PJN, BKM

Chief Operating Officer ("COO")

<b>Age</b>	57
<b>Gender</b>	Male
<b>Nationality</b>	Malaysian
<b>Date of appointment</b>	30 October 2003
<b>No. of Board meetings attended</b>	5/5
<b>Qualification</b>	Bachelor of Arts, Brock University, Canada
<b>Board Committee membership</b>	<ul style="list-style-type: none"> <li>• Member of ESOS Committee</li> <li>• Member of Executive Committee</li> </ul>
<b>Working experience</b>	<p>Datuk Steven Lim assumed the position as COO of RGB Business Division in 2009 and thereafter re-designated as COO of the Group in 2013. As COO, his key responsibilities are leading strategic planning and overseeing the overall operation and management of Gaming Division of the Group.</p> <p>Datuk Steven Lim joined the Group in 1988 as Management Executive focusing on sales and marketing of gaming and amusement machines. His broad experience and expertise in sales and marketing has boosted the growth of the Group's market share in the gaming industry.</p>
<b>Other information</b>	<ul style="list-style-type: none"> <li>• Director of several subsidiaries of RGB</li> <li>• Director of several other private limited companies</li> </ul>



## MR. MAZLAN ISMAIL

Executive Director

<b>Age</b>	54
<b>Gender</b>	Male
<b>Nationality</b>	Malaysian
<b>Date of appointment</b>	30 October 2003
<b>No. of Board meetings attended</b>	5/5
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Ordinary Member, Malaysian Institute of Management</li> <li>• Diploma in Management, Malaysian Institute of Management</li> </ul>
<b>Board Committee membership</b>	<ul style="list-style-type: none"> <li>• Member of Executive Committee</li> </ul>
<b>Working experience</b>	<p>Mr. Mazlan heads the Human Resources division and oversees the implementation of policies and operational management for human resources and administrative functions for the Group.</p> <p>He started his career as Senior Audit Assistant with Chuah &amp; Associates in 1988 before leaving to pursue other career opportunities 3 years later.</p>
<b>Other information</b>	<ul style="list-style-type: none"> <li>• Director of several subsidiaries of RGB</li> <li>• Director of 1 other private limited company</li> </ul>



## MR. CHUAH KIM CHIEW

Deputy COO

<b>Age</b>	54
<b>Gender</b>	Male
<b>Nationality</b>	Malaysian
<b>Date of appointment</b>	30 October 2003
<b>No. of Board meetings attended</b>	5/5
<b>Qualification</b>	Bachelor of Business Administration, University of Waseda, Japan
<b>Board Committee membership</b>	Member of Executive Committee
<b>Working experience</b>	<p>Mr. Chuah was appointed as the Deputy COO of the Group on 16 January 2018. He assists COO in strategic planning and overseeing the overall operation and management of Gaming Division of the Group.</p> <p>His ties to the Group began more than 30 years ago when he was appointed as a Director of RGBSB. Together with Datuk Chuah, they began their ventures and challenges in the gaming and amusement industry.</p>
<b>Other information</b>	<ul style="list-style-type: none"> <li>• Director of several subsidiaries and associated companies of RGB</li> <li>• Director of several other private limited companies</li> </ul>



## MR. NG ENG TONG

Senior Independent Non-Executive Director

<b>Age</b>	72
<b>Gender</b>	Male
<b>Nationality</b>	Malaysian
<b>Date of appointment</b>	27 May 2011
<b>Date appointed as Senior Independent Non-Executive Director</b>	31 March 2014
<b>No. of Board meetings attended</b>	5/5
<b>Qualification</b>	Bachelor of Science (Honours) in Chemical Engineering, University of Wales, UK
<b>Board Committee membership</b>	<ul style="list-style-type: none"> <li>• Chairman of Nomination Committee</li> <li>• Chairman of ESOS Committee</li> <li>• Member of Audit Committee</li> <li>• Member of Remuneration Committee</li> </ul>
<b>Working experience</b>	Mr. Ng was with Shell Malaysia and subsequently Pan Malaysian Pools Sdn. Bhd., a wholly owned subsidiary of Tanjong Plc., as Chairman and Chief Executive Officer until his retirement in February 2008.
<b>Other information</b>	<ul style="list-style-type: none"> <li>• Chairman of the Board of Lembaga Totalisator Malaysia</li> <li>• Committee member of Royal Perak Turf Club</li> <li>• Director of 1 other private limited company</li> </ul>



## MS. LAM VOON KEAN

Independent Non-Executive Director

<b>Age</b>	65
<b>Gender</b>	Female
<b>Nationality</b>	Malaysian
<b>Date of appointment</b>	31 March 2014
<b>No. of Board meetings attended</b>	5/5
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Member, MIA</li> <li>• Member, Malaysian Institute of Certified Public Accountants ("MICPA")</li> </ul>
<b>Board Committee membership</b>	<ul style="list-style-type: none"> <li>• Chairman of Audit Committee</li> <li>• Member of Remuneration Committee</li> <li>• Member of Nomination Committee</li> <li>• Member of ESOS Committee</li> </ul>
<b>Working experience</b>	<p>Ms. Lam joined KPMG Penang in 1974 as an articled student and qualified as a Certified Public Accountant in 1981. She was one of the senior audit managers of KPMG Penang. She acted as the engagement manager for various audit engagements and also for assignments relating to the listing of shares on the Malaysian Stock Exchange and was involved in the review and preparation of profit and cash flow forecasts and projections.</p> <p>She left KPMG Penang in 1994 and joined M&amp;C Services Sdn. Bhd. (now known as Boardroom Corporate Services (KL) Sdn. Bhd.). She was promoted to Executive Director managing a suite of business solutions and services for public listed companies, private companies and branches of multi-national companies. Ms. Lam was promoted to Managing Director of Boardroom Corporate Services (Penang) Sdn. Bhd. ("Boardroom") in 2005 consequent to internal restructuring exercises. She retired on 31 December 2011 and accepted a one-year contract to act as consultant to Boardroom effective from 1 January 2012.</p>
<b>Other information</b>	<ul style="list-style-type: none"> <li>• Independent Non-Executive Director of Asia File Corporation Bhd.</li> <li>• Independent Non-Executive Director of Globetronics Technology Berhad</li> <li>• Independent Non-Executive Director of Aluminium Company of Malaysia Berhad</li> </ul>



## TAN SRI NORAZMAN HAMIDUN, PSM, PJJ, DGMK, DSDK, AMK, JP

Independent Non-Executive Director

<b>Age</b>	53
<b>Gender</b>	Male
<b>Nationality</b>	Malaysian
<b>Date of appointment</b>	1 April 2014
<b>No. of Board meetings attended</b>	5/5
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Corporate Member, Malaysian Institute of Marketing</li> <li>• MARA University of Technology majoring in Business Studies</li> </ul>
<b>Board Committee membership</b>	<ul style="list-style-type: none"> <li>• Member of Audit Committee</li> <li>• Member of Remuneration Committee</li> <li>• Member of Nomination Committee</li> <li>• Member of ESOS Committee</li> </ul>
<b>Working experience</b>	Tan Sri Norazman started his career in 1990 as an Assistant Deputy Registrar for Kota Setar District and Land Department ("PTD Kota Setar"). During his service with PTD Kota Setar, he was posted to Land Acquisition Department where he gained experience and knowledge in land issues. In 1994, he was promoted to State Land Officer and posted to Land Registration Department. He left government service in 1998 to concentrate on his business.
<b>Other information</b>	<ul style="list-style-type: none"> <li>• Chief Executive Officer/Chairman of HMS Oil &amp; Gas Sdn. Bhd.</li> <li>• Director of several other private limited companies</li> </ul>

### Notes:

#### Family Relationship with Directors and/or Major Shareholders

Datuk Chuah Kim Seah is a substantial shareholder of RGB and the brother of Mr. Chuah Kim Chiew.

Save as disclosed herein, none of the other Directors has any family relationship with any directors and/or major shareholders of the Company.

#### Conflict of Interest

None of the Directors has any conflict of interest with the Company.

#### Conviction for Offences

Other than traffic offences, none of the Directors has been convicted for any offences within the past 5 years nor has been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year under review.

#### Other Directorships

Except as disclosed by Ms. Lam Voon Kean, none of the other Directors holds any other directorship in public companies.

## KEY SENIOR MANAGEMENT TEAM

### MR. CHUAH ENG HWA

Vice President, New Investment  
and Treasury



<b>Age</b>	32
<b>Gender</b>	Male
<b>Nationality</b>	Malaysian
<b>Date first appointed to key senior management position</b>	1 January 2016
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Member, Institute of Chartered Accountants Australia ("ICAA")</li> <li>• Member, MICPA</li> <li>• Bachelor of Business (Accounting), Monash University, Australia</li> <li>• Bachelor of Computing, Monash University, Australia</li> </ul>
<b>Working experience</b>	<p>Mr. Chuah joined the Group on 1 April 2015 as Project Manager. He was promoted to Vice President, New Investment and Corporate Administration on 1 January 2016 and subsequently re-designated as Vice President, New Investment and Treasury on 16 January 2018. He is primarily responsible for the new investment relations, treasury and credit control functions for RGB Group.</p> <p>He has almost 6 years of experience with Ernst &amp; Young in transaction advisory and assurance services prior to joining the Group.</p>
<b>Other information</b>	<ul style="list-style-type: none"> <li>• Member of Executive Committee of RGB</li> <li>• Director of several subsidiaries of RGB</li> <li>• Director of several other private limited companies</li> </ul>



KEY SENIOR  
MANAGEMENT TEAM**MS. TEH MUN HUI**

Chief Financial Officer ("CFO")

<b>Age</b>	45
<b>Gender</b>	Female
<b>Nationality</b>	Malaysian
<b>Date first appointed to key senior management position</b>	1 August 2004
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Member, MIA</li> <li>• Member, MICPA</li> <li>• Bachelor of Accounting, University of Malaya</li> </ul>
<b>Working experience</b>	<p>Ms. Teh is currently the CFO, a position she held since 2015. She was promoted to General Manager, Finance &amp; Treasury and Finance Director of the Group on 1 August 2004 and 1 February 2007 respectively. She oversees the accounting, financial management and corporate finance functions for RGB Group.</p> <p>She started her career with Arthur Andersen &amp; Co. (now known as Ernst &amp; Young) in its audit assurance division before joining the Group 4 years later as Finance Manager in 2001.</p>
<b>Other information</b>	<ul style="list-style-type: none"> <li>• Member of Executive Committee of RGB</li> <li>• Member of CRRRA Committee of RGB</li> <li>• Director of several subsidiaries and an associated company of RGB</li> </ul>

## KEY SENIOR MANAGEMENT TEAM

### MR. GANASER KALIAPPEN

Senior Vice President, Corporate and  
Regulatory Compliance



<b>Age</b>	62
<b>Gender</b>	Male
<b>Nationality</b>	Malaysian
<b>Date first appointed to key senior management position</b>	1 October 2004
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Master in Public &amp; International Affairs, University of Pittsburgh, USA</li> <li>• Bachelor of Arts, University of Malaya</li> <li>• Diploma in Education, University of Malaya</li> <li>• Diploma in Public Management, National Institute of Public Training</li> </ul>
<b>Working experience</b>	<p>Mr. Ganaser joined the Group as General Manager, Regulatory Compliance on 1 October 2004. He held the position of Regulatory Compliance Director on 1 January 2009 and was re-designated as Senior Vice President, Corporate and Regulatory Compliance on 16 January 2018. He is responsible for managing all compliance matters with the authorities and legislations in the various countries where RGB Group operates.</p> <p>Mr. Ganaser was with the Administrative and Diplomatic Service of the Government for 25 years before retiring as Director in the Ministry of Defence. Earlier, he was the Principal Assistant Secretary with the Ministry of Finance where he managed the financial control, gaming licensing and regulatory compliance matters.</p>
<b>Other information</b>	<ul style="list-style-type: none"> <li>• Member of Executive Committee of RGB</li> <li>• Director of a subsidiary of RGB</li> <li>• Director of several other private limited companies</li> </ul>

KEY SENIOR  
MANAGEMENT TEAM
**DATO' DR. GAN KONG MENG**  
**DSDK, PSPP, SDK, DJN, BCN,**  
**SMP, AMK, KMN, PPA, PhD**

Senior Vice President, Corporate Integrity

<b>Age</b>	63
<b>Gender</b>	Male
<b>Nationality</b>	Malaysian
<b>Date first appointed to key senior management position</b>	19 January 2015
<b>Qualification</b>	<ul style="list-style-type: none"> <li>• Doctor of Philosophy (Drug Research), Universiti Sains Malaysia</li> <li>• Master in Social Science (Anthropology/Sociology), Universiti Sains Malaysia</li> <li>• Bachelor of Science (Mathematics and Physics), Universiti Sains Malaysia</li> <li>• Diploma in Police Science, Universiti Kebangsaan Malaysia</li> </ul>
<b>Working experience</b>	<p>Dato' Dr. Gan holds the position of Senior Vice President, Corporate Integrity since 2015 and is principally responsible for managing risk, surveillance and security as well as investor relations functions for the Group.</p> <p>He has extensive experience in crime analysis and investigations. He was with the Royal Malaysia Police for 39 years before retiring as a Senior Assistant Commissioner of Police in 2015. He was the officer-in-charge of Police District of George Town, Penang and Kuala Lumpur City Criminal Investigation Chief.</p>
<b>Other information</b>	<ul style="list-style-type: none"> <li>• Chairman of CRRRA Committee of RGB</li> <li>• Independent Non-Executive Director of Grand United Holdings Berhad</li> </ul>

**Notes:**
**Family Relationship with Directors and/or Major Shareholders**

Mr. Chuah Eng Hwa is the son of Datuk Chuah Kim Seah and the nephew of Mr. Chuah Kim Chiew.

Save as disclosed herein, none of the other key senior management team has any family relationship with any directors and/or major shareholders of the Company.

**Conflict of Interest**

None of the key senior management team has any conflict of interest with the Company.

**Conviction for Offences**

Other than traffic offences, none of the key senior management team has been convicted for any offences within the past 5 years nor has been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year under review.

**Other Directorships**

Except as disclosed by Dato' Dr. Gan Kong Meng, none of the other key senior management team holds any other directorship in public companies.

# MANAGEMENT DISCUSSION AND ANALYSIS

DEAR SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY ("THE BOARD"), WE ARE PLEASED TO PRESENT TO YOU OUR ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED ("FYE") 31 DECEMBER 2017.

## OVERVIEW

RGB is a leading gaming products supplier in Asia with more than 30 years of experience in the gaming industry. In addition to marketing and distributing our proprietary products, we are also an authorised distributor of gaming products for many world renowned brands in the industry. We supply electronic gaming machines, casino equipment and all kinds of gaming-related parts and components. Our clients comprise a broad spectrum ranging from major casinos in the world's gaming industry to operators of VIP slot clubs in many Asian countries. We have dedicated sales team in all the gaming capitals throughout Asia to serve our clients round the clock.

The other core business of RGB is our TSM division which provides machine concession programmes to operators throughout Asia. In addition to placement of machines to the casinos and slot club operators, we also provide management and advisory services to our customers.

RGB's Engineering division is another revenue generating division within the Group. RGB's Engineering team is equipped with in-depth knowledge in every technical aspect of gaming product maintenance, software and new gaming technology. As the first line of contact with our customers, our team consists of engineers that are

## MANAGEMENT DISCUSSION AND ANALYSIS

trained by renowned brand of manufacturers with up-to-date technical skills to perform technical support, preventive maintenance and repairing work. RGB's Engineering division offers:

- (i) on-site technical and system installation, support, upgrade and conversion
- (ii) on-site technical and system training solution
- (iii) remote system support resources
- (iv) consultancy on electronic gaming machines layouts, technical requirements, machines and systems matters
- (v) preventive maintenance services and repairing of parts and components

All in all, RGB is a one stop gaming solutions provider in the gaming industry.

### FINANCIAL REVIEW

The Group has performed well in 2017.

The table below highlights the Group's financial performance for year 2017:

	2017 RM million	2016 RM million	Change %
Revenue	252.3	253.5	-
EBITDA	66.5	64.0	Up 4%
Profit before tax	40.4	31.0	Up 30%
Profit after tax	30.7	25.3	Up 21%
Shareholders' equity	210.1	203.5	Up 3%
Earnings per share (sen)	2.27	1.89	Up 20%

#### Revenue and Profit Before Tax

The Group recorded revenue of RM252.3 million for year 2017. Despite slightly lower revenue than previous year, the profit before tax for year 2017 took a significant jump to RM40.4 million from RM31.0 million in year 2016.

The increase in profit before tax was primarily due to the following factors:

- (i) Increase in number of machines and casino equipment sold with better margin compared to previous year from SSM division;
- (ii) One-off sales of certain products and variation in product mix sold for SSM division; and

- (iii) Profit from new Engineering division which consists of engineering, maintenance and repairing charges.

As a result, the earnings per share improved to 2.27 sen for year 2017.

### Liquidity and Capital Resources

As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash equivalents to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. The Group's cash position was RM113.5 million as at 31 December 2017 as compared to RM78.7 million as at 31 December 2016. Net cash generated from operations was RM80.1 million. During year 2017, RM34.2 million was used for capital expenditure, RM6.4 million for repayment of borrowings and RM8.0 million for payment of dividends.

The Group's capital expenditure incurred in year 2017 amounting to RM34.2 million of which RM33.4 million was allocated to purchase gaming machines for replacement and upgrading of machines in existing TSM outlets and placement of machines in new outlets to generate income for the Group.

### OPERATIONAL REVIEW

#### SSM Division

SSM revenue for 2017 improved to RM162.0 million from RM159.9 million in 2016 representing a growth of 1%. For the FYE 31 December 2017, EBITDA has increased by 56% to RM23.1 million from RM14.8 million in 2016. In tandem, profit before tax grew significantly to RM22.9 million from RM13.8 million representing an increase of 66%. The increased revenue is mainly attributed to a higher number and a wider range of products sold with better margin. The increase in EBITDA is due to higher margin from sales of certain products.

#### TSM Division

TSM division operates in 38 concession venues across Asia with a total of 6,207 machines as at end of 2017.

In 2017, the revenue for TSM decreased to RM87.8 million, representing a drop of 6% compared to RM93.2 million a year ago. In tandem, the EBITDA and profit before tax reduced to RM48.2 million and RM24.4 million respectively in the financial year under review as against RM57.1 million and RM27.7 million

## MANAGEMENT DISCUSSION AND ANALYSIS

respectively in 2016. The decrease was primarily affected by the smoking ban in public areas in the Philippines, upgrading of new games software, payment for the implementation of the latest management system for TSM outlets and overall increase in staff headcount. Steps have been taken to overcome the smoking ban such as creating smoking rooms and outdoor smoking zones.

### Engineering Division

In the financial year 2017, Engineering division registered a total revenue of RM1.6 million with an EBITDA of RM0.7 million. The corresponding profit before tax for the year amounted to RM0.7 million. Engineering division capitalised on its strong technical know-how to provide customised electronic gaming machines preventive maintenance programme to reputable gaming properties throughout the Asia. Furthermore, RGB's Engineering division is also actively promoting and providing repair and maintenance services of electronic gaming machines and its parts to all the gaming operators across this region.

### BUSINESS RISKS

The Group's business risks include competition, changes in regulations and policies, and fluctuation of foreign exchange rates.

The Group's business is in a competitive environment and faces competition from other gaming suppliers. With our businesses located in various countries in Asia, changes in each country's regulations and policies may have impact on our operations. These include issues such as imposition of smoking ban and foreign exchange control.

The Group is also exposed to risk of fluctuation in foreign exchange rates as the Group reports its financial statements in Ringgit Malaysia while our revenues are mostly denominated in United States Dollar and other local currencies (e.g. Thai Baht and Philippine Peso). Although the Group does not have a currency hedging policy, a significant part of the currency risk is naturally hedged as most of the Group's cost of sales and operating expenditures are denominated in the same currency as the respective revenues.

All these factors have significant impact on the sales and profit margin of the Group's businesses.

### BUSINESS OUTLOOK AND PROSPECTS

The Groups commendable achievement in 2017 has set the right momentum for continuous growth in 2018. The Group will capitalise on the positive results achieved in 2017 to maintain the upward growth trend by increasing our presence in each gaming market in Asia.

To sustain this growth trend, the Group targets to expand geographically into new markets in different regions as well as increasing our customer base in our existing markets. The Group will also envisage to increase our product offerings by collaborating with more partners who have business synergy with us.

The Group will remain focused on growing the revenue from engineering services. We are confident that we will be able to build on the existing platform and strive for further growth in revenue from this division.

### DIVIDEND

The Board has proposed a final single-tier dividend of RM0.007 per ordinary share, subject to the shareholders' approval at the forthcoming AGM. The dates of entitlement and payment are stated in the Notice of AGM.

The Group has yet to set a formal dividend policy as it anticipates that more investments may be needed to drive future growth.

### ACKNOWLEDGEMENT

On behalf of the Board of Directors, we wish to thank our valued shareholders for their continued faith and confidence in us all these years. We are also grateful to our business partners and financial institutions for their strong support to the Group.

To our fellow Directors, the management team and our employees, we wish to express our sincere appreciation and gratitude to all of you for your continued dedication, commitment and contributions. We look forward to your unstinting support to harvest another successful year ahead.

**DATO' MAHINDER SINGH DULKU**

Independent Non-Executive Chairman

**DATUK CHUAH KIM SEAH**

Managing Director

17 April 2018

# INVESTOR RELATIONS

The Board remains committed in fostering good relationship with the investing community by engaging in regular meetings and communication while preserving transparency and accountability. The Board has established framework and strategy for investor relations as set out in its Investor Relations Policy which is published in the Company's website (<http://www.rgbgames.com/home/investor-policy.html>)

## COMMUNICATION CHANNELS

Effective communication with all shareholders, financial communities, employees and general public is a priority to RGB. The guiding principle for the basis of the Company's Investor Relations activities is to ensure the dissemination of RGB's fundamentals to all the above is made in a timely, fair, transparent, accurate, consistent and equal manner. Information is disseminated via annual reports, circulars, quarterly financial reports, press releases and corporate announcements made to Bursa Malaysia Securities Berhad ("Bursa Securities").

The Company has held one-on-one and group meetings with local and foreign fund managers, analysts and the media in 2017. The Company also continued to actively respond to requests from stock analysts, fund managers and the media via meetings, conference calls and/or electronic communications to provide updates on quarterly financial performances, corporate and business developments, regulatory issues as well as changes in operating environment which may impact the Group's operations.

While institutional shareholders, stock analysts, the media and financial communities may have more regular contact with the management, the Company has taken special care to ensure that any material price-sensitive information is disseminated to all shareholders at the same time.

Shareholders also have the opportunity to communicate their opinions and engage with the Board and senior management at general meetings of the Company. They are encouraged to seek clarification from Board members and senior management on all issues relevant to the Group at such meetings.

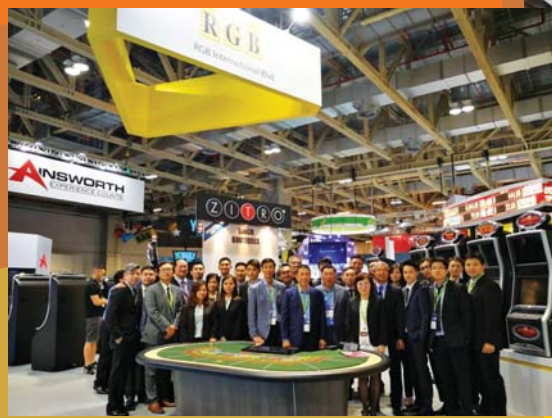
## ENHANCEMENT OF ACCESS VIA INTERNET

The Company's website [www.rgbgames.com](http://www.rgbgames.com) is regarded as a crucial communication medium and we have incorporated further enhancements to the website to reflect our commitment to encourage and adopt effective communications with our shareholders.

The webpage allows all shareholders and general public to access the relevant corporate information at their own convenience, including annual reports, quarterly reports of interim financial results, announcements and presentations given to shareholders, analysts and media.

Shareholders and financial communities are encouraged to direct their queries and/or concerns regarding RGB to the Investor Relations division via its dedicated e-mail address ([ir@rgbgames.com](mailto:ir@rgbgames.com)). The Company intends to make more progressive enhancements to the corporate website in the future to improve on its information accessibility and site friendliness.

# CALENDAR OF EVENTS 2017



## 16 - 18 MAY

Global Gaming Expo Asia  
(G2E Asia) 2017, Macau SAR

Participated and showcased our latest range of electronic gaming machines and products at G2E Asia 2017, a major gaming exposition in Asia convened at The Venetian Macao.





## 29 MAY

**14<sup>th</sup> Annual General Meeting ("AGM"), Penang**  
14<sup>th</sup> AGM of RGB was held at Bayview Hotel Georgetown Penang. All resolutions proposed at the meeting were duly approved by the shareholders.



## 14 - 16 NOVEMBER

### **MGS Entertainment Show 2017, Macau SAR**

Participated in the MGS Entertainment Show, the fastest growing exhibition on the gaming and entertainment industry circuit, and showcased various range of electronic gaming machines and products. The show was held at The Venetian Macao.

## 8 - 10 DECEMBER

### RGB Connect 2017, Bangkok

RGB Connect Seminar and Gala Dinner were held at Siam Kempinski Hotel Bangkok and invitation was extended to RGB's customers, partners and manufacturers. During this period of time, RGB has also organised golf tournament at Royal Bang Pa-In Golf Club and Thana City Golf & Sports Club.



CALENDAR OF  
EVENTS 2017



# SUSTAINABILITY STATEMENT

We are committed to focusing on operating business diligently and accountable for decisions that impact our shareholders, investors, business partners, employees, governments, industry authorities and the communities around us.

We recognise the importance of both financial and non-financial strategies in our continuous efforts to maintain long-term and sustainable performance of the Group. While we focus on managing our business deliverables through improving financial profitability and shareholders value, we are also mindful of our goals to provide a sustainable workplace for our human assets' career developments as they are critical components to our growth and to promote a sustainable socially and environmentally responsible organisation.

We consistently work towards integrating economic, environmental and social ("EES") dimensions into all of our business operations with the objective to achieve a key balance towards reaching our mission, vision and business sustainability.

The Company has in place a Sustainability Policy which is available on the Company's website (<http://www.rgbgames.com/home/about-us.html>).

## MANAGING SUSTAINABILITY

The Group's sustainability strategy is determined by the Board who provides oversight of the corporate sustainability performance. The Executive Committee assists the Board in overseeing the implementation of the Group's sustainability approach and ensuring that key targets are being met.

We identify our internal and external stakeholders' sustainability interests through engagements that take place regularly during business activities such as expositions, trade shows, workshops, conferences, seminars and discussions. By proactively working together with the stakeholders, we are able to determine and address issues by bringing together their knowledge, expertise and passion. This approach helps us to shorten the path towards EES sustainability.

## ECONOMIC SUSTAINABILITY

We believe that our success depends on the continuing support of our marketplace communities, which refer to our customers, business partners, suppliers, shareholders, investors, financial communities, governments, industry authorities and employees. Our initiatives include:

- upgrading our operations to improve the technology we use and maintaining regional offices in markets where we have a significant presence to better service and support our customers and business partners so as to build greater customer satisfaction and long-term loyalty;
- working closely with our suppliers to keep abreast of their new products and trends in order to stay ahead in the competition and take advantage of new opportunities;
- practising transparency, accuracy, consistency, fair and timely dissemination of our fundamentals;
- abiding by our Investor Relations Policy which guides management and employees on the communication process with marketplace communities in accordance with best

practices set out in the new and improved Malaysian Code on Corporate Governance (“MCCG”) which was released by the Securities Commission Malaysia on 26 April 2017; and

- ensuring our business operations are in compliance with anti-money laundering acts, where applicable, and rules and regulations of each country where we operate.

#### ENVIRONMENTAL SUSTAINABILITY

We are committed to minimising the impact of our operations on the environment. We actively monitor our operational carbon footprint, promote recycling and the responsible use of resources by our employees and stakeholders and educate them about climate change and the importance of environmental protection.

All recyclable waste are segregated, collected and disposed of to local recycling agencies regularly. The funds collected from the disposal of recyclable wastes are channelled to the Group’s philanthropic activities.

In line with the Group’s commitment to reduce carbon footprints, document printing is done on need basis, energy efficient bulbs are used throughout the workplace and the use of all computer peripherals, air-conditioning and lighting are minimised.

#### SOCIAL SUSTAINABILITY

##### Workplace

Our people are our valuable assets. We believe that knowledge and skills are critical components in today’s rapid globalisation and technology changes. We constantly focus on developing the growth of our employees as part of the Group’s succession planning for business continuity for many years to come.

We continue to engage in open door policy where employees have easy accessibility to their superiors. Two-way communications are encouraged to ensure share of ideas and/or work grievances to improve work processes and working environment. Periodical downward communication sessions from senior management with subordinates are also carried out as a way to impart the Company’s fundamentals and directions while addressing issues of concern.

We place great importance on our human resources development that synchronises with the growth of the Group. We continuously identify training programs for our employees according to their job demand and for update on work flow changes as well as skills upgrading or receiving new ideas to maximise their work processes. The training could be soft skills or technical such as business writing skills, interpersonal communication and logical thinking, investor relations communications, social etiquette and protocol. Training and development are also part of monitoring the progress of our employees for future succession planning.

We adhere to stringent recruitment policy and ensure hiring is in compliance with job requirements and demands which in line with our business industry. New recruits are required to attend full day induction course aimed at introducing our new recruits to the Group’s policies and procedures.

##### Community

‘RGB Gives Back’ is the Group’s philanthropic effort and is driven by our commitment to add value to the communities where we operate. Throughout 2017, the Group has made donations in cash and in kind to various charitable bodies in the countries where we have operations as part of our efforts to benefit the communities that have been supporting. The spirit of giving at RGB has been initiated in the past years and we intend to continue giving as and when the need arises.

# KEY SUPPLIER

FOR SSM PRODUCTS



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of RGB is committed to maintaining high standards of corporate governance ("CG") within the Group for long term sustainable business growth, protection and enhancement of shareholders value. The Group operates within a governance framework designed based on the guidance from the key CG principles as set out in the MCCG.

The Board further acknowledged that good CG is a fundamental part of its responsibility in managing the business and operations of the Group and discharging its accountability to the shareholders.

The Board is pleased to present this statement outlining an overview of the CG practices of the Company during the financial year 2017. This statement is prepared in compliance with Main Market Listing Requirements ("MMLR") of Bursa Securities and it is to be read together with the Company's CG Report 2017 ("CG Report") which is available on the Company's website (<http://www.rbggames.com/home/cg-report.html>). The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG during the financial year under review.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### I. BOARD RESPONSIBILITIES

#### Roles of the Board

The Board collectively leads and is responsible for the success of the Group by providing entrepreneurial leadership and strategic direction as well as supervision of the management. It is also the ultimate decision-making body.

The Board is guided by the Board Charter which sets out the functions of the Board, Chairman, MD, Senior Independent Non-Executive Director, Individual Director and Board Committees. The Board Charter also lists the matters reserved for the collective decision of the Board on the basis of any recommendation that may be made from time to time by the Board Committees and/or the management. The Board delegated specific responsibilities to its Committees to oversee the Group's affairs in accordance with their respective Terms of Reference ("TOR"). The MD and Board Committees remain accountable to the Board for the authority that is delegated. The Board Charter is reviewed periodically to keep it updated with the changes in the Company's policies as well as the latest rules and regulations and is available on the Company's website (<http://www.rbggames.com/home/about-us.html>).

#### Formalised ethical standards

The Board has formalised a Code of Ethics and Conduct ("Code") and is available on the Company's website (<http://www.rbggames.com/home/about-us.html>). The Code emphasised the Company's commitment to ethical practices and compliance with the applicable laws and regulations. The Code governs the standards of ethics and good conduct expected from the Directors and employees of the Group. The Code covers a wide range of business practices and procedures and sets out the basic principles to guide the Group's Directors and employees. The Code will be reviewed when necessary to ensure it remains relevant and appropriate.

Moreover, the Company's Employee Handbook, which contains human resource policies, serves as a guide to ensure that the accepted code of ethical conduct and employee obligations and responsibilities under this handbook are practised by the employees.

The Board has also inaugurated an Anti-bribery and Corruption Policy which sets out the standards the Company expects the directors, employees, agents, consultants, contractors, suppliers, vendors and any third party intermediaries or representatives performing work or services for or on behalf of RGBSB, RGB Ltd., RGB (Macau) Limited and RGB (Singapore) Pte. Ltd. to comply with in conducting business.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board has put in place a Whistleblowing Policy and has published it on the Company's website (<http://www.rbggames.com/home/about-us.html>). This policy provides a platform for the employees and stakeholders of the Group to report any illegal/improper action and/or wrongdoing by the employees and/or the management of the Group. The Board is responsible to oversee the implementation of this policy.

### **Chairman and MD**

There is a clear and separate division of responsibility in the roles and duties of the Chairman and MD. The Chairman is responsible for instilling good CG practices, leadership and effectiveness of the Board whereas the MD is the officer involved in the day-to-day running of the affairs of the Company.

These 2 positions are held by 2 different individuals. The Chairman of the Board is an Independent Non-Executive Director and the MD is a Non-Independent Executive Director. The roles and responsibilities of the Chairman and MD are defined in the Board Charter. There is a clear division of responsibilities between the Chairman and MD to ensure balance of power and authority and greater capacity for independent decision-making.

### **Board Committees**

As part of the Board's efforts to ensure the effective discharge of its duties, the Board has delegated certain of its functions to Board Committees. Each of the Board Committees operates within clearly defined TOR. The Chairman of the various Committees will report at the Board Meetings on the outcome of the Committee meetings.

The Board has established the following Committees to assist the Board in the execution of its duties:

#### **a) Audit Committee**

The composition, TOR and summary of activities of the Audit Committee are set out separately under Audit Committee Report in this Annual Report.

#### **b) Nomination Committee**

The main role of the Nomination Committee, amongst others, is to ensure that the Board comprises Directors with appropriate skills, knowledge, expertise and experience as well as to ensure a proper balance of Executive Directors and Independent Non-Executive Directors.

The TOR of the Nomination Committee provides that the Committee shall comprise exclusively of Non-Executive Directors with minimum 3 members in total, a majority of whom being independent. In the event of any vacancy in the Committee, the Board must fill the vacancy within 3 months and appoint such number of new members as may be required to make up the minimum of 3 members. The Nomination Committee's TOR can be found on the Company's website (<http://www.rbggames.com/home/about-us.html>).



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

During the financial year under review, the Committee met twice and deliberated on the following matters:

- i) The balance of Executive and Non-Executive Directors (including Independent Directors) with an aim to achieving a balance of views on the Board.
- ii) Contribution of each individual Director, the effectiveness of the Board as a whole and the Committees of the Board.
- iii) The character, experience, integrity and competence of the Directors, MD and CFO and to ensure they have the time to discharge their respective roles.
- iv) The required mix of skills and experience and other qualities, including core competencies of the members of the Board.
- v) The level of independence of Independent Directors.
- vi) The term of office and performance of the Audit Committee and its members.
- vii) Retirement and re-election of Directors at the forthcoming AGM.
- viii) Continuation in office of Independent Non-Executive Director who has served the Board for a cumulative term of more than 12 years.
- ix) The proposed change in the composition of Remuneration Committee to be in line with the MCCG.

### **c) Remuneration Committee**

The key function of Remuneration Committee is, inter alia, to review and recommend to the Board the policy framework and remuneration structure for Executive and Non-Executive Directors as well as senior management.

The Remuneration Committee's TOR is placed on the Company's website (<http://www.rbgames.com/home/about-us.html>). It states that the members of the Committee shall comprise wholly of Non-Executive Directors, a majority of whom shall be independent, and consist of not less than 3 members. In the event of any vacancy in the Committee, the Board must fill the vacancy within 3 months and appoint such number of new members as may be required to make up the minimum of 3 members.

During the year under review, the Remuneration Committee met twice to deliberate on remuneration package including any benefits payable to the Executive Directors and senior management for year 2017 and proposed renewal of Directors and Officers Liability Insurance Policy.

### **d) ESOS Committee**

The ESOS Committee was established on 19 October 2009 to administer the ESOS of the Company in accordance with the Bye-laws of the ESOS. It comprises 4 Independent Non-Executive Directors and an Executive Director.

During the financial year under review, the Committee met and deliberated on the allocation of shares under ESOS to eligible employees of the Group.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### e) CRRA Committee

The CRRA Committee is tasked, inter alia, to oversee the functions of the Credit Control and Risk Assessment Department and implement identified controls of the Enterprise Risk Management ("ERM") framework of the Group. The CRRA Committee's TOR is published on the Company's website (<http://www.rbggames.com/home/about-us.html>).

Summary of activities of the CRRA Committee are elaborated in the Statement on Risk Management and Internal Control of this Annual Report.

### f) Executive Committee

The Executive Committee is responsible for overseeing the management of the Group and receives regular management information including updates from each business area. The Committee meets at least once in every 2 months. The Executive Committee comprises 4 Executive Directors and 3 Subsidiary Directors.

The TOR of the Executive Committee is available on the Company's website (<http://www.rbggames.com/home/about-us.html>).

### Board Meetings

The Board meets at least 4 times a year, with additional meetings convened as necessary. The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board meetings for the FYE 31 December 2017, as set out in the table below.

Directors	Attendance
Dato' Mahinder Singh Dulku	5/5
Datuk Chuah Kim Seah	5/5
Datuk Steven Lim Tow Boon	5/5
Mazlan Ismail	5/5
Chuah Kim Chiew	5/5
Ng Eng Tong	5/5
Lam Voon Kean	5/5
Tan Sri Norazman Hamidun	5/5

In the intervals between Board meetings, for exceptional matters requiring urgent Board decisions, Board approvals are sought via circular resolutions, which are attached with sufficient and relevant information required for an informed decision-making. Where potential conflicts arise in any transactions involving Director's interest, such Director is required to declare his interest and abstain from further discussion and decision-making process.

An annual corporate calendar, which provides the scheduled dates for meetings of the Board, Board Committees and AGM as well as various gaming expositions and trade shows, is prepared and circulated to the Directors prior to the beginning of every year to facilitate the Directors' time planning.

All the Directors are expected to devote sufficient time to carry out their responsibilities and shall not sit on the boards of more than 5 listed companies. The Directors are required to notify the Chairman of the Board before accepting any new directorships in listed companies, the notification of which shall include an indication of time that will be spent on the new appointments.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### Qualified and competent Company Secretary

The Board is satisfied with the performance and support rendered by the Company Secretary who is person with professional qualifications and is qualified to act as company secretary under Section 235(2) of the Companies Act 2016. The Company Secretary is responsible for advising the Board on matters in relation to compliance with laws, regulations, guidance and procedures affecting the Directors as well as the principles of good CG practices. She attends and ensures that all Board and its Committees meetings are properly convened and that the decisions made and/or resolutions passed thereof are recorded in minutes of meeting and kept in the statutory register at the registered office of the Company. The roles and responsibilities of the Company Secretary are set out in the Board Charter.

### Access to information and advice

The Directors have full and timely access to information to enable them to discharge their duties.

Agenda and discussion papers are circulated at least 5 business days prior to the Board and Board Committee meetings to allow the Directors and Board Committee members to study and evaluate the matters to be discussed and subsequently make effective decisions. Procedures have been established concerning the content, presentation and timely delivery of papers for each Board and Board Committee meeting as well as for matters arising from such meetings. Actions on all matters arising from any meeting are reported at the subsequent meeting.

The Directors are regularly updated by the Company Secretary on new statutory, corporate and regulatory developments relating to Directors' duties and responsibilities or the discharge of their duties as Directors of the Company.

The Directors have unrestricted access to the advice and services of Company Secretary and senior management staff within the Group and may obtain independent professional advice at the Company's expense in the furtherance of their duties. Individual Directors may also obtain independent professional or other advice in fulfilling their duties, subject to approval by the Board.

## II. BOARD COMPOSITION

### Composition of the Board and Board Balance

The Board is currently composed of 4 Executive Directors and 4 Independent Non-Executive Directors. The composition complies with the MCCG and MMLR of Bursa Securities in respect of board composition.

As an effective and dynamic Board is essential towards enhancing long term shareholders value and interests, the Group maintains its current Board mix which has the necessary skills, expertise and experience in areas relevant to steering the growth of the Group's businesses.

The Executive Directors are tasked to implement Board decisions and policies whilst overseeing operations and coordinating business decisions. On the other hand, the Independent Non-Executive Directors are independent of management and provide effective and impartial judgement and informed opinions to the deliberations and decision-making of the Board thus fulfilling an essential and pivotal role in corporate accountability. Brief profile of each Board member is presented in this Annual Report under Profile of Directors.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board is supportive of gender diversity to comprise 30% female directors as recommended by the CG Blueprint 2011. The Company currently has 1 female Director. Female representation will be considered when a vacancy arises and/or suitable candidates are identified. Nevertheless, the appointment of a new Board member will not be guided solely by gender but will also take into consideration the experience, skills and knowledge of the candidate.

### Tenure of Independent Directors

The Board has implemented a 9-year policy for Independent Non-Executive Directors, in line with the MCCG. The Board may, in exceptional cases and subject to the assessment of the Nomination Committee on an annual basis, recommend for an Independent Director who has served a consecutive or cumulative term of 9 years to remain as an Independent Director subject to shareholders' approval. If the Board continues to retain the Independent Director after the 12 years, the Board shall seek annual shareholders' approval through a two-tier voting process to retain the said director as an Independent Director.

The presence of Independent Non-Executive Directors are to ensure that issues of strategies, performance and resources proposed by the management are objectively evaluated, taking into consideration the long-term interests of shareholders, employees, customers, and other communities in which the Group conducts its business.

Dato' Mahinder Singh Dulku has served the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than 12 years. The Board has recommended for him to continue as Independent Non-Executive Chairman and is of the opinion that the independence of Dato' Mahinder Singh Dulku has not been compromised or impaired in any way after having noted the following justifications during the review and assessment of his independence:

- i) He fulfilled the criteria under the definition of Independent Director as stated in the MMLR of Bursa Securities, and thus, he would be able to function as a check and balance to the Executive team and bring an element of objectivity to the Board;
- ii) He has never transacted or entered into any transactions with, nor provided any services to the Company and its subsidiaries, within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of MMLR of Bursa Securities;
- iii) He has extensive experience garnered from his professional experience in legal advisory for a diverse range of businesses and therefore would be able to offer constructive comments and objective review of proposals. Throughout his tenure of service, he has acted in the best interest of the Company and has continued to exercise independent judgement and due care;
- iv) He has not developed, established or maintained any significant relationship, which would impair his independence as an Independent Director, with the Executive Directors and major shareholders other than normal engagements and interactions on a professional level consistent and expected of him to carry out his duties as Independent Non-Executive Director, Chairman or member of the Board Committees; and
- v) He has devoted sufficient time and attention to his professional obligations for informed and balanced decision-making.

Dato' Mahinder Singh Dulku has offered himself for re-election at the 15<sup>th</sup> AGM of the Company.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### **Appointment to the Board and Annual Assessment of Directors**

The Nomination Committee is responsible for making recommendation for any appointments to the Board by assessing the desirability of renewing existing directorships and relying on sources from existing Board members, management, major shareholders, independent search firms and/or other independent sources. The procedures for appointment of Directors are set out in the Board Charter.

In accordance with the Company's Articles of Association (Constitution), all newly appointed Directors shall retire and be reelected by the shareholders at the Company's AGM. An election of Directors takes place subsequent to their appointment each year where 1/3 of the Directors or if their number is not 3 or a multiple of 3, then the number nearest to 1/3, shall retire by rotation from office and shall be eligible for re-election at each AGM and that each Director shall retire from office at least once in every 3 years and shall be eligible for re-election.

The Nomination Committee conducts annual performance evaluation of each Director, the Board, Board Committees and CFO based on self and peer assessment approach for continuous improvement. The character, experience, integrity, competence and time commitment of each Director and CFO are assessed as well as the skills and knowledge of each Director is analysed, inter alia, in the areas of strategy, entrepreneurship, legal and regulatory requirements, CG, risk management, internal controls, audit, accounting, financial reporting, taxation, human capital, sales and marketing, information technology, production and quality assurance. The effectiveness of the Board and its Committees is evaluated in terms of board mix, composition, quality of information, decision-making, boardroom activities and board's relationship with the management.

### **Annual Assessment of Independence**

The Nomination Committee had conducted on annual basis an evaluation of level of independence of all the Independent Non-Executive Directors of the Company on 17 April 2018 and the Board is satisfied with the level of independence demonstrated by all the Independent Non-Executive Directors and their ability to act in the best interest of the Company.

### **Directors' Training**

The Directors are aware of the need for continuous update of their skills and knowledge to maximise their effectiveness as Directors and assist them in discharging their duties.

The Board has delegated the assessment of skill gaps of the Directors and recommendation of appropriate training and development for the Directors to the Nomination Committee. The Board has, with the input from the Nomination Committee, satisfied that all the Directors have met their training needs.

During the year, they have attended, either collectively or individually, various programs and briefings to keep them updated on the latest regulatory changes as well as new developments in the gaming industry. The Directors have also visited the Group's operations overseas in order to better understand the environment in which the Group operates.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

Seminars, development and training programmes attended by all the Directors in 2017 were as follows:

<b>Director</b>	<b>Programmes</b>	<b>Date</b>
<b>Dato' Mahinder Singh Dulku</b>	Australasian Gaming Expo 2017	15 - 17 August 2017
	Bonus Issue & Share Buy-Back	29 August 2017
	Overview of Sustainability Reporting	29 November 2017
	Introduction to the Construction Industry Payment & Adjudication Act (CIPAA) 2012	29 November 2017
	Scientific Games Product Training Programme	7 December 2017
	Aristocrat Product Training Programme	7 December 2017
	Everi Product Training Programme	7 December 2017
	RGB Connect Seminar 2017	8 December 2017
	MFRS 9, 15 and 16	21 December 2017
<b>Datuk Chuah Kim Seah</b>	2017 Scientific Games Empower Customer Conference	7 - 9 March 2017
	FADJA Colombia 2017	26 - 27 April 2017
	Global Gaming Expo Asia 2017	16 - 18 May 2017
	Australasian Gaming Expo 2017	15 - 17 August 2017
	Bonus Issue & Share Buy-Back	29 August 2017
	Global Gaming Expo 2017	3 - 5 October 2017
	MGS Entertainment Show 2017	14 - 16 November 2017
	Overview of Sustainability Reporting	29 November 2017
	Scientific Games Product Training Programme	7 December 2017
	Aristocrat Product Training Programme	7 December 2017
	Everi Product Training Programme	7 December 2017
	RGB Connect Seminar 2017	8 December 2017
	Practical Auditing Methodology for SMPs	19 - 20 December 2017
	MFRS 9, 15 and 16	21 December 2017

CORPORATE GOVERNANCE  
OVERVIEW STATEMENT

Director	Programmes	Date
<b>Datuk Steven Lim Tow Boon</b>	ICE Totally Gaming 2017	7 - 9 February 2017
	2017 Scientific Games Empower Customer Conference	7 - 9 March 2017
	Global Gaming Expo Asia 2017	16 - 18 May 2017
	Australasian Gaming Expo 2017	15 - 17 August 2017
	Bonus Issue & Share Buy-Back	29 August 2017
	Global Gaming Expo 2017	3 - 5 October 2017
	MGS Entertainment Show 2017	14 - 16 November 2017
	Overview of Sustainability Reporting	29 November 2017
	Scientific Games Product Training Programme	7 December 2017
	Aristocrat Product Training Programme	7 December 2017
	Everi Product Training Programme	7 December 2017
	RGB Connect Seminar 2017	8 December 2017
	MFRS 9, 15 and 16	21 December 2017
	<b>Mazlan Ismail</b>	FADJA Colombia 2017
AX System Training		23 June 2017
Bonus Issue & Share Buy-Back		29 August 2017
Overview of Sustainability Reporting		29 November 2017
Scientific Games Product Training Programme		7 December 2017
Aristocrat Product Training Programme		7 December 2017
Everi Product Training Programme		7 December 2017
RGB Connect Seminar 2017		8 December 2017

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

<b>Director</b>	<b>Programmes</b>	<b>Date</b>
<b>Chuah Kim Chiew</b>	Global Gaming Expo Asia 2017	16 - 18 May 2017
	Bonus Issue & Share Buy-Back	29 August 2017
	Overview of Sustainability Reporting	29 November 2017
	Scientific Games Product Training Programme	7 December 2017
	Aristocrat Product Training Programme	7 December 2017
	Everi Product Training Programme	7 December 2017
	RGB Connect Seminar 2017	8 December 2017
<b>Ng Eng Tong</b>	The Velocity of Global Change & Sustainability - The New Business Model	10 January 2017
	Driving Financial Integrity and Performance - Enhancing Financial Literacy for Audit Committees	23 May 2017
	Bonus Issue & Share Buy-Back	29 August 2017
	Overview of Sustainability Reporting	29 November 2017
<b>Lam Voon Kean</b>	CG and Listing Requirements Market Talk	15 May 2017
	AX System Training	23 June 2017
	Fraud Risk Management Workshop	13 July 2017
	MCCG - New Dimension Roadshow	21 August 2017
	Bonus Issue & Share Buy-Back	29 August 2017
	Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers - Corporate Disclosure Framework	6 September 2017
	Overview of Sustainability Reporting	29 November 2017
	MFRS 9, 15 and 16	21 December 2017



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Programmes	Date
Tan Sri Norazman Hamidun	FADJA Colombia 2017	26 - 27 April 2017
	Bonus Issue & Share Buy-Back	29 August 2017
	Overview of Sustainability Reporting	29 November 2017
	Scientific Games Product Training Programme	7 December 2017
	Aristocrat Product Training Programme	7 December 2017
	Everi Product Training Programme	7 December 2017
	RGB Connect Seminar 2017	8 December 2017

### III. REMUNERATION

#### Remuneration of Directors and Senior Management

The level of remuneration of Executive Directors and senior management is linked to corporate and individual performance as well as their scope of work and responsibilities. The remuneration package of the Executive Directors and senior management includes basic salary, allowance, bonus and/or benefits-in-kind.

In the case of Non-Executive Directors, the level of remuneration would reflect the experience and level of responsibilities undertaken by Non-Executive Director concerned. The Non-Executive Directors' remuneration comprises annual fees and meeting allowance for each meeting they attended. Fees and meeting allowance are to be paid to Non-Executive Directors only with the approval of shareholders at AGM.

The Executive Director is neither entitled to the above Director's fee nor to receive any meeting allowance for attending Board or Board Committee meetings.

The Board has put in place a Remuneration Policy which sets out the remuneration structure of Executive Directors, Non-Executive Directors and senior management of the Company as well as the procedures to determine their remuneration. This policy is available on the Company's website (<http://www.rgbgames.com/home/about-us.html>) and will be reviewed periodically to ensure it continues to remain relevant and appropriate.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

#### I. AUDIT COMMITTEE

##### **Compliance with applicable financial reporting standards**

The Directors have taken reasonable steps to provide a balanced and understandable assessment of the Group's financial performance and future prospects. The Board is assisted by the Audit Committee to oversee the Group's financial reporting process and the quality of the financial reporting.

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements for the FYE 31 December 2017, the Directors are satisfied that the Group had used appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgment and estimates.

##### **Assessment of suitability and independence of external auditors**

The Board has established a transparent relationship with the external auditors through the Audit Committee, which has been accorded with the power to communicate directly with the external auditors towards ensuring compliance with the accounting standards and other related regulatory requirements.

The role of the Audit Committee in relation to the external auditors is stated under the Audit Committee Report of this Annual Report.

The Audit Committee has assessed the independence of the current external auditors of the Company prior to recommendation to the Board for endorsement before seeking shareholders' approval for re-appointment at the forthcoming AGM. The current external auditors, having been re-appointed by the shareholders annually at the AGM, were initially appointed on 25 May 2011. The external auditors have confirmed that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements and have provided the declaration in their annual audit plan presented to the Audit Committee of the Company. The Audit Committee is satisfied with the external auditors' technical capability and audit independence.

The Board has established an External Auditors Assessment Policy which outlines the guidelines and procedures for the Audit Committee to assess and review the external auditors.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

#### Sound framework to manage risks

The Board, via Audit and CRRRA Committees, undertakes overall responsibility for risk oversight and risk management. The Company has established and adopted the risk management policy to administer the Group's approach to risk management.

Corporate Integrity division was formed to further mitigate the risk encountered by the Group on its day-to-day operations.

#### Internal audit function

The Board recognises the importance of internal control systems whereby shareholders' investment and the Company's assets can be safeguarded.

Details of the Group's risk management and internal control are set out under Statement on Risk Management and Internal Control in this Annual Report.

### PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

#### I. COMMUNICATION WITH STAKEHOLDERS

##### Corporate Disclosure Policy

The Board acknowledges the importance of ensuring prompt dissemination of information to shareholders and regulatory bodies with the intention of giving as clear and complete information of the Group's position and financial performance as possible within the bounds of practicality and legal and regulatory framework governing release of material and price sensitive information. The Board will take reasonable steps to ensure that all who invest in the Company's securities enjoy equal access to such information to avoid an individual or selective disclosure.

In line with increased investor awareness for greater accountability and transparency, the Board has formalised a Corporate Disclosure Policy to enable comprehensive, timely and accurate disclosures on the Group to the regulators, shareholders and other stakeholders.

##### Leverage on information technology for effective dissemination of information

The Group recognises the importance of being accountable to its shareholders and investors and as such has maintained active communication and feedback policy with institutional investors, shareholders and public generally to explain the Group's strategy, performance and major developments.

Details of the Group's investor relations are illustrated under Investor Relations in this Annual Report.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### II. CONDUCTS OF GENERAL MEETINGS

#### **Encourage shareholder participation at general meetings**

The Company provides additional time for the shareholders to make necessary arrangement to attend the AGM of the Company, either in person or by proxy, by giving 28-day notice in line with good CG practice instead of the 21-day requirement under the Companies Act 2016 and MMLR of Bursa Securities.

The Company's Articles of Association (Constitution) provides that a member can appoint 2 or more proxies to attend the same meeting provided that he/she specifies the proportion of his/her shareholding to be represented by each proxy. The proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy and a member may appoint any person to be his/her proxy without limitation.

#### **Poll voting**

Pursuant to Paragraph 8.29A of the MMLR of Bursa Securities, voting at the 14<sup>th</sup> AGM of the Company held on 29 May 2017 at Bayview Hotel Georgetown Penang was conducted by poll. Poll Administrator and Independent Scrutineer were appointed to perform the polling process and validate the poll results respectively.

#### **Effective communication and proactive engagement**

The Company's general meetings remain the principal forum for dialogue and communication with shareholders, in particular individual/retail investors. Shareholders are encouraged to attend the general meetings and, given sufficient time and opportunity to participate in the proceedings, ask questions about the resolutions being proposed and the operations of the Group, and communicate their expectations and possible concerns.

The 14<sup>th</sup> AGM of the Company was attended by all the Directors and the Company Secretary. All resolutions proposed were approved by the shareholders at the AGM. The Directors, Chairman of all the Board Committees, senior management and the Company's external auditors, Messrs. BDO, were present to answer questions raised and provide clarification as required by the shareholders.

This statement is issued in accordance with a resolution of the Board dated 17 April 2018.

# AUDIT COMMITTEE REPORT

## MEMBERS

Ms. Lam Voon Kean, Chairman	- Independent Non-Executive Director
Dato' Mahinder Singh Dulku	- Independent Non-Executive Chairman
Mr. Ng Eng Tong	- Senior Independent Non-Executive Director
Tan Sri Norazman Hamidun	- Independent Non-Executive Director

## Secretary of the Audit Committee

Ms. Woon Mei Ling (MAICSA 7047736)

## COMPOSITION

The Audit Committee comprises 4 members, all of whom are Independent Non-Executive Directors and this meets the requirements of paragraph 15.09(1)(b) of the MMLR of Bursa Securities.

In compliance with paragraph 15.09(1)(c)(i) of the MMLR of Bursa Securities, Ms. Lam Voon Kean who is a member of the MIA and MICPA, is the Chairman of the Audit Committee.

The Nomination Committee reviews annually the terms of office of the Audit Committee members and assesses the performance of the Audit Committee and its members through an annual Board Assessment and Evaluation. The Nomination Committee is satisfied that the Audit Committee and its members have been able to discharge their functions, duties and responsibilities in accordance with the TOR of the Audit Committee which are available on the Company's website (<http://www.rgbgames.com/home/about-us.html>) thereby supporting the Board in ensuring appropriate CG standards within the Group.

## MEETINGS

The Audit Committee is to meet at least 4 times a year and as many times as the Audit Committee deems necessary with due notice of issues to be discussed sent to all members. The CFO and the representatives of the internal auditors shall be in attendance at meetings of the Audit Committee as and when required. The Audit Committee may invite external auditors, other directors or members of the management and employees of the Group to be in attendance during meetings to assist in its deliberations.

At least twice a year, the Audit Committee shall meet with the external auditors, in the absence of the executive directors and the management staff, to discuss the audit findings and any other observations that they may have during the audit process. The external auditors may also request for a meeting if they consider it needful.

Minutes of each meeting are to be prepared to record its conclusions in discharging its duties and responsibilities and sent to the Audit Committee members, and the Company's Directors who are not members of the Audit Committee.

## AUDIT COMMITTEE REPORT

A total of 5 meetings were held during the FYE 31 December 2017. Details of the attendance of the members at the meetings are as follows:

Directors	Attendance
Ms. Lam Voon Kean	5/5
Dato' Mahinder Singh Dulku	5/5
Mr. Ng Eng Tong	5/5
Tan Sri Norazman Hamidun	5/5

### SUMMARY OF ACTIVITIES

The main activities undertaken by the Audit Committee for the FYE 31 December 2017 were as follows:

#### (1) Financial Reporting

- (a) Reviewed quarterly unaudited financial statements of the Group with CFO and recommended them to the Board for approval.

The review is to ensure that the quarterly unaudited financial statements present a true and fair view of the Group's financial position and performance and are prepared in accordance with MFRS 134 Interim Financial Reporting and Paragraph 9.22 of MMLR of Bursa Securities.

- (b) Reviewed audited financial statements of the Group for the FYE 31 December 2017 together with CFO and external auditors to ensure it presented a true and fair view of the Group's financial position and performance for the year and complied with applicable approved accounting standards in Malaysia and other legal and regulatory requirements prior to recommending it to the Board for approval.

#### (2) External Audit

- (a) Discussed key audit issues raised by external auditors from its annual audit for the FYE 31 December 2017 in its management letter including management's response to the findings and actions taken to resolve such issues.
- (b) Assessed the suitability of maintaining external auditors for the FYE 31 December 2017 vis-à-vis performance, independence, rotation of audit partners and non-audit services.

The Audit Committee, having been satisfied with the suitability of external auditors, recommended to the Board for approval of the re-appointment of Messrs. BDO as auditors of the Company for the FYE 31 December 2017 subject to shareholders' approval.

- (c) Discussed with external auditors on their audit plan for the FYE 31 December 2017 outlining their scope of work, audit timeline, areas of audit emphasis, audit materiality, updates on financial reporting, engagement team and proposed audit fees.

The Audit Committee accepted the audit plan presented by external auditors and recommended the proposed audit fees to the Board for approval.

- (d) Convened 2 meetings in 2017 with external auditors in the absence of executive directors and management staff in order to provide an opportunity to the external auditors to candidly express any concerns they may have.

AUDIT COMMITTEE  
REPORT**(3) Internal Audit**

- (a) Reviewed and approved the risk based internal audit plan for the FYE 31 December 2017 and 2018 to ensure adequate scope and coverage over the Group's activities based on identified risk areas.
- (b) Reviewed the internal audit reports which highlighted the audit issues, recommendations and management's responses. Discussed with management the corrective actions taken to improve the system of internal control based on improvement opportunities identified in the internal audit reports. Reported the significant matters to the Board.

The internal auditors monitored the implementation of management's action plan on outstanding issues through follow up reports to ensure that all key risks and control weaknesses are being properly addressed.

- (c) Reviewed the enterprise risk management updates for the FYE 31 December 2017.

**(4) Related Party Transactions**

- (a) Reviewed the related party transactions and recurrent related party transactions of a revenue or trading nature on a quarterly basis, after the CRRRA Committee has examined and satisfied that those transactions were carried out at arm's length basis, on normal commercial terms, not to the detriment of the minority shareholders and in accordance with the approved mandate.
- (b) Reviewed the circular to shareholders in relation to the proposed additional and renewal of shareholders' mandate for recurrent related party transactions of a revenue and trading nature to ensure that the transactions are carried out on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the interests of the minority shareholders.
- (c) Discussed the application for extended payment terms for a related party transaction in return of displaying the Group's products at its clubs in order to raise brand awareness.

**(5) Others**

- (a) Reviewed Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report 2017 of the Company prior to the submission to the Board for their consideration and approval.

The review is, inter alia, to ensure compliance with the provisions of the Companies Act 2016, MMLR and other legal and regulatory requirements.

- (b) Verified the allocation of options under ESOS which was granted in 2017 to the eligible employees as being in compliance with the criteria as stipulated in the Company's ESOS Bye-laws after revision by the external auditors.
- (c) Reviewed the report presented by the CRRRA Committee on every quarter pertaining to post analysis of approved return of investment ("ROI"), status update of approved new ROI and new agreements reviewed by the CRRRA Committee.
- (d) Reviewed the report of an external independent consultant in relation to transfer pricing documentation exercise to ensure compliance with the transfer pricing guidelines.
- (e) Reviewed and discussed with management the findings and recommendations by an external independent consultant on the Company's internal controls, policies and procedures to ascertain its compliance with the Foreign Corrupt Practices Act/anti-bribery and corruption compliance program and related regulations.
- (f) Reviewed the revised TOR of Audit Committee to be in line with Paragraph 15.12(1)(g) of MMLR of Bursa Securities.

## AUDIT COMMITTEE REPORT

### INTERNAL AUDIT FUNCTION

The Company has appointed an independent professional accounting firm to provide outsourced internal audit function for the Group in order to assist the Audit Committee in discharging its duties and responsibilities. The objectives of internal audit are to independently assess the system of internal control established by the management, the adequacy and integrity of such internal control system vis-à-vis the objectives served and to make appropriate recommendations thereof as well as determining the extent of adherence to these controls by staff responsible for the function.

During the financial year, the internal auditors have conducted audit reviews on the functional areas and operating processes of the Group such as inventory and fixed assets management based on the internal audit plan which has been approved by the Audit Committee. Upon completion of the work, the internal auditors presented their findings and recommendations as well as the management's responses and action plans to the Audit Committee for its review and deliberation. The internal auditors also carried out follow-up reviews to monitor the implementation of the management's action plans for reporting to the Audit Committee.

The costs incurred for the internal audit function of the Group for 2017 is RM145,000.

This report is made pursuant to a resolution of the Board dated 17 April 2018.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board of RGB is committed to maintain a sound system of risk management and internal control in the Group and is pleased to provide the following Statement on Risk Management and Internal Control ("Statement"), which outlines the nature and scope of risk management and internal control of the Group during the FYE 31 December 2017.

For the purpose of disclosure, the Board has taken into consideration the enumerations encapsulated in the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("Guidelines"), a publication endorsed by Bursa Securities pursuant to Paragraph 15.26(b) of the MMLR.

## BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for the Group's system of internal control and risk management practices to safeguard its shareholders' investment, interest and the Group's assets.

The system of internal control covers not only financial controls but operational and compliance controls and risk management procedures. In view of the limitations inherent in any system of risk management and internal controls, the system is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's business and corporate objectives. The system can therefore only provide reasonable, but not absolute assurance, against material misstatement or loss.

The Board has in place an on-going process for identifying, evaluating and managing the significant risks encountered by the Group. The Board, through its Audit Committee, reviews the results of this process, including mitigating measures taken by the management via the CRRR Committee to address areas of key risks identified. This process has been in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report of the Company.

The Audit Committee assists the Board in reviewing the adequacy and integrity of the system of risk management and internal controls in the Group and to ensure that an appropriate mix of techniques is used to obtain the level of assurance required by the Board.

## RISK MANAGEMENT

The Board is guided by Practices 9.1 and 9.2 of the MCCG which calls for the establishment of an effective risk management and internal control framework to be implemented across the Group. The adopted ERM framework includes an on-going risk management process carried out by the CRRR Committee. Risks may be associated with internal or external factors including turnover of key personnel, changes in the economic and political environment, competition, introduction of new rules and regulations, technological advancement and other matters relevant to the Group. For each of the key risks identified, the respective divisional head or manager is responsible to continuously monitor the implementation of risk mitigation action plans and to update the Board via CRRR Committee.

Risk tolerance limits are set to align the risk appetite, with the consideration of likelihood of occurrence and severity of consequences, are subject to review periodically. Existing controls to mitigate and manage these risks are then re-assessed and strengthened.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The CRRRA Committee has also deliberated and reported to the Board, inter alia, on the following matters:

- i) Review and evaluate the progress of all non-performing investments and ventures;
- ii) Review and evaluate feasibility of proposed capital expenditures prior to acquisition;
- iii) Monitor trade collection and recommend appropriate actions to recover overdue debts, if any;
- iv) Evaluate and review special credit term offered to selected customers;
- v) Review adequacy of provision for doubtful debts on trade receivables and any write-off of debts as required;
- vi) Review new business, leasing and technical support and management agreements; and
- vii) Review the country risk and regulatory compliance where the Group operates.

### INTERNAL AUDIT FUNCTION

The Audit Committee evaluates the Internal Audit function to assess its effectiveness in the discharge of its responsibilities. The independent Internal Audit function, which is outsourced to a professional service provider ("the appointed firm"), provides assurance to the Audit Committee through the execution of internal audit in accordance with the detailed annual risk-based internal audit plan approved by the Audit Committee. The internal audit report outlines the improvements opportunity from these audits together with the management's response and proposed action plans are presented to the Audit Committee for its review. The appointed firm also follows up and reports to the Audit Committee the status of implementation by the management on the recommendations highlighted in the previous internal audit reports.

The other key elements of the Group's internal control systems are described below:

#### (a) Limits of Authority and Responsibility

Documented limits of authority, responsibility and accountability have been established through the relevant charters and TOR, organisational structures and Expenditure Controls and Delegation of Authority Policy. These enhance the Group's ability to achieve its strategies and operational objectives. The divisional structure further enhances the ability of each division to focus on its assigned core or support functions within the Group.

#### (b) Written Policies and Procedures

A set of documented internal policies and procedures for each department is in place and is subject to regular review and update. This helps to ensure internal control principles and mechanisms are embedded in the operations of the Group.

#### (c) Planning, Monitoring and Reporting

- There is an established strategic planning and budgetary process, requiring all functional divisions to prepare the annual capital and operating expenditure budgets for discussion and approval by the Board;
- The Audit Committee reviews the Group's quarterly financial performance, together with the management, which is subsequently reported to the Board;
- Regular and comprehensive information are provided to the Key Senior Management Team, covering financial and operational performance and key business indicators to promote effective review and monitoring of performance and decision making purposes; and
- The management meetings are held regularly to identify, discuss and resolve strategic, operational, financial and key management issues.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### (d) Insurance

Insurance and physical safeguards over major assets are in place to ensure that the Group's assets are adequately covered against any calamity and mishap that may result in material losses to the Group.

### ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board has received assurance from the MD and CFO that the Group's risk management and internal control systems have been operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this Statement. Taking this assurance into consideration, the Board is of the view that the systems of risk management and internal control is adequate to meet the needs of the Group in addressing financial operational and compliance risks and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Company's Annual Report. The Group continues to take measures to strengthen the internal control environment, monitor the health of the risk management and internal controls framework.

Pursuant to Paragraph 15.23 of the MMLR of Bursa Securities, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Company for the FYE 31 December 2017 and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material aspects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Guidelines to be set out, nor is this Statement factually inaccurate.

This Statement was made in accordance with a resolution of the Board dated 17 April 2018.

# DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2017

# FINANCIAL CALENDAR

## 2017

**22 February**

Announcement of the consolidated results for the 4<sup>th</sup> quarter and financial year ended 31 December 2016

**28 April**

Announcement of the audited consolidated results for the financial year ended 31 December 2016

**29 May**

14<sup>th</sup> Annual General Meeting

**29 May**

Announcement of the consolidated results for the 1<sup>st</sup> quarter ended 31 March 2017

**29 August**

Announcement of the consolidated results for the 2<sup>nd</sup> quarter ended 30 June 2017

**29 November**

Announcement of the consolidated results for the 3<sup>rd</sup> quarter ended 30 September 2017

## 2018

**27 February**

Announcement of the consolidated results for the 4<sup>th</sup> quarter and financial year ended 31 December 2017

# DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 15 to the financial statements. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

## RESULTS

	Group RM	Company RM
Profit for the financial year	30,698,574	12,319,795
Attributable to:		
Owners of the Company	30,278,455	12,319,795
Non-controlling interests	420,119	-
	30,698,574	12,319,795

## DIVIDENDS

Dividends paid, declared or proposed since the end of previous financial year were as follows:

	Company RM
In respect of financial year ended 31 December 2016:	
Interim single-tier dividend of RM0.0030 per ordinary share, paid on 14 April 2017	4,007,236
Final single-tier dividend of RM0.0030 per ordinary share, paid on 30 June 2017	4,010,249
	8,017,485

The Directors have proposed a final single-tier dividend of RM0.0070 per ordinary share in respect of the financial year ended 31 December 2017, subject to the approval of members at the forthcoming Annual General Meeting.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

**ISSUE OF SHARES AND DEBENTURES**

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 1,329,183,700 ordinary shares to 1,340,547,300 ordinary shares by way of issuance of 11,363,600 new ordinary shares for cash pursuant to the exercise of Employees' Share Option Scheme ("ESOS") at a weighted average issue price of RM0.121 per ordinary share.

The newly issued shares rank pari passu in all respects with the existing shares of the Company. There were no other issues of shares during the financial year.

The Company did not issue any debentures during the financial year.

**EMPLOYEES' SHARE OPTION SCHEME**

The ESOS of the Company is governed by the Bye-Laws approved by the shareholders at an Extraordinary General Meeting held on 16 October 2009. The ESOS was implemented on 21 October 2009 and is to be in force for a period of 5 years from the date of implementation. On 24 August 2012, the Company had extended the option for another 5 years until 20 October 2019.

The salient features and other terms of the ESOS are disclosed in Note 29 to the financial statements.

Details of the options over the ordinary shares of the Company under ESOS are as follows:

Grant Date	Number of options over ordinary shares					Outstanding at 31 December 2017 '000	Exercisable at 31 December 2017 '000
	Outstanding at 1 January 2017 '000	Granted '000	Exercised '000	Forfeited '000			
2010 options:							
Grant 1	8,182	-	(3,756)	-	4,426	4,426	
2012 options:							
Grant 2	947	-	(718)	-	229	229	
Grant 3	2,416	-	(1,722)	-	694	694	
2013 options:							
Grant 4	2,133	-	(1,067)	(32)	1,034	1,034	
2014 options:							
Grant 5	6,218	-	(1,668)	-	4,550	4,550	
2015 options:							
Grant 6	4,100	-	(1,018)	(205)	2,877	1,867	
2017 options:							
Grant 7	-	5,660	(415)	(575)	4,670	1,358	
Grant 8	-	8,841	(1,000)	(84)	7,757	3,379	
	23,996	14,501	(11,364)	(896)	26,237	17,537	

On 12 January 2017 and 12 October 2017, the Company granted options over ordinary shares amounting to 5,659,500 at an exercise price of RM0.222 per share and 8,841,400 at an exercise price of RM0.245 per share respectively to eligible employees of the Group under the Company's ESOS.

# DIRECTORS' REPORT

## DIRECTORS

The Directors who have held for office since the date of the last report are as follows:

Dato' Mahinder Singh Dulku  
 Datuk Chuah Kim Seah  
 Datuk Lim Tow Boon  
 Mazlan Ismail  
 Chuah Kim Chiew  
 Ng Eng Tong  
 Lam Voon Kean  
 Tan Sri Norazman Hamidun

## DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares and options over ordinary shares in the Company and of its related corporations during the financial year ended 31 December 2017 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	← Number of ordinary shares →			31 December 2017
	1 January 2017	Acquired	Sold	
<b>Shares in the Company</b>				
Direct interests:				
Dato' Mahinder Singh Dulku	40,000	-	-	40,000
Datuk Chuah Kim Seah	348,350,290	30,000,000	-	378,350,290
Datuk Lim Tow Boon	6,640,500	-	-	6,640,500
Mazlan Ismail	-	50,000,000	-	50,000,000
Chuah Kim Chiew	26,764,194	3,000,000	(2,000,000)	27,764,194
Ng Eng Tong	1,000,000	-	(1,000,000)	-
Lam Voon Kean	-	1,000,000	-	1,000,000
Tan Sri Norazman Hamidun	3,000,000	-	(20,000)	2,980,000
Indirect interests:				
Datuk Chuah Kim Seah	1,753,800	150,000	-	1,903,800
Mazlan Ismail	129,031,986	-	(109,031,986)	20,000,000
Chuah Kim Chiew	1,603,800	-	-	1,603,800



**DIRECTORS' INTERESTS (Continued)**

	Number of options over ordinary shares			31 December 2017
	1 January 2017	Exercised	Forfeited	
<b>Share options in the Company</b>				
Dato' Mahinder Singh Dulku	1,000,000	-	-	1,000,000
Chuah Kim Chiew	3,000,000	(3,000,000)	-	-
Lam Voon Kean	3,000,000	(1,000,000)	-	2,000,000
Tan Sri Norazman Hamidun	1,000,000	-	-	1,000,000

By virtue of his interest in ordinary shares of the Company, Datuk Chuah Kim Seah is also deemed to be interested in the ordinary shares of all the subsidiaries to the extent the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year.

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than the remuneration received by certain Directors as Directors of the Company and its subsidiaries as disclosed in Note 35 to the financial statements.

There were no arrangements made during and at the end of the financial year, to which the Company is a party, which had the object of enabling Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the share options granted pursuant to the ESOS disclosed in Note 29 to the financial statements.

The details of Directors' remuneration are disclosed in Note 10 to the financial statements.

**INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS**

The Group and the Company effected Directors' liability insurance during the financial year to protect the Directors of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

## DIRECTORS' REPORT

### OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

#### (I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that there are no bad debts to be written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

#### (II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
  - (i) which would necessitate the writing off of bad debts or render the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
  - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
  - (i) there has not arisen any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
  - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

**OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (Continued)****(III) AS AT THE DATE OF THIS REPORT**

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

**AUDITORS**

The auditors, BDO, have expressed their willingness to continue in office.

Auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2017 amounted to RM50,500 and RM181,559 respectively.

Signed on behalf of the Board in accordance with a resolution of the Directors.

**Datuk Chuah Kim Seah**  
Director

**Datuk Lim Tow Boon**  
Director

Penang  
17 April 2018

## STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements as set out on pages 63 to 134 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

**Datuk Chuah Kim Seah**  
Director

**Datuk Lim Tow Boon**  
Director

Penang  
17 April 2018

## STATUTORY DECLARATION

I, Teh Mun Hui (MIA 15839), being the officer primarily responsible for the financial management of RGB International Bhd., do solemnly and sincerely declare that the financial statements as set out on pages 63 to 134 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the  
abovenamed at Georgetown in the State  
of Penang on 17 April 2018

**Teh Mun Hui**

Before me,

Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF RGB INTERNATIONAL BHD.

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of RGB International Bhd., which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 63 to 134.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Recoverability of trade receivables

As at 31 December 2017, trade receivables that were past due and not impaired amounted to RM33,813,942. The details of trade receivables and its credit risk have been disclosed in Note 20 to the financial statements.

Management recognised allowances for impairment losses on trade receivables based on specific known facts or circumstances on customers' abilities to pay.

The determination of whether trade receivables are recoverable involves significant management judgement.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF RGB INTERNATIONAL BHD.

## **Key Audit Matters (Continued)**

### ***Audit response***

Our audit procedures included the following:

- (a) assessed recoverability of receivables that were past due but not impaired with reference to their historical bad debt expense, ageing profiles of the counter parties and past historical repayment trends; and
- (b) assessed cash receipts subsequent to the end of the reporting period for its effect in reducing amounts outstanding as at the end of the reporting period.

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

## **Information Other than the Financial Statements and Auditors' Report Thereon**

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF RGB INTERNATIONAL BHD.

## Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF RGB INTERNATIONAL BHD.

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 15 to the financial statements.

## Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**BDO**  
AF: 0206  
Chartered Accountants

**Koay Theam Hock**  
02141/04/2019 J  
Chartered Accountant

Penang  
17 April 2018



# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Revenue	5	252,350,768	253,503,555	17,117,212	12,115,208
Cost of sales	6	(167,883,638)	(179,774,716)	-	-
<b>Gross profit</b>		84,467,130	73,728,839	17,117,212	12,115,208
Other income	7	3,725,502	3,499,246	64,845	218,534
Administrative expenses		(43,480,733)	(35,023,749)	(4,644,565)	(3,887,677)
Selling and marketing expenses		(5,294,251)	(5,219,103)	-	-
Other income/(expenses), net		1,439,288	(4,631,524)	(227,757)	(14,853)
Finance costs	8	(482,451)	(1,360,333)	(3,123)	(848,985)
<b>Profit before tax</b>		40,374,485	30,993,376	12,306,612	7,582,227
Taxation	11	(9,675,911)	(5,692,876)	13,183	(37,789)
<b>Profit for the financial year</b>		30,698,574	25,300,500	12,319,795	7,544,438
<b>Other comprehensive (loss)/income, net of tax:</b>					
Items that may be reclassified subsequently to profit or loss					
- Foreign currency translation, representing other comprehensive (loss)/income for the financial year					
		(20,371,428)	8,424,949	-	-
<b>Total comprehensive income for the financial year</b>		10,327,146	33,725,449	12,319,795	7,544,438
<b>Profit attributable to:</b>					
Owners of the Company		30,278,455	24,853,001	12,319,795	7,544,438
Non-controlling interests	15	420,119	447,499	-	-
		30,698,574	25,300,500	12,319,795	7,544,438
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		12,047,625	32,311,811	12,319,795	7,544,438
Non-controlling interests		(1,720,479)	1,413,638	-	-
		10,327,146	33,725,449	12,319,795	7,544,438
<b>Earnings per ordinary share attributable to owners of the Company (sen):</b>					
Basic	12(a)	2.27	1.89		
Diluted	12(b)	2.23	1.84		

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	14	105,158,595	107,861,974	33,603	38,715
Investments in subsidiaries	15	-	-	157,632,007	156,922,947
Investments in associates	17	162,081	178,875	-	-
Intangible assets	18	2,674,314	2,982,339	-	-
Trade receivables	20	387,718	1,517,272	-	-
Other receivables	21	46,230	59,861	-	-
Lease receivables	22	9,870,051	-	-	-
		118,298,989	112,600,321	157,665,610	156,961,662
<b>Current assets</b>					
Inventories	19	10,179,498	5,122,706	-	-
Trade receivables	20	84,899,257	68,202,563	-	-
Other receivables	21	53,173,747	28,529,178	70,337	74,711
Lease receivables	22	1,605,945	-	-	-
Due from subsidiaries	23	-	-	8,191,468	1,638,539
Due from associates	25	4,076,989	4,487,399	-	-
Current tax assets		-	-	5,196	-
Cash and bank balances	26	113,522,706	78,725,949	2,344,975	2,648,343
		267,458,142	185,067,795	10,611,976	4,361,593
<b>Total assets</b>		<b>385,757,131</b>	<b>297,668,116</b>	<b>168,277,586</b>	<b>161,323,255</b>
<b>Equity and liabilities</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	27	134,729,884	132,918,370	134,729,884	132,918,370
Share premium	28	21,128,519	21,124,411	21,128,519	21,124,411
Foreign currency translation reserve	28	12,804,415	31,035,245	-	-
Share options reserve	28	1,740,379	963,550	1,740,727	963,898
Retained earnings	28	39,671,047	17,410,077	10,024,153	5,721,843
		210,074,244	203,451,653	167,623,283	160,728,522
Non-controlling interests	15	20,820,082	22,540,561	-	-
<b>Total equity</b>		<b>230,894,326</b>	<b>225,992,214</b>	<b>167,623,283</b>	<b>160,728,522</b>

STATEMENTS OF  
FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Non-current liabilities</b>					
Borrowings	30	7,205,872	3,705,594	-	-
Trade payables	33	230,454	508,666	-	-
Deferred tax liabilities	32	131,956	150,167	-	-
		7,568,282	4,364,427	-	-
<b>Current liabilities</b>					
Borrowings	30	5,573,164	4,192,572	-	-
Trade payables	33	60,050,352	31,630,029	-	-
Other payables	34	80,849,429	31,102,710	654,303	585,293
Due to associates	25	86,978	95,991	-	-
Current tax liabilities		734,600	290,173	-	9,440
		147,294,523	67,311,475	654,303	594,733
<b>Total liabilities</b>		154,862,805	71,675,902	654,303	594,733
<b>Total equity and liabilities</b>		385,757,131	297,668,116	168,277,586	161,323,255

The accompanying notes form an integral part of the financial statements.

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Group	Note	Attributable to owners of the Company					Total RM	Non-controlling interests RM	Total equity RM
		Share capital RM	Share premium RM	Foreign currency translation reserve RM	Share option reserve RM	Retained earnings/ (Accumulated losses) RM			
<b>At 1 January 2017</b>		132,918,370	21,124,411	31,035,245	963,550	17,410,077	203,451,653	22,540,561	225,992,214
Profit for the financial year		-	-	-	-	30,278,455	30,278,455	420,119	30,698,574
Foreign currency translations		-	-	(18,230,830)	-	-	(18,230,830)	(2,140,598)	(20,371,428)
Total comprehensive income for the financial year		-	-	(18,230,830)	-	30,278,455	12,047,625	(1,720,479)	10,327,146
<b>Transactions with owners:</b>									
Dividends paid	13	-	-	-	-	(8,017,485)	(8,017,485)	-	(8,017,485)
Issue of ordinary shares pursuant to ESOS	27	1,811,514	4,108	-	(445,904)	-	1,369,718	-	1,369,718
Share options vested under ESOS	9	-	-	-	1,222,733	-	1,222,733	-	1,222,733
Total transactions with owners		1,811,514	4,108	-	776,829	(8,017,485)	(5,425,034)	-	(5,425,034)
<b>At 31 December 2017</b>		134,729,884	21,128,519	12,804,415	1,740,379	39,671,047	210,074,244	20,820,082	230,894,326
<b>At 1 January 2016</b>		130,762,130	20,774,345	23,576,435	989,978	(849,422)	175,253,466	21,126,923	196,380,389
Profit for the financial year		-	-	-	-	24,853,001	24,853,001	447,499	25,300,500
Foreign currency translations		-	-	7,458,810	-	-	7,458,810	966,139	8,424,949
Total comprehensive income for the financial year		-	-	7,458,810	-	24,853,001	32,311,811	1,413,638	33,725,449
<b>Transactions with owners:</b>									
Dividend paid	13	-	-	-	-	(6,593,502)	(6,593,502)	-	(6,593,502)
Issue of ordinary shares pursuant to ESOS	27	2,156,240	350,066	-	(309,671)	-	2,196,635	-	2,196,635
Share options vested under ESOS	9	-	-	-	283,243	-	283,243	-	283,243
Total transactions with owners		2,156,240	350,066	-	(26,428)	(6,593,502)	(4,113,624)	-	(4,113,624)
<b>At 31 December 2016</b>		132,918,370	21,124,411	31,035,245	963,550	17,410,077	203,451,653	22,540,561	225,992,214

STATEMENTS OF  
CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Company	Note	← Non-distributable →			Retained earnings RM	Total equity RM
		Share capital RM	Share premium RM	Share option reserve RM		
<b>At 1 January 2017</b>		132,918,370	21,124,411	963,898	5,721,843	160,728,522
Profit for the financial year		-	-	-	12,319,795	12,319,795
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income for the financial year		-	-	-	12,319,795	12,319,795
<b>Transactions with owners:</b>						
Dividends paid	13	-	-	-	(8,017,485)	(8,017,485)
Issue of ordinary shares pursuant to ESOS	27	1,811,514	4,108	(445,904)	-	1,369,718
Share options vested under ESOS	9	-	-	1,222,733	-	1,222,733
Total transactions with owners		1,811,514	4,108	776,829	(8,017,485)	(5,425,034)
<b>At 31 December 2017</b>		134,729,884	21,128,519	1,740,727	10,024,153	167,623,283
<b>At 1 January 2016</b>		130,762,130	20,774,345	990,326	4,770,907	157,297,708
Profit for the financial year		-	-	-	7,544,438	7,544,438
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income for the financial year		-	-	-	7,544,438	7,544,438
<b>Transactions with owners:</b>						
Dividend paid	13	-	-	-	(6,593,502)	(6,593,502)
Issue of ordinary shares pursuant to ESOS	27	2,156,240	350,066	(309,671)	-	2,196,635
Share options vested under ESOS	9	-	-	283,243	-	283,243
Total transactions with owners		2,156,240	350,066	(26,428)	(6,593,502)	(4,113,624)
<b>At 31 December 2016</b>		132,918,370	21,124,411	963,898	5,721,843	160,728,522

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Cash flows from operating activities</b>					
Profit before tax		40,374,485	30,993,376	12,306,612	7,582,227
Adjustments for:					
Dividend income from subsidiaries	5	-	-	(17,117,212)	(12,115,208)
Interest income	7	(334,280)	(368,569)	(63,113)	(217,766)
Interest expense	8	223,879	1,118,525	-	844,721
Amortisation of intangible assets	18	474,233	1,045,090	-	-
Bad debts written off		-	17,087	-	-
Depreciation of property, plant and equipment	14	25,467,172	29,709,819	13,721	12,412
(Gain)/Loss on disposal of property, plant and equipment		(1,858)	31	-	-
Impairment losses on:					
- Due from a joint venture	24	-	1,320	-	1,320
- Property, plant and equipment	14	3,448	1,149,477	-	-
- Trade receivables	20	-	35,639	-	-
Impairment losses written back on:					
- Due from associates	25	-	(129,553)	-	-
- Due from a joint venture	24	-	(990)	-	(990)
- Due from subsidiaries	23	-	-	-	(16,525)
- Property, plant and equipment	14	-	(14,062)	-	-
- Trade receivables	20	-	(77,263)	-	-
Inventories written down	19	294,006	2,466,010	-	-
Share options vested under ESOS	9	1,222,733	283,243	513,673	144,920
Unrealised foreign exchange (gain)/losses		(2,021,939)	1,011,860	(358,265)	(728,515)
Written off on:					
- Intangible assets		-	1,558,109	-	-
- Property, plant and equipment		25,392	79,185	7	-
Operating profit/(loss) before changes in working capital		65,727,271	68,878,334	(4,704,577)	(4,493,404)
Changes in working capital:					
Inventories		(3,177,312)	3,662,225	-	-
Long term receivables		1,148,743	6,716,381	-	-
Short term receivables		(41,338,577)	(27,370,769)	4,374	(2,249)
Lease receivables		(11,475,996)	-	-	-
Due from subsidiaries		-	-	(6,194,474)	29,654,853
Due from a joint venture		-	(330)	-	(330)
Due from associates		410,250	(176,254)	-	-
Long term payables		(278,212)	(3,344,753)	-	-
Short term payables		78,606,706	(2,950,658)	69,010	48,617
Cash generated from/(used in) operations		89,622,873	45,414,176	(10,825,667)	25,207,487
Interest paid		(223,879)	(501,201)	-	(227,397)
Tax paid, net		(9,249,695)	(5,598,563)	(1,453)	(40,241)
Net cash from/(used in) operating activities		80,149,299	39,314,412	(10,827,120)	24,939,849

STATEMENTS OF  
CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	14	(34,191,414)	(16,446,704)	(8,616)	(6,676)
Proceeds from disposal of property, plant and equipment		1,862	200	-	-
Changes in fixed deposits pledged to licensed banks	26	364,830	(245,643)	(65,236)	(33,193)
Changes in bank balances pledged to licensed banks	26	952,569	5,284,494	-	7,082,637
Acquisition of intangible assets	18	(340,627)	(965,132)	-	-
Dividend received		-	-	17,117,212	-
Interest received		334,280	368,569	63,113	217,766
Net cash (used in)/from investing activities		(32,878,500)	(12,004,216)	17,106,473	7,260,534
<b>Cash flows from financing activities</b>					
Proceeds from issuance of ordinary shares		1,369,718	2,196,635	1,369,718	2,196,635
Drawdown of term loans		8,938,600	-	-	-
Repayments of term loans		(2,130,400)	(3,210,200)	-	-
Proceeds from onshore foreign currency loan		2,371,396	3,957,814	-	-
Repayments of onshore foreign currency loan		(4,221,299)	(1,619,339)	-	-
Net repayment of commercial papers		-	(17,350,000)	-	(17,350,000)
Repayment of medium term notes		-	(10,000,000)	-	(10,000,000)
Repayment of hire purchase creditors		(74,274)	(52,614)	-	-
Dividends paid	13	(8,017,485)	(6,593,502)	(8,017,485)	(6,593,502)
Net cash used in financing activities		(1,763,744)	(32,671,206)	(6,647,767)	(31,746,867)
Net increase/(decrease) in cash and cash equivalents		45,507,055	(5,361,010)	(368,414)	453,516
Effects of foreign exchange rate changes		(9,392,899)	3,946,903	(190)	1
Cash and cash equivalents at beginning of financial year		67,726,608	69,140,715	667,998	214,481
Cash and cash equivalents at end of financial year	26	103,840,764	67,726,608	299,394	667,998

## STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Onshore foreign currency loan (Note 30) RM	Group Hire purchase creditors (Note 30) RM	Term loans (Note 30) RM
At 1 January 2017	2,338,475	178,891	5,380,800
Cash flows	(1,849,903)	(74,274)	6,808,200
Non-cash flows:			
- Effect of foreign exchange	(16,938)	13,785	-
At 31 December 2017	471,634	118,402	12,189,000

The accompanying notes form an integral part of the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

## 1. CORPORATE INFORMATION

RGB International Bhd. ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Suite 16-1 (Penthouse Upper), Menara Penang Garden, 42-A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia.

The principal place of business of the Company is located at 8, Green Hall, 10200 Penang, Malaysia.

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 17 April 2018.

## 2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 15 to the financial statements. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

## 3. BASIS OF PREPARATION

The financial statements of the Group and of the Company set out on pages 63 to 134 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are set out in Note 41.1 to the financial statements.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

### 4. OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

- |                                       |   |
|---------------------------------------|---|
| (i) Sales and marketing               | Sales and marketing of gaming and amusement machines and systems and related products.        |
| (ii) Technical support and management | Technical support, maintenance and management of gaming and amusement machines and equipment. |
| (iii) Engineering services            | Engineering, maintenance and repairing charges.   |
| (iv) Others                           | Renting of property, manufacturing, research and development.                                 |

Operating segments are defined as components of the Group that:

- (a) Engage in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- (b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and
- (c) For which discrete financial information is available.

The Group evaluates performance on the basis of profit or loss from operations before tax not including unallocated expenses and non-recurring losses, such as goodwill impairment.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment assets exclude tax assets and assets used primarily for corporate purposes.

Segment liabilities exclude tax liabilities and unallocated liabilities. Even though loans and borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors (e.g. funding requirements).

NOTES TO THE  
FINANCIAL STATEMENTS

31 DECEMBER 2017

## 4. OPERATING SEGMENTS (Continued)

	Sales and marketing RM	Technical support and management RM	Engineering services RM	Others RM	Total RM
<b>2017</b>					
<b>Revenue</b>					
Total revenue	162,049,124	87,822,101	1,635,588	1,095,955	252,602,768
Inter-segment sales	-	-	-	(252,000)	(252,000)
Revenue from external customers	162,049,124	87,822,101	1,635,588	843,955	252,350,768
<b>Results</b>					
Segment results	22,971,318	24,550,603	692,649	(1,161,060)	47,053,510
Finance costs	(42,004)	(181,875)	-	-	(223,879)
	22,929,314	24,368,728	692,649	(1,161,060)	46,829,631
Unallocated expenses					
- Unallocated finance costs					(258,572)
- Other unallocated expenses					(6,196,574)
Profit before tax					40,374,485
Tax expense					(9,675,911)
Profit for the financial year					30,698,574
<b>Assets</b>					
Segment assets	141,157,568	181,635,851	879,359	53,558,951	377,231,729
Investments in associates	-	-	-	162,081	162,081
Unallocated assets					8,363,321
Total assets					385,757,131
<b>Liabilities</b>					
Segment liabilities	97,599,554	52,437,200	94,711	1,851,441	151,982,906
Tax liabilities					866,556
Unallocated liabilities					2,013,343
Total liabilities					154,862,805

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

## 4. OPERATING SEGMENTS (Continued)

	Sales and marketing RM	Technical support and management RM	Engineering services RM	Others RM	Total RM
<b>2017 (Continued)</b>					
<b>Other information</b>					
Addition to non-current assets					
- Reportable segments	15,992	34,010,469	-	419,339	34,445,800
- Unallocated					86,241
					<u>34,532,041</u>
Interest income					
- Reportable segments	24,980	23,738	-	-	48,718
- Unallocated					285,562
					<u>334,280</u>
Depreciation and amortisation					
- Reportable segments	166,786	23,678,529	1,377	1,915,988	25,762,680
- Unallocated					178,725
					<u>25,941,405</u>
Impairment of property, plant and equipment					
- Reportable segments	-	3,448	-	-	3,448
					<u>3,448</u>
Other non-cash items					
- Reportable segments	66,366	294,346	-	633,027	993,739
- Unallocated					546,534
					<u>1,540,273</u>

NOTES TO THE  
FINANCIAL STATEMENTS

31 DECEMBER 2017

## 4. OPERATING SEGMENTS (Continued)

	Sales and marketing RM	Technical support and management RM	Engineering services RM	Others RM	Total RM
<b>2016</b>					
<b>Revenue</b>					
Total revenue	159,901,747	93,210,591	-	643,217	253,755,555
Inter-segment sales	-	-	-	(252,000)	(252,000)
Revenue from external customers	159,901,747	93,210,591	-	391,217	253,503,555
<b>Results</b>					
Segment results	13,784,199	27,900,726	-	(1,522,585)	40,162,340
Finance costs	(30,766)	(243,038)	-	-	(273,804)
	13,753,433	27,657,688	-	(1,522,585)	39,888,536
Unallocated expenses					
- Unallocated finance costs					(1,086,529)
- Other unallocated expenses					(7,808,631)
Profit before tax					30,993,376
Tax expense					(5,692,876)
Profit for the financial year					25,300,500
<b>Assets</b>					
Segment assets	93,097,007	135,895,878	-	59,578,844	288,571,729
Investments in associates	-	-	-	178,875	178,875
Unallocated assets					8,917,512
Total assets					297,668,116
<b>Liabilities</b>					
Segment liabilities	44,345,730	22,969,012	-	2,315,644	69,630,386
Tax liabilities					440,340
Unallocated liabilities					1,605,176
Total liabilities					71,675,902

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

## 4. OPERATING SEGMENTS (Continued)

	Sales and marketing RM	Technical support and management RM	Engineering services RM	Others RM	Total RM
<b>2016 (Continued)</b>					
<b>Other information</b>					
Addition to non-current assets					
- Reportable segments	22,033	15,624,934	-	1,360,295	17,007,262
- Unallocated					404,574
					<u>17,411,836</u>
Interest income					
- Reportable segments	3,496	1,490	-	-	4,986
- Unallocated					363,583
					<u>368,569</u>
Depreciation and amortisation					
- Reportable segments	1,000,005	28,016,743	-	1,579,301	30,596,049
- Unallocated					158,860
					<u>30,754,909</u>
Impairment of property, plant and equipment					
- Reportable segments	-	1,135,415	-	-	1,135,415
					<u>1,135,415</u>
Other non-cash items					
- Reportable segments	1,640,799	2,638,600	-	(186,855)	4,092,544
- Unallocated					140,274
					<u>4,232,818</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

## 4. OPERATING SEGMENTS (Continued)

### Reconciliations

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities to the corresponding amounts of the Group are as follows:

	2017 RM	2016 RM
<b>Revenue</b>		
Total revenue for reportable segments	252,602,768	253,755,555
Elimination of inter-segmental revenue	(252,000)	(252,000)
<hr/>		
Revenue of the Group per consolidated statement of profit or loss and other comprehensive income	252,350,768	253,503,555
<hr/>		
<b>Profit for the financial year</b>		
Total profit for the reportable segments	46,829,631	39,888,536
Unallocated expenses		
- Realised foreign exchange loss	(555,669)	(846,924)
- Unrealised foreign exchange gain/(loss)	2,021,939	(1,011,860)
- Legal and professional fees	(392,518)	(491,663)
- Finance costs	(258,572)	(1,086,529)
- Other corporate expenses	(7,270,326)	(5,458,184)
<hr/>		
Profit before tax	40,374,485	30,993,376
Tax expense	(9,675,911)	(5,692,876)
<hr/>		
Profit for the financial year of the Group per consolidated statement of profit or loss and other comprehensive income	30,698,574	25,300,500
<hr/>		
<b>Assets</b>		
Total assets for reportable segments	377,393,810	288,750,604
Unallocated assets	8,363,321	8,917,512
<hr/>		
Assets of the Group per consolidated statement of financial position	385,757,131	297,668,116
<hr/>		
<b>Liabilities</b>		
Total liabilities for reportable segments	151,982,906	69,630,386
Tax liabilities	866,556	440,340
Unallocated liabilities	2,013,343	1,605,176
<hr/>		
Liabilities of the Group per consolidated statement of financial position	154,862,805	71,675,902
<hr/>		

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

## 4. OPERATING SEGMENTS (Continued)

### Geographical information

The manufacturing facilities, sales offices and concession outlets of the Group are mainly based in Malaysia, Cambodia, the Philippines, Vietnam, Laos and Macau.

In presenting information on the basis of geographical areas, segment revenue is based on the geographical location of customers.

Segment assets are based on the geographical location of the assets of the Group. The non-current assets do not include tax assets and assets used primarily for corporate purposes.

	Revenues from external customers		Non-current assets	
	2017 RM	2016 RM	2017 RM	2016 RM
Malaysia	22,831,562	7,723,930	9,319,116	10,042,472
Southeast Asia (excluding Malaysia)	228,339,104	244,513,899	96,304,837	98,430,548
South Asia	1,066,367	1,036,487	1,448,927	570,175
Other countries	113,735	229,239	922,110	1,979,993
	252,350,768	253,503,555	107,994,990	111,023,188

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position.

	Note	2017 RM	2016 RM
Property, plant and equipment	14	105,158,595	107,861,974
Investments in associates	17	162,081	178,875
Intangible assets	18	2,674,314	2,982,339
		107,994,990	111,023,188

### Major customers

Revenue from major customers amounting to RM57,682,700 (2016: RM69,901,164) arose from sales and marketing segment.



## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

### 5. REVENUE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Sales and marketing	162,049,124	159,901,747	-	-
Technical support and management	87,822,101	93,210,591	-	-
Engineering services	1,635,588	-	-	-
Dividend income from subsidiaries	-	-	17,117,212	12,115,208
Others	843,955	391,217	-	-
	252,350,768	253,503,555	17,117,212	12,115,208

#### (a) Sale of goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the customer and where the Group does not have continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

#### (b) Revenue from technical support and management

Revenue relating to technical support and management is recognised when the Group's right to receive payment is established or when services are rendered.

#### (c) Revenue from engineering services

Revenue relating to engineering services is recognised when the Group's right to receive payment is established or when services are rendered.

#### (d) Dividend income

Dividend income is recognised when the right to receive payment is established.

### 6. COST OF SALES

	Group	
	2017 RM	2016 RM
Sales and marketing	128,232,128	136,692,185
Technical support and management	37,805,448	42,252,752
Engineering services	734,604	-
Others	1,111,458	829,779
	167,883,638	179,774,716

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

## 7. OTHER INCOME

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest income	334,280	368,569	63,113	217,766
Rental income from building	2,321,851	2,238,658	-	-
Sundry income	1,069,371	892,019	1,732	768
	3,725,502	3,499,246	64,845	218,534

### (a) Interest income

Interest income is recognised as it accrues, using the effective interest method.

### (b) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease. The aggregate cost of incentives provided to the lessee is recognised as reduction of rental income over the lease term on a straight line basis.

## 8. FINANCE COSTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest on:				
- Commercial papers	-	617,324	-	617,324
- Hire purchase	6,819	9,788	-	-
- Medium term notes	-	227,397	-	227,397
- Onshore foreign currency loan	35,185	20,978	-	-
- Payables	-	1,531	-	-
- Term loans	181,875	241,507	-	-
Total interest expense	223,879	1,118,525	-	844,721
Bank and other charges	258,572	241,808	3,123	4,264
	482,451	1,360,333	3,123	848,985

NOTES TO THE  
FINANCIAL STATEMENTS

31 DECEMBER 2017

## 9. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Wages and salaries	14,047,192	12,449,004	2,284,990	2,080,434
Contributions to defined contribution plan	1,488,452	1,295,247	267,842	244,856
Social security contributions	93,310	75,828	18,772	16,454
Short term accumulating compensated absence	168,094	(11,486)	12,285	4,384
Share options vested under ESOS	1,222,733	283,243	513,673	144,920
	17,019,781	14,091,836	3,097,562	2,491,048

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM4,609,987 (2016: RM3,989,173) and RM324,450 (2016: RM298,213) respectively as further disclosed in Note 10 to the financial statements.

## 10. DIRECTORS' REMUNERATION

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Directors of the Company:</b>				
Executive:				
Salaries and bonus	2,827,252	2,629,039	324,450	298,213
Estimated monetary value of benefits-in-kind	33,850	33,850	9,900	9,900
	2,861,102	2,662,889	334,350	308,113
Non-executive:				
Fees	442,200	409,440	442,200	409,440
Share options vested under ESOS	46,096	125,956	46,096	125,956
Other emoluments	40,000	44,000	40,000	44,000
	528,296	579,396	528,296	579,396

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

## 10. DIRECTORS' REMUNERATION (Continued)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Directors of the Subsidiaries:</b>				
Executive:				
Salaries and bonus	1,563,926	1,350,134	-	-
Share options vested under ESOS	208,809	-	-	-
Fees	10,000	10,000	-	-
	1,782,735	1,360,134	-	-
Non-executive:				
Fees	5,000	5,000	-	-
<b>Total Directors' remuneration</b>	<b>5,177,133</b>	<b>4,607,419</b>	<b>862,646</b>	<b>887,509</b>
Analysis:				
Total Executive Directors' remuneration excluding benefits-in-kind (Note 9)	4,609,987	3,989,173	324,450	298,213
Estimated monetary value of benefits-in-kind	33,850	33,850	9,900	9,900
Total Executive Directors' remuneration	4,643,837	4,023,023	334,350	308,113
Total Non-executive Directors' remuneration	533,296	584,396	528,296	579,396
	5,177,133	4,607,419	862,646	887,509

Remuneration paid and payable to the Directors of the Company for the financial year, analysed into bands of RM50,000 are as follows:

	Number of Directors	
	Executive	Non-Executive
RM100,001 - RM150,000	-	4
RM300,001 - RM350,000	1	-
RM400,001 - RM450,000	1	-
RM1,050,001 - RM1,100,000	2	-

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

### 11. TAXATION

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current tax expense based on profit for the financial year:				
Malaysian income tax	1,727,250	1,046,670	13,500	38,705
Foreign income tax	7,855,142	4,297,046	-	-
	9,582,392	5,343,716	13,500	38,705
Under/(Over)provision in prior years	111,730	358,299	(26,683)	(916)
	9,694,122	5,702,015	(13,183)	37,789
Deferred tax (Note 32):				
Relating to origination and reversal of temporary differences	(9,323)	(7,520)	-	-
Overprovision in prior years	(8,888)	(1,619)	-	-
	(18,211)	(9,139)	-	-
<b>Taxation</b>	<b>9,675,911</b>	<b>5,692,876</b>	<b>(13,183)</b>	<b>37,789</b>

Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2016: 24%) of the estimated taxable profits for the fiscal year.

The tax expense of a subsidiary is fixed at RM20,000 per annum under the Labuan Business Activity Tax Act, 1990 Section 7(1). Any non-offshore business activity carried out by the subsidiary shall be subjected to the provisions of the Income Tax Act, 1967 ("ITA"). Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

### 11. TAXATION (Continued)

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	9,689,876	7,438,410	2,953,587	1,819,734
Tax effects in respect of:				
Different tax rates in other countries and for Labuan trading activities	(1,615,585)	(3,638,745)	-	-
Non-taxable income	(219,895)	(238,206)	(4,108,499)	(2,907,834)
Non-allowable expenses	1,763,213	1,635,337	1,168,412	1,126,805
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(44,540)	-	-	-
Deferred tax asset not recognised in respect of current year's tax losses and unabsorbed capital allowances	-	139,400	-	-
Under/(Over)provision of tax expense in prior years	9,573,069	5,336,196	13,500	38,705
Overprovision of deferred tax in prior years	111,730	358,299	(26,683)	(916)
	(8,888)	(1,619)	-	-
	9,675,911	5,692,876	(13,183)	37,789

### 12. EARNINGS PER SHARE

#### (a) Basic

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

	Group	
	2017	2016
Profit for the financial year attributable to owners of the Company (RM)	30,278,455	24,853,001
Weighted average number of ordinary shares in issue	1,336,550,000	1,318,352,000
Basic earnings per ordinary share (sen)	2.27	1.89

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

### 12. EARNINGS PER SHARE (Continued)

#### (b) Diluted

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

	2017	Group 2016
Profit for the financial year attributable to owners of the Company (RM)	30,278,455	24,853,001
Weighted average number of ordinary shares in issue	1,336,550,000	1,318,352,000
Effect of dilution:		
- ESOS	20,611,000	32,785,000
Adjusted weighted average number of ordinary shares	1,357,161,000	1,351,137,000
Diluted earnings per ordinary share (sen)	2.23	1.84

### 13. DIVIDENDS

	Group and Company			
	2017	2017	2016	2016
	Gross dividend per share RM	Amount of dividend net of tax RM	Gross dividend per share RM	Amount of dividend net of tax RM
Dividends paid:				
In respect of financial year ended 31 December 2016:				
Interim single tier dividend	0.0030	4,007,236	-	-
Final single tier dividend	0.0030	4,010,249	-	-
In respect of financial year ended 31 December 2015:				
Interim single tier dividend	-	-	0.0025	3,295,175
Final single tier dividend	-	-	0.0025	3,298,327
	0.0060	8,017,485	0.0050	6,593,502

The Directors have proposed a final single-tier dividend of RM0.0070 per ordinary share in respect of the financial year ended 31 December 2017, subject to the approval of members at the forthcoming Annual General Meeting.

The financial statements for the financial year ended 31 December 2017 do not reflect this proposed dividend. The proposed final dividend, shall be accounted for as an appropriation of retained earnings for the financial year ending 31 December 2018.

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RGB International Bhd.

## 14. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land		Long term leasehold land		Buildings	Renovation	Electrical installation	Motor vehicles	Gaming machines	Plant, machinery, fittings and equipment	Furniture, fittings and office equipment	Total
	RM	RM	RM	RM								
<b>At 31 December 2017</b>												
<b>Cost</b>												
At 1 January 2017	1,610,000	1,700,000	53,783,705	1,838,495	79,138	2,525,885	572,475,330	1,004,294	23,910,467	658,927,314		
Additions	-	-	-	272,872	-	-	33,414,339	22,581	481,622	34,191,414		
Disposal/Written off	-	-	-	-	-	-	(56,401,274)	(7,941)	(345,413)	(56,754,628)		
Transfer to inventory	-	-	-	-	-	-	(18,770,165)	-	(2,863)	(18,773,028)		
Exchange differences	-	-	(4,505,890)	(117,453)	-	(185,303)	(53,285,721)	-	(1,618,988)	(59,713,355)		
At 31 December 2017	1,610,000	1,700,000	49,277,815	1,993,914	79,138	2,340,582	477,432,509	1,018,934	22,424,825	557,877,717		
<b>Accumulated depreciation and impairment losses</b>												
At 1 January 2017	-	159,376	8,547,188	1,300,479	70,446	2,204,254	517,577,659	769,498	20,436,440	551,065,340		
Depreciation charge for the financial year	-	26,563	1,063,685	98,365	899	109,742	23,243,791	63,434	860,693	25,467,172		
Disposal/Written off	-	-	-	-	-	-	(56,375,946)	(7,939)	(345,347)	(56,729,232)		
Transfer to inventory	-	-	-	-	-	-	(16,597,747)	-	(1,795)	(16,599,542)		
Impairment loss recognised in profit or loss	-	-	-	-	-	-	3,448	-	-	3,448		
Exchange differences	-	-	(775,158)	(89,330)	-	(161,166)	(48,099,502)	-	(1,362,908)	(50,488,064)		
At 31 December 2017	-	185,939	8,835,715	1,309,514	71,345	2,152,830	419,751,703	824,993	19,587,083	452,719,122		
<b>Analysed as:</b>												
Accumulated depreciation	-	185,939	8,329,786	1,051,213	71,345	2,148,575	383,140,220	824,993	15,516,201	411,268,272		
Accumulated impairment losses	-	-	505,929	258,301	-	4,255	36,611,483	-	4,070,882	41,450,850		
At 31 December 2017	-	185,939	8,835,715	1,309,514	71,345	2,152,830	419,751,703	824,993	19,587,083	452,719,122		
<b>Net carrying amount</b>												
At 31 December 2017	1,610,000	1,514,061	40,442,100	684,400	7,793	187,752	57,680,806	193,941	2,837,742	105,158,595		



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## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Freehold land		Long term leasehold land		Buildings	Renovation	Electrical installation	Motor vehicles	Gaming machines	Plant, machinery, fittings and equipment	Furniture, fittings and office equipment	Total
	RM	RM	RM	RM								
<b>At 31 December 2016</b>												
<b>Cost</b>												
At 1 January 2016	1,610,000	1,700,000	51,766,222	1,698,826	70,148	2,433,251	567,186,084	820,553	22,607,406	649,892,490		
Additions	-	-	-	88,087	8,990	10,178	15,499,840	191,651	647,958	16,446,704		
Disposal/Written off	-	-	-	-	-	-	(32,688,309)	(7,910)	(59,834)	(32,756,053)		
Transfer to inventory	-	-	-	-	-	-	(1,994,319)	-	-	(1,994,319)		
Exchange differences	-	-	2,017,483	51,582	-	82,456	24,472,034	-	714,937	27,338,492		
At 31 December 2016	1,610,000	1,700,000	53,783,705	1,838,495	79,138	2,525,885	572,475,330	1,004,294	23,910,467	658,927,314		
<b>Accumulated depreciation and impairment losses</b>												
At 1 January 2016	-	132,814	7,160,235	1,155,405	70,147	1,988,347	501,017,964	733,564	19,056,299	531,314,775		
Depreciation charge for the financial year	-	26,562	1,030,409	104,565	299	142,083	27,522,100	43,836	839,965	29,709,819		
Disposal/Written off	-	-	-	-	-	-	(32,609,188)	(7,902)	(59,547)	(32,676,637)		
Transfer to inventory	-	-	-	-	-	-	(1,985,670)	-	-	(1,985,670)		
Impairment loss recognised in profit or loss	-	-	-	-	-	-	1,149,477	-	(14,062)	1,135,415		
Exchange differences	-	-	356,544	40,509	-	73,824	22,482,976	-	613,785	23,567,638		
At 31 December 2016	-	159,376	8,547,188	1,300,479	70,446	2,204,254	517,577,659	769,498	20,436,440	551,065,340		
Analysed as:												
Accumulated depreciation	-	159,376	7,988,836	1,015,413	70,446	2,199,558	469,327,279	769,498	15,938,713	497,469,119		
Accumulated impairment losses	-	-	558,352	285,066	-	4,696	48,250,380	-	4,497,727	53,596,221		
At 31 December 2016	-	159,376	8,547,188	1,300,479	70,446	2,204,254	517,577,659	769,498	20,436,440	551,065,340		
<b>Net carrying amount</b>												
At 31 December 2016	1,610,000	1,540,624	45,236,517	538,016	8,692	321,631	54,897,671	234,796	3,474,027	107,861,974		

# NOTES TO THE FINANCIAL STATEMENTS

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## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Furniture, fittings and office equipment RM
<b>At 31 December 2017</b>	
<b>Cost</b>	
At 1 January 2017	163,444
Addition	8,616
Disposal/Written off	(22,324)
At 31 December 2017	149,736
<b>Accumulated depreciation</b>	
At 1 January 2017	124,729
Depreciation charge for the financial year	13,721
Disposal/Written off	(22,317)
At 31 December 2017	116,133
<b>Net carrying amount</b>	
At 31 December 2017	33,603
<b>At 31 December 2016</b>	
<b>Cost</b>	
At 1 January 2016	156,768
Addition	6,676
At 31 December 2016	163,444
<b>Accumulated depreciation</b>	
At 1 January 2016	112,317
Depreciation charge for the financial year	12,412
At 31 December 2016	124,729
<b>Net carrying amount</b>	
At 31 December 2016	38,715

(a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

### 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

- (b) Depreciation is calculated to write off the cost to their residual values on a straight line basis over their estimated useful lives. The principal depreciation rates are as follows:

Buildings	2%
Renovation	10%
Electrical installation	10%
Motor vehicles	10 - 20%
Gaming machines	20%
Plant, machinery, fittings and equipment	10 - 20%
Furniture, fittings and office equipment	10 - 20%

Freehold land has an unlimited useful life and is not depreciated. Leasehold land is depreciated over the period of the lease of 99 years.

The leasehold land has a remaining tenure of 55 years (2016: 56 years).

- (c) The net carrying amounts of property, plant and equipment which have been charged to licensed banks as security for the secured borrowings of the Group as disclosed in Note 30 to the financial statements are as follows:

	2017 RM	Group 2016 RM
Freehold land	1,610,000	-
Long term leasehold land	1,514,061	770,312
Buildings	3,984,637	716,667
	7,108,698	1,486,979

- (d) A motor vehicle of the Group with a net carrying amount of RM169,956 (2016: RM289,874) is held under hire purchase agreement and in trust for a subsidiary in the name of a Director.
- (e) The Group has carried out a review of the recoverable amount of its property, plant and equipment during the financial year. The review has led to the recognition of an impairment loss of RM3,448 (2016: RM1,135,415). The recoverable amount was based on value-in-use of the cash generating unit ("CGU") to which the property, plant and equipment are allocated.

The value-in-use calculations use the discounted cash flow projections based on financial forecasts approved by management covering the remaining estimated useful lives of the property, plant and equipment.

# NOTES TO THE FINANCIAL STATEMENTS

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## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

(e) Key assumptions and management's approach to determine the values used in value-in-use calculations are as follows:

(i) Net revenue

The estimated net revenue with no growth rate used to calculate the cash inflows from operations is the estimated net collections from the placement of machines for each outlet.

(ii) Discount rate

The discount rate used was pre-tax and reflect specific risks relating to the relevant assets and segment to which the assets are allocated to. The discount rate used is 8.6% (2016: 6.4%).

## 15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM	2016 RM
Unquoted shares at cost	152,014,420	152,014,420
Equity contributions in subsidiaries in respect of ESOS	5,617,587	4,908,527
	157,632,007	156,922,947

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Proportion of ownership interest		Principal activities
		2017 %	2016 %	
<b>Held by the Company:</b>				
RGB Sdn. Bhd.	Malaysia	100	100	Manufacturing, refurbishment, technical support and maintenance, sales and marketing of gaming and amusement machines and equipment, sales and marketing of security surveillance products and systems for local and overseas markets.
RGB Ltd.	Malaysia	100	100	Trading and management of gaming and amusement machines and equipment.
Data Touch Sdn. Bhd.	Malaysia	100	100	Renting of property.

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FINANCIAL STATEMENTS

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## 15. INVESTMENTS IN SUBSIDIARIES (Continued)

Details of the subsidiaries are as follows (Continued):

Name of company	Country of incorporation	Proportion of ownership interest		Principal activities
		2017 %	2016 %	
<b>Held by the Company (Continued):</b>				
RGB (Singapore) Pte. Ltd.*	Singapore	100	100	Trading, maintenance and management of gaming and amusement machines and equipment.
Macrocept Sdn. Bhd.	Malaysia	100	100	Investment holding.
<b>Held through subsidiaries:</b>				
RGB (Macau) Limited <sup>®</sup>	Macau	100	100	Import and export including sales and marketing, technical support and management of gaming and amusement machines and equipment and all other business activities related to hospitality and leisure industries.
Nex Gen Studio Limited <sup>^</sup>	Hong Kong	100	100	Trading of gaming machines and equipment.
Chateau de Bavet Club Co., Ltd. <sup>#®</sup>	Cambodia	45.14	45.14	Renting of property.

\* Audited by BDO member firms.

<sup>^</sup> Audited by firm other than BDO member firms.

<sup>#</sup> Consolidated using management financial statements up to 31 December 2017.

<sup>®</sup> The financial statements of these subsidiaries are not required to be audited in its country of incorporation.

- (a) An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost less accumulated impairment losses, if any.

All components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

- (b) The Group considers that it controls Chateau de Bavet Club Co., Ltd. ("CDBC") even though it owns 45.14% of the voting rights as Macrocept Sdn. Bhd. ("MCSB") is the single largest shareholder of CDBC. MCSB entered into an agreement with another shareholder of CDBC who owns a 25.6% equity interest to act in concert with MCSB in the management of CDBC. MCSB also has two (2) representatives out of total of three (3) members in the Board of Directors of CDBC.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

## 15. INVESTMENTS IN SUBSIDIARIES (Continued)

(c) The subsidiaries in which the Group has material non-controlling interests ("NCI") are as follows:

	Chateau de Bavet Club Co., Ltd.	Total
<b>2017</b>		
NCI percentage of ownership interest and voting interest	54.86%	
Carrying amount of NCI (RM)	20,820,082	20,820,082
Profit allocated to NCI (RM)	420,119	420,119
<b>2016</b>		
NCI percentage of ownership interest and voting interest	54.86%	
Carrying amount of NCI (RM)	22,540,561	22,540,561
Profit allocated to NCI (RM)	447,499	447,499

(d) The summarised financial information before intra-group elimination of a subsidiary in which the Group has a material NCI as at the end of the financial year is as follows:

	Chateau de Bavet Club Co., Ltd.	
	2017 RM	2016 RM
<b>Assets and liabilities</b>		
Non-current assets	37,556,084	42,588,730
Current assets	4,109,583	4,550,118
Current liabilities	(3,714,370)	(6,051,424)
Net assets	37,951,297	41,087,424

## NOTES TO THE FINANCIAL STATEMENTS

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### 15. INVESTMENTS IN SUBSIDIARIES (Continued)

- (d) The summarised financial information before intra-group elimination of a subsidiary in which the Group has a material NCI as at the end of the financial year is as follows (Continued):

	Chateau de Bavet Club Co., Ltd.	
	2017	2016
	RM	RM
<b>Results</b>		
Profit for the financial year	765,801	815,710
Total comprehensive (loss)/income	(3,136,127)	2,576,809
Cash flows used in operating activities	(37,183)	(8,582)
Net decrease in cash and cash equivalents	(37,183)	(8,582)

### 16. INVESTMENT IN A JOINT VENTURE

	Group		Company	
	2017	2016	2017	2016
	RM	RM	RM	RM
Unquoted shares at cost	-	1	-	1
Share of post-acquisition reserves	-	(1)	-	-
Less: Impairment losses	-	-	-	1
	-	-	-	(1)
	-	-	-	-

Details of the joint venture is as follows:

Name of company	Country of incorporation	Proportion of ownership interest		Principal activity
		2017	2016	
		%	%	
RGB Xtale Sdn. Bhd.	Malaysia	-	50	Dormant.

- (a) In the separate financial statements of the Company, an investment in a joint venture was stated at cost less accumulated impairment losses, if any.
- (b) In the consolidated financial statements, an investment in a joint venture was accounted for using the equity method.

# NOTES TO THE FINANCIAL STATEMENTS

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## 16. INVESTMENT IN A JOINT VENTURE (Continued)

- (c) On 5 May 2017, RGB Xtale Sdn. Bhd. ("RGBX") was struck off from the register of companies in Malaysia.

The winding up of RGBX had the following effects on the financial statements of the Group and of the Company for the financial year:

	2017 RM
<b>Group</b>	
Cost of investment	1
Share of post-acquisition reserves	(1)
	-
Net proceeds from winding up	-
	-
Gain on winding up of a joint venture	-
<b>Company</b>	
Cost of investment	1
Impairment losses	(1)
	-
Net proceeds from winding up	-
	-
Gain on winding up of a joint venture	-

- (d) In the previous financial year, the summarised financial information of the joint venture, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, were as follows:

	2016 RM
<b>Group</b>	
<b>Assets and liabilities</b>	
Current assets	1,013
Current liabilities	(1,132,234)
	-
Net liabilities	(1,131,221)
	-
Proportion of the ownership of the Group	50%
Carrying amount of the investments in a joint venture	-



## NOTES TO THE FINANCIAL STATEMENTS

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### 16. INVESTMENT IN A JOINT VENTURE (Continued)

- (d) In the previous financial year, the summarised financial information of the joint venture, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, were as follows (Continued):

	2016 RM
<b>Group</b>	
<b>Results</b>	
Administrative expenses	-
Loss before tax	-
Loss for the financial year	-
Share of loss by the Group for the financial year	-

- (e) The unrecognised share of losses of joint venture for the financial year ended 31 December 2016 amounted to RM Nil in the financial year and RM565,611 cumulatively. The Group has ceased recognising its share of losses since there was no further obligation in respect of those losses using the equity method of accounting.

### 17. INVESTMENTS IN ASSOCIATES

	2017 RM	Group 2016 RM
Unquoted shares at cost	39,894	39,894
Share of post-acquisition reserves	82,537	82,537
Exchange differences	122,431 39,650	122,431 56,444
	162,081	178,875

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

## 17. INVESTMENTS IN ASSOCIATES (Continued)

Details of the associates are as follows:

Name of company	Country of incorporation	Proportion of ownership interest		Principal activities
		2017 %	2016 %	
<b>Held through subsidiaries:</b>				
Dreamgate Holding Co., Ltd.	Cambodia	49	49	Property investment holding.
Players Club Co., Ltd.	Cambodia	35	35	Dormant.
Rainbow World Club Ltd.	Cambodia	20	20	Dormant.
Goldenmac., Ltd.	Cambodia	25	25	Dormant.
Cash Box Entertainment Co., Ltd.	Cambodia	20	20	Dormant.
Olympic Entertainment Co., Ltd.	Cambodia	20	20	Dormant.
Golden Beach Club Ltd.	Cambodia	50	50	Dormant.

(a) In the consolidated financial statements, investments in associates are accounted for using the equity method.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

### 17. INVESTMENTS IN ASSOCIATES (Continued)

(b) The summarised financial information of the associates are as follows:

	Dreamgate Holding Co., Ltd. RM	Other individual immaterial associates RM	Total RM
<b>2017</b>			
<b>Assets and liabilities</b>			
Non-current assets	4,072,032	-	4,072,032
Current assets	191,320	852,944	1,044,264
Current liabilities	(5,802,195)	(6,094,690)	(11,896,885)
Net liabilities	(1,538,843)	(5,241,746)	(6,780,589)
<b>Results</b>			
Revenue	13,724	-	13,724
Loss for the financial year	(23,816)	-	(23,816)
Total comprehensive loss	(23,816)	-	(23,816)
Cash flows used in operating activities	(52,608)	-	(52,608)
Cash flows used in investing activities	(25,686)	-	(25,686)
Net decrease in cash and cash equivalents	(78,294)	-	(78,294)
<b>2016</b>			
<b>Assets and liabilities</b>			
Non-current assets	4,477,161	-	4,477,161
Current assets	297,550	941,323	1,238,873
Current liabilities	(6,447,837)	(6,726,210)	(13,174,047)
Net liabilities	(1,673,126)	(5,784,887)	(7,458,013)
<b>Results</b>			
Revenue	22,033	-	22,033
Profit for the financial year	5,297	-	5,297
Total comprehensive income	5,297	-	5,297
Cash flows from operating activities	144,479	-	144,479
Net increase in cash and cash equivalents	144,479	-	144,479

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

## 17. INVESTMENTS IN ASSOCIATES (Continued)

(c) The reconciliation of net assets of the associates to the carrying amount of the investments in associates are as follows:

	Dreamgate Holding Co., Ltd. RM	Other individual immaterial associates RM	Total RM
<b>As at 31 December 2017</b>			
Share of net assets of the Group	-	162,081	162,081
Carrying amount in the statement of financial position	-	162,081	162,081
<b>Share of results of the Group for the financial year ended 31 December 2017</b>			
Share of profit of the Group	-	-	-
Share of total comprehensive income of the Group	-	-	-
<b>As at 31 December 2016</b>			
Share of net assets of the Group	-	178,875	178,875
Carrying amount in the statement of financial position	-	178,875	178,875
<b>Share of results of the Group for the financial year ended 31 December 2016</b>			
Share of profit of the Group	-	-	-
Share of total comprehensive income of the Group	-	-	-

(d) The unrecognised share of loss of associates amounted to RM11,670 (2016: unrecognised share of profit amounted to RM2,596) in the current financial year. As a result, the accumulated unrecognised share of losses of associates amounted to RM1,885,060 (2016: RM1,873,390). The Group has ceased recognising its share of profit since there is no further entitlement in respect of those profits using the equity method of accounting.

# NOTES TO THE FINANCIAL STATEMENTS

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## 18. INTANGIBLE ASSETS

Group	Goodwill RM	Development costs RM	Gaming licenses RM	Rights RM	Total RM
<b>At 31 December 2017</b>					
<b>Cost</b>					
At 1 January 2017	1,142,351	3,699,338	1,121,000	4,685,780	10,648,469
Additions	-	340,627	-	-	340,627
Exchange differences	-	(90,542)	(105,250)	(439,945)	(635,737)
At 31 December 2017	1,142,351	3,949,423	1,015,750	4,245,835	10,353,359
<b>Accumulated amortisation and impairment</b>					
At 1 January 2017	271,839	2,708,511	-	4,685,780	7,666,130
Amortisation	-	474,233	-	-	474,233
Exchange differences	-	(21,373)	-	(439,945)	(461,318)
At 31 December 2017	271,839	3,161,371	-	4,245,835	7,679,045
<b>Net carrying amount</b>					
At 31 December 2017	870,512	788,052	1,015,750	-	2,674,314
<b>At 31 December 2016</b>					
<b>Cost</b>					
At 1 January 2016	1,142,351	6,697,879	1,073,875	4,488,798	13,402,903
Additions	-	965,132	-	-	965,132
Written off	-	(3,736,852)	-	-	(3,736,852)
Exchange differences	-	(226,821)	47,125	196,982	17,286
At 31 December 2016	1,142,351	3,699,338	1,121,000	4,685,780	10,648,469
<b>Accumulated amortisation and impairment</b>					
At 1 January 2016	271,839	3,929,967	-	4,488,798	8,690,604
Amortisation	-	1,045,090	-	-	1,045,090
Written off	-	(2,178,743)	-	-	(2,178,743)
Exchange differences	-	(87,803)	-	196,982	109,179
At 31 December 2016	271,839	2,708,511	-	4,685,780	7,666,130
<b>Net carrying amount</b>					
At 31 December 2016	870,512	990,827	1,121,000	-	2,982,339

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

## 18. INTANGIBLE ASSETS (Continued)

- (a) Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the interest of the Group in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount could be impaired. Objective events that would trigger a more frequent impairment review include adverse industry or economic trends, significant restructuring actions, significantly lowered projections of profitability, or a sustained decline in the acquiree's market capitalisation. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

- (b) Development costs refer to development of games and platform unit for the production of gaming machines. Upon the completion of the project, the development costs would be amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five (5) years.
- (c) Gaming licenses are initially measured at cost. Following the initial recognition, gaming licenses are carried at cost less accumulated impairment losses, if any. Gaming licenses have indefinite useful lives as based on all relevant factors there is no foreseeable limit to the period over which the licenses are expected to generate cash inflows. Gaming licenses are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired. The useful life of gaming licenses is also reviewed annually to determine whether the useful life assessment continues to be supportable.
- (d) Rights relate to the use of Manny Pacman's design and theme in the development of games and jackpot display for gaming machines. The rights acquired have finite useful lives and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the unit of production method to allocate the cost of rights over its estimated useful lives.
- (e) Impairment tests for goodwill and gaming licenses with indefinite useful lives

### Allocation of goodwill and gaming licenses

The goodwill and gaming licenses have been allocated to the Group's other segment CGU, which constitutes a separately reportable segment in Note 4 to the financial statements.

### Key assumptions used in value-in-use calculations

The recoverable amount of the CGU have been determined based on value-in-use calculations using cash flow projections based on financial forecasts approved by management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated assuming zero growth rates.

## NOTES TO THE FINANCIAL STATEMENTS

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### 18. INTANGIBLE ASSETS (Continued)

(e) Impairment tests for goodwill and gaming licenses with indefinite useful lives (Continued)

Key assumptions used in value-in-use calculations (Continued)

Key assumptions and management's approach to determine the values used in value-in-use calculations are most sensitive to the following assumptions:

(i) Net revenue

The estimated net revenue with no growth rate used to calculate the cash inflows for impairment tests for goodwill and gaming licenses is the estimated net collections from similar operations in the Philippines and the estimated leasing income receivable from the leasing of casino building together with the gaming license to a casino operator in Cambodia respectively.

(ii) Exchange rate

The exchange rate used to translate foreign currencies transactions into the other segment's functional currency is based on the exchange rates obtained immediately before the forecast year. Values assigned are consistent with external sources of information.

(iii) Discount rate

The pre-tax discount rate used was 8.6% (2016: 6.4%).

### 19. INVENTORIES

	2017 RM	Group 2016 RM
<b>At cost</b>		
Gaming machines	741,524	945,605
Spare parts, gaming and amusement accessories, table game equipment and accessories	-	127,246
Goods at third party premises	4,674,642	21,807
Goods in transit	252,336	575,088
	5,668,502	1,669,746
<b>At net realisable value</b>		
Gaming and amusement machines	2,177,391	2,119,240
Spare parts, gaming and amusement accessories, table game equipment and accessories	2,333,605	1,333,720
	4,510,996	3,452,960
	10,179,498	5,122,706

## NOTES TO THE FINANCIAL STATEMENTS

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### 19. INVENTORIES (Continued)

(a) Inventories are stated at the lower of cost and net realisable value. Cost is determined using the formula as follows:

Gaming and amusement machines	- specific identification
Spare parts, gaming and amusement accessories, table game equipment and accessories	- weighted average basis

(b) During the financial year, inventories of the Group recognised as cost of sales amounted to RM121,006,106 (2016: RM126,599,195).

(c) Inventories where the net realisable value is expected to be below the carrying amount were written down. The amount written down during the financial year was RM294,006 (2016: RM2,466,010) for the Group.

### 20. TRADE RECEIVABLES

	2017 RM	Group 2016 RM
<b>Trade receivables</b>		
Third parties	79,614,401	66,715,519
Related parties	7,401,574	4,912,790
	87,015,975	71,628,309
Less: Impairment losses		
Third parties	(1,729,000)	(1,908,474)
Trade receivables, net	85,286,975	69,719,835
Representing trade receivables:		
- Current	84,899,257	68,202,563
- Non-current	387,718	1,517,272
	85,286,975	69,719,835

(a) Trade receivables are classified as loans and receivables, and measured at amortised cost using effective interest method.

(b) Normal trade credit terms granted to the customers range from one (1) month to three (3) months. Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition. Credit terms granted to related parties range from six (6) months to twelve (12) months.



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## 20. TRADE RECEIVABLES (Continued)

(c) "Trade receivables third parties" which will be paid by monthly instalments, interest-free and are payable as follows:

	2017 RM	Group 2016 RM
Current	26,230,320	7,930,613
Non-current	387,718	722,069
	26,618,038	8,652,682

(d) "Trade receivables third parties" with variable instalments terms, which are based on an agreed percentage on the gross collections generated from the machines sold, interest-free and are payable as follows:

	2017 RM	Group 2016 RM
Current	4,230,645	11,300,013
Non-current	-	795,203
	4,230,645	12,095,216

(e) The currency exposure profile of trade receivables is as follows:

	2017 RM	Group 2016 RM
United States Dollar	66,272,847	41,692,117
Ringgit Malaysia	9,742,796	3,781,123
Philippine Peso	7,243,395	19,691,315
Thai Baht	1,771,968	3,939,230
Singapore Dollar	84,254	406,979
Others	171,715	209,071
	85,286,975	69,719,835

## NOTES TO THE FINANCIAL STATEMENTS

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### 20. TRADE RECEIVABLES (Continued)

(f) Ageing analysis of trade receivables

The ageing analysis of trade receivables of the Group are as follows:

	2017 RM	Group 2016 RM
Neither past due nor impaired	51,473,033	46,497,575
1 to 30 days past due not impaired	5,489,996	9,254,407
31 to 60 days past due not impaired	8,726,247	3,758,933
61 to 90 days past due not impaired	2,637,101	3,808,540
91 to 120 days past due not impaired	2,470,022	1,669,301
More than 120 days past due not impaired	14,490,576	4,731,079
Impaired	33,813,942	23,222,260
	1,729,000	1,908,474
	87,015,975	71,628,309

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to RM33,813,942 (2016: RM23,222,260) that are past due at the reporting date but not impaired of which RM14,490,576 (2016: RM4,731,079) are due more than 120 days.

The management had assessed and concluded that those receivables are recoverable as these accounts are still active.

(g) Movement in accumulated impairment losses are as follows:

	2017 RM	Group 2016 RM
At 1 January	1,908,474	1,869,837
Charge for the financial year	-	35,639
Reversal of impairment losses	-	(77,263)
Exchange differences	(179,474)	80,261
At 31 December	1,729,000	1,908,474

## NOTES TO THE FINANCIAL STATEMENTS

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### 20. TRADE RECEIVABLES (Continued)

- (g) Trade receivables that are individually determined to be impaired at the reporting date are those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

- (h) Information on financial risks of trade receivables is disclosed in Note 40 to the financial statements.

### 21. OTHER RECEIVABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Deposits	42,750,258	18,942,471	7,000	9,250
Interest receivables	159,890	168,189	63,337	65,461
Sundry receivables	7,210,727	5,107,991	-	-
	50,120,875	24,218,651	70,337	74,711
Less: Impairment losses	(342,087)	(376,732)	-	-
	49,778,788	23,841,919	70,337	74,711
Prepayments	3,441,189	4,747,120	-	-
	53,219,977	28,589,039	70,337	74,711
Representing other receivables:				
- Current	53,173,747	28,529,178	70,337	74,711
- Non-current	46,230	59,861	-	-
	53,219,977	28,589,039	70,337	74,711

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## 21. OTHER RECEIVABLES (Continued)

(a) Other receivables are classified as loans and receivables, and measured at amortised cost using effective interest method.

(b) The currency exposure profile of other receivables excluding prepayments is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
United States Dollar	47,481,524	21,663,754	-	-
Thai Baht	670,476	93,725	-	-
Philippine Peso	501,854	260,390	-	-
Hong Kong Dollar	403,442	486,994	-	-
Ringgit Malaysia	394,461	793,823	70,337	74,711
Singapore Dollar	256,182	229,069	-	-
Japanese Yen	46,686	60,350	-	-
Euro	3,218	240,817	-	-
Others	20,945	12,997	-	-
	49,778,788	23,841,919	70,337	74,711

(c) Movement in impairment accounts:

	Group	
	2017 RM	2016 RM
At 1 January	376,732	361,220
Exchange differences	(34,645)	15,512
At 31 December	342,087	376,732

(d) The non-current receivable is secured by unquoted shares pledged to the Group, interest-free and not receivable within the next one (1) year.

(e) Information on financial risks of other receivables is disclosed in Note 40 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

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### 22. LEASE RECEIVABLES

	Group 2017 RM
Future minimum lease receivables:	
- Not later than one (1) year	2,955,102
- Later than one (1) year and not later than five (5) years	12,618,942
Total future minimum lease receivables	15,574,044
Less: Unearned finance income	(4,098,048)
Present value of finance lease receivables	11,475,996
Analysis of present value of finance lease receivables:	
Current	
- Not later than one (1) year	1,605,945
Non-current	
- Later than one (1) year and not later than five (5) years	9,870,051
	11,475,996

- (a) The Group has a contract for leasing of gaming machines. This contract is classified as finance lease as the arrangement transfer substantially all the risks and rewards incident to ownership of the gaming machines to the lessee.
- (b) Lease receivables is denominated in United States Dollar.
- (c) Information on financial risks of lease receivables is disclosed in Note 40 to the financial statements.

### 23. DUE FROM SUBSIDIARIES

	Company	
	2017 RM	2016 RM
Due from subsidiaries	8,222,067	1,669,138
Less: Impairment losses	(30,599)	(30,599)
	8,191,468	1,638,539

- (a) Amounts due from subsidiaries are classified as loans and receivables, and measured at amortised cost using effective interest method.
- (b) Amounts due from subsidiaries are non-trade in nature, interest-free, unsecured and payable upon demand in cash and cash equivalents.

## NOTES TO THE FINANCIAL STATEMENTS

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### 23. DUE FROM SUBSIDIARIES (Continued)

(c) The currency exposure profile of amounts due from subsidiaries is as follows:

	Company	
	2017 RM	2016 RM
United States Dollar	7,876,095	1,397,038
Singapore Dollar	298,562	227,152
Ringgit Malaysia	16,811	14,349
	8,191,468	1,638,539

(d) Movement in impairment accounts:

	Company	
	2017 RM	2016 RM
At 1 January	30,599	47,124
Reversal of impairment losses	-	(16,525)
At 31 December	30,599	30,599

(e) Information on financial risks of due from subsidiaries is disclosed in Note 40 to the financial statements.

### 24. DUE FROM A JOINT VENTURE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Due from a joint venture	-	924,925	-	924,925
Less: Impairment losses	-	(924,925)	-	(924,925)
	-	-	-	-

(a) Amount due from a joint venture was classified as loans and receivables, and measured at amortised cost using effective interest method.

(b) Amount due from a joint venture was non-trade in nature, interest-free, unsecured and payable upon demand in cash and cash equivalents.

(c) Amount due from a joint venture was denominated in Ringgit Malaysia.

## NOTES TO THE FINANCIAL STATEMENTS

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### 24. DUE FROM A JOINT VENTURE (Continued)

(d) Movement in impairment accounts:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
At 1 January	924,925	924,595	924,925	924,595
Charge for the financial year	-	1,320	-	1,320
Reversal of impairment losses	-	(990)	-	(990)
Written off	(924,925)	-	(924,925)	-
At 31 December	-	924,925	-	924,925

(e) Information on financial risks of due from a joint venture is disclosed in Note 40 to the financial statements.

### 25. DUE FROM/(TO) ASSOCIATES

	Group	
	2017 RM	2016 RM
Due from associates	6,287,843	6,857,366
Less: Impairment losses	(2,210,854)	(2,369,967)
	4,076,989	4,487,399
Due to associates	(86,978)	(95,991)

(a) Amounts due from/(to) associates are classified as loans and receivables and other financial liabilities respectively, and measured at amortised cost using effective interest method.

(b) Amounts due from/(to) associates are non-trade in nature, interest-free, unsecured and payable upon demand in cash and cash equivalents.

(c) Amounts due from/(to) associates are denominated in United States Dollar.

# NOTES TO THE FINANCIAL STATEMENTS

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## 25. DUE FROM/(TO) ASSOCIATES (Continued)

(d) Movement in impairment accounts:

	Group	
	2017 RM	2016 RM
At 1 January	2,369,967	2,427,537
Reversal of impairment losses	-	(129,553)
Exchange differences	(159,113)	71,983
At 31 December	2,210,854	2,369,967

(e) Information on financial risks of due from/(to) associates is disclosed in Note 40 to the financial statements.

## 26. CASH AND BANK BALANCES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Deposits with licensed banks	30,590,402	8,886,213	2,045,581	1,980,345
Cash and bank balances	82,932,304	69,839,736	299,394	667,998
	113,522,706	78,725,949	2,344,975	2,648,343

(a) The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
United States Dollar	67,120,341	36,462,130	-	-
Philippine Peso	19,468,337	12,990,185	-	-
Thai Baht	12,454,636	13,121,633	-	-
Ringgit Malaysia	11,690,777	13,579,768	2,338,924	2,648,343
Singapore Dollar	2,064,818	1,482,318	-	-
Macau Patacas	295,841	46,150	-	-
Hong Kong Dollar	229,194	298,916	-	-
Japanese Yen	181,451	208,615	-	-
Euro	10,600	531,654	-	-
Others	6,711	4,580	6,051	-
	113,522,706	78,725,949	2,344,975	2,648,343



## NOTES TO THE FINANCIAL STATEMENTS

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### 26. CASH AND BANK BALANCES (Continued)

- (b) For the purpose of the statements of cash flows, cash and cash equivalents comprise of the followings as at the end of the financial year:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Deposits with licensed banks	30,590,402	8,886,213	2,045,581	1,980,345
Cash and bank balances	82,932,304	69,839,736	299,394	667,998
	113,522,706	78,725,949	2,344,975	2,648,343
Less: Fixed deposits pledged to licensed banks	(7,597,642)	(7,962,472)	(2,045,581)	(1,980,345)
Bank balances pledged to licensed banks	(2,084,300)	(3,036,869)	-	-
	103,840,764	67,726,608	299,394	667,998

- (c) Included in the deposits with licensed banks of the Group and of the Company are an amount of RM7,597,642 (2016: RM7,962,472) and RM2,045,581 (2016: RM1,980,345) respectively pledged to licensed banks as security for the secured borrowings of the Group as disclosed in Note 30 to the financial statements.
- (d) Included in the cash and bank balances of the Group is an amount of RM2,084,300 (2016: RM3,036,869) pledged to licensed banks as security for the secured borrowings of the Group as disclosed in Note 30 to the financial statements.
- (e) Information on financial risks of cash and bank balances is disclosed in Note 40 to the financial statements.

### 27. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2017	2016	2017 RM	2016 RM
<b>Issued and fully paid:</b>				
At 1 January	1,329,183,700	1,307,621,300	132,918,370	130,762,130
Issue of ordinary shares pursuant to ESOS	11,363,600	21,562,400	1,811,514	2,156,240
At 31 December	1,340,547,300	1,329,183,700	134,729,884	132,918,370

- (a) The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one (1) vote per share at the meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

## NOTES TO THE FINANCIAL STATEMENTS

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### 27. SHARE CAPITAL (Continued)

- (b) During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 1,329,183,700 ordinary shares to 1,340,547,300 ordinary shares by way of issuance of 11,363,600 new ordinary shares for cash pursuant to the exercise of ESOS at a weighted average issue price of RM0.121 per ordinary share.
- (c) With the introduction of the Companies Act 2016 effective 31 January 2017, the concepts of authorised share capital and par value of share capital have been abolished.

### 28. RESERVES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Non-distributable:</b>				
Share premium	21,128,519	21,124,411	21,128,519	21,124,411
Foreign currency translation reserve	12,804,415	31,035,245	-	-
Share options reserve	1,740,379	963,550	1,740,727	963,898
	35,673,313	53,123,206	22,869,246	22,088,309
<b>Distributable:</b>				
Retained earnings	39,671,047	17,410,077	10,024,153	5,721,843
	75,344,360	70,533,283	32,893,399	27,810,152

#### (a) Share premium

With the introduction of the Companies Act 2016 effective 31 January 2017, the Company may utilise its share premium account of RM21,128,519 for purposes stipulated in Section 618(3) of the Companies Act 2016 for a transitional period of 24 months from 31 January 2017.

#### (b) Foreign currency translation reserve

Exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group.

#### (c) Share options reserve

Share options reserve represents the effect of equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees for the issue of share options. Share options reserve in relation to the unexercised option at the expiry of the share option scheme will be transferred to retained earnings.

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**29. EMPLOYEES' SHARE OPTION SCHEME**

The Company's ESOS is governed by the Bye-Laws approved by the shareholders at the Extraordinary General Meeting held on 16 October 2009. The ESOS was implemented on 21 October 2009 and is to be in force for a period of 5 years from the date of implementation. On 24 August 2012, the Company had extended the ESOS for another 5 years until 20 October 2019.

The main features of the ESOS are as follows:

- (i) The ESOS Committee appointed by the Board of Directors to administer the ESOS may at any time and from time to time recommend to the Board any addition or amendment to or deletion of these Bye-Laws as it shall in its discretion think fit and the Board shall have the power by resolution to add, to amend or delete all or any of these Bye-Laws upon such recommendation.
- (ii) Subject to the discretion of the ESOS Committee, any employee of the Group who is at least eighteen (18) years of age, whose employment has been confirmed and any Executive Director or Non-executive Director of the Company, shall be eligible to participate in the ESOS.
- (iii) The total number of shares to be issued under the ESOS shall not exceed 10% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS and out of which not more than 60% of the shares shall be allocated, in aggregate, to Executive and Non-executive Directors and senior management. In addition, not more than 10% of the shares available under the ESOS shall be allocated to any individual Director or eligible employee who, either singly or collectively through persons connected with the eligible employees, holds 20% or more in the issued and paid-up capital of the Company.
- (iv) The option price for each share shall be the weighted average market price of the Company's shares for five market days preceding the date of offer, with a discount that does not exceed 10% or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the period of the scheme, or at RM0.10, whichever is higher.
- (v) The ESOS shall be in force for a period of five (5) years from the date of commencement. The ESOS Committee shall have the absolute discretion, without the need for any approvals of the Company's shareholders, to extend the duration of the ESOS for up to another five (5) years immediately from the expiry of the first five (5) years. The Scheme may be terminated by the Company prior to the expiry of the duration of the ESOS provided that the Company had obtained prior approval of the Company's shareholders and written consent of all Grantees who have yet to exercise their Options, either in part or in whole. Any extension or renewal of the duration of the ESOS beyond ten (10) years from the date of commencement may only be made by the ESOS Committee with the approval of the relevant authorities and the Company's shareholders and without contravening any applicable laws prevailing at the time of such extension or renewal.
- (vi) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.
- (vii) The shares granted will only be vested to the eligible employees and/or Directors of the Group who have duly accepted the offer under the ESOS, remain in employment with the Group as at vesting dates.

# NOTES TO THE FINANCIAL STATEMENTS

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## 29. EMPLOYEES' SHARE OPTION SCHEME (Continued)

The details of the options over ordinary shares of the Company are as follows:

Grant Date	Number of options over ordinary shares					
	Outstanding at 1 January '000	Granted '000	Exercised '000	Forfeited '000	Outstanding at 31 December '000	Exercisable at 31 December '000
<b>2017</b>						
2010 options:						
Grant 1	8,182	-	(3,756)	-	4,426	4,426
2012 options:						
Grant 2	947	-	(718)	-	229	229
Grant 3	2,416	-	(1,722)	-	694	694
2013 options:						
Grant 4	2,133	-	(1,067)	(32)	1,034	1,034
2014 options:						
Grant 5	6,218	-	(1,668)	-	4,550	4,550
2015 options:						
Grant 6	4,100	-	(1,018)	(205)	2,877	1,867
2017 options:						
Grant 7	-	5,660	(415)	(575)	4,670	1,358
Grant 8	-	8,841	(1,000)	(84)	7,757	3,379
	23,996	14,501	(11,364)	(896)	26,237	17,537
WAEP* (RM)	0.106	0.236	0.121	0.193	0.168	0.143
<b>2016</b>						
2010 options:						
Grant 1	25,062	-	(16,849)	(31)	8,182	8,182
2012 options:						
Grant 2	1,482	-	(415)	(120)	947	947
Grant 3	4,051	-	(1,573)	(62)	2,416	2,416
2013 options:						
Grant 4	2,782	-	(327)	(322)	2,133	2,133
2014 options:						
Grant 5	8,710	-	(2,243)	(249)	6,218	3,548
2015 options:						
Grant 6	4,649	-	(156)	(393)	4,100	1,977
	46,736	-	(21,563)	(1,177)	23,996	19,203
WAEP* (RM)	0.104	-	0.102	0.106	0.106	0.104

\* WAEP represents Weighted Average Exercise Price

On 12 January 2017 and 12 October 2017, the Company granted options over ordinary shares amounting to 5,659,500 at an exercise price of RM0.222 per share and 8,841,400 at an exercise price of RM0.245 per share respectively to eligible employees of the Group under the Company's ESOS.

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### 29. EMPLOYEES' SHARE OPTION SCHEME (Continued)

The details of share options outstanding at the end of the reporting period are as follows:

	Exercise price		Exercise period
	2017 RM	2016 RM	
2010 options:			
Grant 1	0.100	0.100	25.11.2010 – 20.10.2019
2012 options:			
Grant 2	0.100	0.100	13.02.2012 – 20.10.2019
Grant 3	0.100	0.100	01.11.2012 – 20.10.2019
2013 options:			
Grant 4	0.105	0.105	11.12.2013 – 20.10.2019
2014 options:			
Grant 5	0.117	0.117	01.10.2014 – 20.10.2019
2015 options:			
Grant 6	0.104	0.104	12.10.2015 – 20.10.2019
2017 options:			
Grant 7	0.222	-	12.01.2017 – 20.10.2019
Grant 8	0.245	-	12.10.2017 – 20.10.2019

Share options exercised during the financial year resulted in the issuance of 11,363,600 (2016: 21,562,400) ordinary shares at an average price of RM0.121 (2016: RM0.102) each. The related weighted average ordinary share price at the date of exercise was RM0.297 (2016: RM0.204).

The fair value of the share options granted under ESOS on 12 January 2017 and 12 October 2017 is estimated at the grant date using a binomial options pricing model, taking into account the terms and conditions upon which the instruments were granted. The risk-free rate is based on Malaysian Government Securities.

The fair value of share options were measured at grant date and the assumptions were as follows:

#### 2017

	Batch 1	Grant 7 Batch 2	Batch 3
Fair value of share options granted on 12 January 2017 (RM)	0.102	0.130	0.141
Average share price at grant date (RM)	0.310	0.310	0.310
Exercise price (RM)	0.222	0.222	0.222
Dividend yield (%)	1.77	1.77	1.77
Expected volatility (%)	56.93	56.93	56.93
Risk-free interest rate (% p.a.)	3.31	3.31	3.31
Option life (years)	2.77	2.77	2.77
Cliff vesting period (years)	0	1	2
Expected employee exit rate (%)	17.30	17.30	17.30
Expected early exercise price multiple (times)	1.47	1.47	1.47

# NOTES TO THE FINANCIAL STATEMENTS

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## 29. EMPLOYEES' SHARE OPTION SCHEME (Continued)

The fair value of share options were measured at grant date and the assumptions were as follows (Continued):

### 2017 (Continued)

	Grant 8	
	Batch 1	Batch 2
Fair value of share options granted on 12 October 2017 (RM)	0.105	0.139
Average share price at grant date (RM)	0.315	0.315
Exercise price (RM)	0.245	0.245
Dividend yield (%)	2.12	2.12
Expected volatility (%)	76.55	76.55
Risk-free interest rate (% p.a.)	3.20	3.20
Option life (years)	2.02	2.02
Cliff vesting period (years)	0	1
Expected employee exit rate (%)	17.30	17.30
Expected early exercise price multiple (times)	1.47	1.47

The expected employee exit rate and the expected early exercise price multiple were based on historical data and was not necessary indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility was indicative of future trends, which may not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

## 30. BORROWINGS

	Group	
	2017 RM	2016 RM
<b>Short term borrowings (secured):</b>		
Onshore foreign currency loan	471,634	2,338,475
Hire purchase creditors (Note 31)	63,394	60,497
Term loans	5,038,136	1,793,600
	5,573,164	4,192,572
<b>Long term borrowings (secured):</b>		
Hire purchase creditors (Note 31)	55,008	118,394
Term loans	7,150,864	3,587,200
	7,205,872	3,705,594
<b>Total borrowings:</b>		
Onshore foreign currency loan	471,634	2,338,475
Hire purchase creditors (Note 31)	118,402	178,891
Term loans	12,189,000	5,380,800
	12,779,036	7,898,166

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

### 30. BORROWINGS (Continued)

- (a) Borrowings are classified as other financial liabilities, and measured at amortised cost using the effective interest method.
- (b) The secured borrowings, other than hire purchase creditors, are secured by the following:
- (i) legal charges over certain freehold land, leasehold land and buildings of the Group as disclosed in Note 14(c) to the financial statements;
  - (ii) certain bank balances and deposits with licensed banks as disclosed in Note 26 to the financial statements; and
  - (iii) corporate guarantees of RM50,012,876 (2016: RM43,077,655) by the Company.
- (c) The currency exposure profile of borrowings is as follows:

	2017 RM	Group 2016 RM
United States Dollar	12,660,634	7,719,275
Ringgit Malaysia	118,402	178,891
	12,779,036	7,898,166

- (d) Information on financial risks of borrowings is disclosed in Note 40 to the financial statements.

### 31. HIRE PURCHASE CREDITORS

	2017 RM	Group 2016 RM
Minimum hire purchase payments:		
- Not later than one (1) year	67,371	67,367
- Later than one (1) year and not later than five (5) years	56,113	123,475
Total minimum hire purchase payments	123,484	190,842
Less: Future interest charges	(5,082)	(11,951)
Present value of hire purchase creditors	118,402	178,891
Repayable as follows:		
Current (Note 30)		
- Not later than one (1) year	63,394	60,497
Non-current (Note 30)		
- Later than one (1) year and not later than five (5) years	55,008	118,394
	118,402	178,891

# NOTES TO THE FINANCIAL STATEMENTS

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## 32. DEFERRED TAX LIABILITIES

	2017 RM	Group 2016 RM
At 1 January	150,167	159,306
Recognised in profit or loss (Note 11)	(18,211)	(9,139)
At 31 December	131,956	150,167

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

### Deferred tax liabilities of the Group:

	Development costs RM	Property, plant and equipment RM	Total RM
At 1 January 2017	129,270	519,477	648,747
Recognised in profit or loss	(3,280)	(38,531)	(41,811)
At 31 December 2017	125,990	480,946	606,936
At 1 January 2016	99,750	495,256	595,006
Recognised in profit or loss	29,520	24,221	53,741
At 31 December 2016	129,270	519,477	648,747

### Deferred tax assets of the Group:

	Unused tax losses, unabsorbed capital allowances and tax incentives RM	Accruals RM	Other investments, inventories, trade and other receivables RM	Property, plant and equipment expensed out RM	Total RM
At 1 January 2017	(357,430)	(126,310)	(2,840)	(12,000)	(498,580)
Recognised in profit or loss	61,360	(17,360)	(21,120)	720	23,600
At 31 December 2017	(296,070)	(143,670)	(23,960)	(11,280)	(474,980)



## NOTES TO THE FINANCIAL STATEMENTS

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### 32. DEFERRED TAX LIABILITIES (Continued)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows (Continued):

#### Deferred tax assets of the Group (Continued):

	Unused tax losses, unabsorbed capital allowances and tax incentives RM	Accruals RM	Other investments, inventories trade and other receivables RM	Property, plant and equipment expensed out RM	Total RM
At 1 January 2016	(348,230)	(14,880)	(59,150)	(13,440)	(435,700)
Recognised in profit or loss	(9,200)	(111,430)	56,310	1,440	(62,880)
At 31 December 2016	(357,430)	(126,310)	(2,840)	(12,000)	(498,580)

The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Unused tax losses	4,603,000	4,846,000	-	-
Unabsorbed capital allowances	39,000	58,000	39,000	39,000
	4,642,000	4,904,000	39,000	39,000

The unused tax losses and unabsorbed capital allowances of the Group amounting to RM4,603,000 (2016: RM4,846,000) and RM Nil (2016: RM19,000) respectively which are derived from Singapore operations are available for offsetting against future taxable profits of a subsidiary in Singapore, subject to the agreement with the tax authority.

The unabsorbed capital allowances of the Company are available for offsetting against future taxable profits subject to no substantial change in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

The deductible temporary differences do not expire under the current tax legislation.

# NOTES TO THE FINANCIAL STATEMENTS

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## 33. TRADE PAYABLES

	2017 RM	Group 2016 RM
<b>Trade payables</b>		
Third parties	59,896,462	31,714,526
Related parties	384,344	424,169
	60,280,806	32,138,695
Representing trade payables:		
- Current	60,050,352	31,630,029
- Non-current	230,454	508,666
	60,280,806	32,138,695

(a) Trade payables are classified as other financial liabilities, and measured at amortised cost using the effective interest method.

(b) "Trade payables third parties" which will be paid by monthly instalments, interest-free and are repayable as follows:

	2017 RM	Group 2016 RM
Current	15,917,053	2,700,283
Non-current	230,454	508,666
	16,147,507	3,208,949

(c) Included in "trade payables third parties" is an amount of RM18,596,163 (2016: RM9,164,834) which will be paid by variable instalments terms based on an agreed percentage on the gross collections generated from the machines purchased and is interest-free.

(d) Trade payables are interest-free and the normal trade credit terms granted to the Group range from one (1) month to three (3) months.

(e) Amount owing to related parties are unsecured, interest-free and payable upon demand in cash and cash equivalents.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

### 33. TRADE PAYABLES (Continued)

(f) The currency exposure profile of trade payables is as follows:

	Group	
	2017 RM	2016 RM
United States Dollar	60,221,204	32,095,175
Renminbi	26,693	-
Ringgit Malaysia	25,712	35,670
Others	7,197	7,850
	60,280,806	32,138,695

(g) Information on financial risks of trade payables is disclosed in Note 40 to the financial statements.

### 34. OTHER PAYABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Accruals	23,543,320	18,530,741	646,900	549,284
Deposits received	54,886,735	11,821,772	7,403	7,403
Sundry payables	2,309,611	691,341	-	28,606
Deferred revenue	109,763	58,856	-	-
	80,849,429	31,102,710	654,303	585,293

(a) Other payables are classified as other financial liabilities, and measured at amortised cost using the effective interest method.

(b) The currency exposure profile of other payables is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
United States Dollar	65,222,201	17,973,769	-	-
Philippine Peso	9,007,407	9,174,348	-	-
Thai Baht	2,251,549	2,192,271	-	-
Hong Kong Dollar	933,473	950,551	-	-
Ringgit Malaysia	3,197,931	622,699	654,303	585,293
Others	236,868	189,072	-	-
	80,849,429	31,102,710	654,303	585,293

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

### 34. OTHER PAYABLES (Continued)

- (c) Information on financial risks of other payables is disclosed in Note 40 to the financial statements.

### 35. RELATED PARTY DISCLOSURES

- (a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has controlling related party relationship with its direct and indirect subsidiaries.

- (b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	2017 RM	2016 RM
<b>Group</b>		
Related parties*:		
- Sales of products	3,638,248	2,783,007
- Technical service fee received	9,520	35,510
- Management fee received	-	99,496
- Technical support and management income	4,134,629	3,542,661
<b>Company</b>		
Subsidiaries:		
- Dividend income	17,117,212	12,115,208
- Operating lease expense	42,000	42,000

- \* Related parties are corporations in which certain Directors of the Company and certain subsidiaries have substantial interest in these corporations.

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

- (c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and of the Company.

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FINANCIAL STATEMENTS

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## 35. RELATED PARTY DISCLOSURES (Continued)

## (c) Compensation of key management personnel (Continued)

The remuneration of Directors and other members of key management personnel during the financial year was as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Short-term employee benefits	4,749,146	4,114,188	1,178,255	1,066,038
Post-employment benefits:				
Defined contribution plans	434,306	373,923	69,664	62,237
Share-based payments	459,033	125,956	454,352	125,956
	5,642,485	4,614,067	1,702,271	1,254,231
Estimated monetary value of benefits-in-kind	33,850	33,850	9,900	9,900
	5,676,335	4,647,917	1,712,171	1,264,131

Included in the total remuneration of key management personnel are:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors' remuneration (Note 10)	5,177,133	4,607,419	862,646	887,509

Executive and Non-executive Directors of the Group and of the Company and other members of key management have been granted the following number of options under the ESOS.

	Group		Company	
	2017	2016	2017	2016
At 1 January	9,400,000	29,366,200	9,400,000	28,550,000
Adjustment	-	(816,200)	-	-
Granted	6,068,800	-	6,000,000	-
Exercised	(5,000,000)	(19,150,000)	(5,000,000)	(19,150,000)
At 31 December	10,468,800	9,400,000	10,400,000	9,400,000

The share options were granted to the same terms and conditions as those offered to other employees of the Group as disclosed in Note 29 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

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### 36. CAPITAL COMMITMENTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Capital expenditure				
Approved but not contracted for:				
Property, plant and equipment	80,400,000	68,740,000	20,000	210,000

### 37. CONTINGENT LIABILITIES

- (a) The Group designates corporate guarantees given to financial institutions for banking facilities granted to subsidiaries and trade payables as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
- (b) (i) The Company has given unsecured corporate guarantees to certain financial institutions for banking facilities granted to its subsidiaries for a limit of up to RM50,012,876 (2016: RM43,077,655) of which RM12,790,984 (2016: RM8,533,642) was utilised at the end of reporting period.
- (ii) The Company has given unsecured corporate guarantees to certain trade payables of its subsidiaries for a limit of up to RM97,512,000 (2016: RM107,616,000) of which RM58,348,331 (2016: RM18,356,289) was utilised at reporting date.
- (iii) The Directors are of the view that the chances of the financial institutions and trade payables calling upon the corporate guarantees are unlikely. Accordingly, the fair values of the above corporate guarantees are negligible.

### 38. MATERIAL LITIGATION

A subsidiary of the Company, RGB (Macau) Limited ("RGBM"), was served with a writ of summons by Comcorp H.L.E Projects Pty. Ltd. ("Comcorp") for an alleged infringement of copyrights. The writ of summons was also served to three (3) other parties. The alleged claim by Comcorp included cost of designs of the copyrights, compensation for non-monetary losses and loss of profits, interest, court fee and incidental expenses which is liable jointly and severally by all the co-defendants, or by any combination of the co-defendants.

On 22 January 2018, the Company had received a notification of court judgement from Judiciary Council of Macau which ruled that the alleged claim by Comcorp against RGBM has been dismissed.

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FINANCIAL STATEMENTS

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## 39. FINANCIAL INSTRUMENTS

## (a) Capital management

The primary objective of the capital management of the Group is to maintain a strong capital base, good credit rating and healthy capital ratios to support its businesses and maximise its shareholders' value.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital and net debt. The Group includes within net debt, borrowings, trade and other payables, less cash and bank balances. Capital represents equity attributable to the owners of the Company. The gearing ratio as at 31 December 2017 and 31 December 2016 are as follows:

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Borrowings (current and non-current)	30	12,779,036	7,898,166	-	-
Trade payables (current and non-current)	33	60,280,806	32,138,695	-	-
Other payables	34	80,849,429	31,102,710	654,303	585,293
Less:					
Cash and bank balances	26	(113,522,706)	(78,725,949)	(2,344,975)	(2,648,343)
Net debt/(cash)		40,386,565	(7,586,378)	(1,690,672)	(2,063,050)
Equity attributable to the owners of the Company, represent total capital		210,074,244	203,451,653	167,623,283	160,728,522
Net debt and capital		250,460,809	195,865,275	165,932,611	158,665,472
Gearing ratio		16%	*	*	*

\* Gearing ratio is not presented as the Group and the Company are in a net cash position.

# NOTES TO THE FINANCIAL STATEMENTS

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## 39. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial instruments

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Loans and receivables</b>					
Trade receivables (current and non-current)	20	85,286,975	69,719,835	-	-
Other receivables (current and non-current), excluding prepayments	21	49,778,788	23,841,919	70,337	74,711
Lease receivables (current and non-current)	22	11,475,996	-	-	-
Due from subsidiaries	23	-	-	8,191,468	1,638,539
Due from associates	25	4,076,989	4,487,399	-	-
Cash and bank balances	26	113,522,706	78,725,949	2,344,975	2,648,343
		264,141,454	176,775,102	10,606,780	4,361,593
<b>Other financial liabilities</b>					
Trade payables (current and non-current)	33	60,280,806	32,138,695	-	-
Other payables	34	80,849,429	31,102,710	654,303	585,293
Borrowings (current and non-current)	30	12,779,036	7,898,166	-	-
Due to associates	25	86,978	95,991	-	-
		153,996,249	71,235,562	654,303	585,293

### (c) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

- (i) Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are a reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the current position of fixed rate loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair value of these borrowings is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

- (ii) Amounts due from subsidiaries, a joint venture and associates

The fair value of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowings or leasing arrangements at the end of each reporting period.



## NOTES TO THE FINANCIAL STATEMENTS

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### 39. FINANCIAL INSTRUMENTS (Continued)

#### (d) Fair value hierarchy

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

The following tables set out the financial instruments not carried at fair value for which fair value is disclosed, together with their carrying amounts shown in the statements of financial position.

	Financial instruments not carried at fair value			
	Group			
	2017		2016	
Fair value (Level 2) RM	Carrying amount RM	Fair value (Level 2) RM	Carrying amount RM	
<b>Financial liabilities</b>				
Hire purchase creditors	53,462	55,008	116,361	118,394

### 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The overall financial risk management objective of the Group is to optimise its shareholders' value and not to engage in speculative transactions.

The Group is exposed mainly to credit risk, liquidity and cash flow risk, interest rate risk and foreign currency risk. Information on the management of the related exposures is detailed below.

#### (a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from receivables and amounts due from subsidiaries respectively. For other financial assets (including investment securities and cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with the recognised and creditworthy third parties. It is the Group's policy that all customers who trade on credit terms are subject to credit verification procedures by the Credit Control and Risk Assessment Department. In addition, the Credit Control and Risk Assessment Department analyses and reviews the creditworthiness and standing of all customers regularly. Receivable balances are monitored on an ongoing basis via the Group's management reporting procedures.

# NOTES TO THE FINANCIAL STATEMENTS

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## 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (a) Credit risk (Continued)

As at 31 December 2017, other than the amounts owing by subsidiaries constituting 99% (2016: 96%) of the total receivables of the Company, the Group also has a significant concentration of credit risk that may arise from exposures to groups of receivables which contributed approximately 83% (2016: 82%) of the total trade receivables at the end of the reporting period. These customers contributed approximately 54% (2016: 43%) of the total revenue of the Group.

#### Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the trade receivables of the Group at the end of each reporting period are as follows:

	2017		Group		2016	
	RM	% of total	RM	% of total	RM	% of total
<b>By segment:</b>						
Sales and marketing	54,535,498	64%	43,515,026	63%		
Technical support and management	29,979,088	35%	25,942,313	37%		
Engineering services	473,334	1%	-	0%		
Others	299,055	0%	262,496	0%		
	85,286,975	100%	69,719,835	100%		
<b>By country:</b>						
Malaysia	10,393,942	12%	3,859,252	6%		
Southeast Asia (excluding Malaysia)	74,394,978	87%	65,342,507	93%		
South Asia	408,638	1%	372,463	1%		
Other countries	89,417	0%	145,613	0%		
	85,286,975	100%	69,719,835	100%		

#### Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 20 to the financial statements. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

#### Financial assets that are either past due or impaired

Information regarding trade receivables that are either past due or impaired is disclosed in Note 20 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

### 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (b) Liquidity and cash flow risk

Liquidity and cash flow risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arising primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group and the Company manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash equivalents to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position.

#### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the end of each reporting period based on contractual undiscounted repayment obligations.

	← 2017 →		Total RM
	On demand or within one year RM	One to five years RM	
<b>Group</b>			
<b>Financial liabilities:</b>			
Trade and other payables	140,899,781	230,454	141,130,235
Borrowings	6,061,213	7,853,553	13,914,766
Due to associates	86,978	-	86,978
<b>Total undiscounted financial liabilities</b>	<b>147,047,972</b>	<b>8,084,007</b>	<b>155,131,979</b>
<b>Company</b>			
<b>Financial liabilities:</b>			
Trade and other payables	654,303	-	654,303
<b>Total undiscounted financial liabilities</b>	<b>654,303</b>	<b>-</b>	<b>654,303</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (b) Liquidity and cash flow risk (Continued)

#### Analysis of financial instruments by remaining contractual maturities (Continued)

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the end of each reporting period based on contractual undiscounted repayment obligations (Continued).

	← 2016 →		Total RM
	On demand or within one year RM	One to five years RM	
<b>Group</b>			
<b>Financial liabilities:</b>			
Trade and other payables	62,732,739	508,666	63,241,405
Borrowings	4,351,281	3,801,056	8,152,337
Due to associates	95,991	-	95,991
<b>Total undiscounted financial liabilities</b>	<b>67,180,011</b>	<b>4,309,722</b>	<b>71,489,733</b>
<b>Company</b>			
<b>Financial liabilities:</b>			
Trade and other payables	585,293	-	585,293
<b>Total undiscounted financial liabilities</b>	<b>585,293</b>	<b>-</b>	<b>585,293</b>

### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company will fluctuate because of changes in market interest rates. The exposure to market risk of the Group for changes in interest rates relates primarily to the bank borrowings and deposits placed with licensed banks of the Group.

NOTES TO THE  
FINANCIAL STATEMENTS

31 DECEMBER 2017

## 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

## (c) Interest rate risk (Continued)

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk:

	Note	Weighted average effective interest rate (%)	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	Total RM
<b>At 31 December 2017</b>								
<b>Group</b>								
<b>Fixed rates</b>								
Deposits with licensed banks	26	1.7	30,590,402	-	-	-	-	30,590,402
Hire purchase creditors	30	2.5	(63,394)	(55,008)	-	-	-	(118,402)
<b>Floating rates</b>								
Onshore foreign currency loan	30	3.2	(471,634)	-	-	-	-	(471,634)
Term loans	30	4.5	(5,038,136)	(1,787,736)	(1,787,736)	(1,787,736)	(1,787,656)	(12,189,000)
<b>Company</b>								
<b>Fixed rate</b>								
Deposits with licensed banks	26	3.3	2,045,581	-	-	-	-	2,045,581
<b>At 31 December 2016</b>								
<b>Group</b>								
<b>Fixed rates</b>								
Deposits with licensed banks	26	2.1	8,886,213	-	-	-	-	8,886,213
Hire purchase creditors	30	2.5	(60,497)	(63,390)	(55,004)	-	-	(178,891)
<b>Floating rates</b>								
Onshore foreign currency loan	30	2.9	(2,338,475)	-	-	-	-	(2,338,475)
Term loans	30	3.2	(1,793,600)	(3,587,200)	-	-	-	(5,380,800)
<b>Company</b>								
<b>Fixed rate</b>								
Deposits with licensed banks	26	3.3	1,980,345	-	-	-	-	1,980,345

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

## 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (c) Interest rate risk (Continued)

#### Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group if interest rates at the end of each reporting period changed by ten (10) basis points with all other variables held constant:

Group	Effect on profit after tax	
	2017 RM	2016 RM
<b>Floating rates</b>		
<u>Increase by 0.1%</u>		
Onshore foreign currency loan	(358)	(1,753)
Term loans	(12,176)	(5,372)
<u>Decrease by 0.1%</u>		
Onshore foreign currency loan	358	1,753
Term loans	12,176	5,372

### (d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

Subsidiaries operating in the Philippines, Cambodia, Laos, Macau, Vietnam and Singapore have assets and liabilities together with expected cash flows from anticipated transactions denominated in foreign currencies that give rise to foreign exchange exposures.

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

### 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### (d) Foreign currency risk (Continued)

##### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity analysis of the Group and of the Company to a reasonably possible change in the United States Dollar ("USD"), Philippine Peso ("Peso") and Thai Baht ("THB") exchange rates against the respective functional currencies of the Group entities, with all other variables held constant:

	← Effect on profit after tax →			
	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<u>Strengthened 5%</u>				
USD/RM	(161,184)	(951)	393,805	69,852
Peso/USD	910,262	1,188,322	-	-
THB/USD	632,178	748,062	-	-
<u>Weakened 5%</u>				
USD/RM	161,184	951	(393,805)	(69,852)
Peso/USD	(910,262)	(1,188,322)	-	-
THB/USD	(632,178)	(748,062)	-	-

Sensitivity analysis of other foreign currencies are not disclosed as they are not material to the Group.

### 41. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

#### 41.1 New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Title	Effective Date
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2017

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2017

## 41. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (Continued)

### 41.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company:

Title	Effective Date
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarifications to MFRS 15	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS 9 as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48
MFRS 16 <i>Leases</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group is in the process of assessing the impact of implementing these Standards and Amendments, other than MFRS 15 and MFRS 9, since the effects would only be observable for the future financial years. The Group is currently finalising the adjustments upon adoption of MFRS 15 and MFRS 9.



# LIST OF GROUP PROPERTIES

AS AT 31 DECEMBER 2017

Registered Owner/ Address/Location	Description	Use	Tenure	Approximate Age of Building (Years)	Built-up Area (Sq. Metres)	Audited Net Book Value (RM)	Date of Last Revaluation
<b>RGBSB</b>							
1. 65 Sims Avenue #08-04 Yi Xiu Factory Building Singapore	Building	Office cum Factory	Freehold	35	113	836,906	1 January 2011
2. No. 2017 Solok Perusahaan 3 Kawasan Perusahaan Perai 13600 Perai, Penang Malaysia	Land & Building	Factory	Leasehold – 99 years expiring on 12 December 2074	44	1,035.03	1,449,808	1 January 2011
3. No. 2018 Solok Perusahaan 3 Kawasan Perusahaan Perai 13600 Perai, Penang Malaysia	Land & Building	Factory	Leasehold – 99 years Expiring on 12 December 2074	44	1,109.71	1,503,118	1 January 2011
<b>Data Touch Sdn. Bhd.</b>							
4. No. 8 Green Hall 10200 Penang Malaysia	Land & Building	Office	In Perpetuity	39	2,387.16	4,155,772	1 January 2011
<b>Chateau De Bavet Club Co., Ltd.</b>							
5. No. 1, National Road Bavet Commune Chantrea District Svay Rieng Province Kingdom of Cambodia	Building	Hotel & Casino	Freehold	9	23,727	35,620,557	-
<b>Total</b>						<b>43,566,161</b>	

The Group does not have a formal revaluation policy for its landed properties.

# LIST OF ASSOCIATE'S PROPERTIES

AS AT 31 DECEMBER 2017

Registered Owner/ Address/Location	Description	Use	Tenure	Approximate Age of Building (Years)	Built-up Area (Sq. Metres)	Audited Net Book Value (RM)	Date of Last Revaluation
<b>Dreamgate Holding Co., Ltd.</b>							
1. No. 13 & 14, Block C E0, E1, Chantrea Bavet Sway Rieng Kingdom of Cambodia	Shoplot	Office	Freehold	11	128	365,265	-
2. No. 1, National Road Bavet Commune Chantrea District Svay Rieng Province Kingdom of Cambodia	Land	Hotel & Casino	Freehold	-	-	3,679,453	-
<b>Total</b>						<b>4,044,718</b>	

## ADDITIONAL COMPLIANCE INFORMATION

### Recurrent Related Party Transactions ("RRPT")

The summary of the RRPT which have been entered by the Company and its subsidiaries which are involved in the RRPT namely RGBSB, RGB Ltd. ("RGBL") and RGB (Macau) Limited ("RGBML") [collectively referred to as "RGBI Group"] during the FYE 31 December 2017 pursuant to the shareholders' mandate obtained by the Company at the AGM held on 29 May 2017 are as follows:

Provider of goods and services	Recipient of goods and services	Nature of Transaction	Actual value transacted <sup>(i)</sup> (RM)	Related Parties
RGBSB	Channel Paradise Sdn. Bhd. ("CPSB")	Sale of products <sup>(ii)</sup>	3,492,774	<p>Datuk Chuah Kim Seah is a director and major shareholder of the Company. He is also a director of RGBSB.</p> <p>Chuah Kim Chiew is a director of the Company and RGBSB.</p> <p>Estate of the late Dato' Chuah Poh Aun, a person connected to Datuk Chuah Kim Seah, Chuah Kim Chiew and Chuo Ah Ngau, is a major shareholder of CPSB.</p> <p>Chuah Eng Hwa, an employee of the Company and a person connected to Datuk Chuah Kim Seah and Chuah Eng Meng, is a director and major shareholder of CPSB.</p> <p>Datin Tok Moy is a director of CPSB. She is the spouse of the late Dato' Chuah Poh Aun and a person connected to Datuk Chuah Kim Seah and Chuah Kim Chiew.</p> <p>Chuah Eng Meng, a person connected to Datuk Chuah Kim Seah and Chuah Eng Hwa, is a director of CPSB.</p> <p>Chuo Ah Ngau is a director of RGBSB and a person connected to Estate of the late Dato' Chuah Poh Aun and Datin Tok Moy.</p>
RGBSB	Manju Sdn. Bhd. ("MSB")	Sale of products <sup>(ii)</sup> and technical fee <sup>(iii)</sup>	4,930	<p>Datuk Chuah Kim Seah is a director of the Company, RGBSB and MSB. He is also a major shareholder of the Company and MSB.</p> <p>Datuk Lim Tow Boon is a director of the Company, RGBSB and MSB.</p> <p>Chuah Kim Chiew is a director of the Company, RGBSB and MSB. He is also a major shareholder of MSB.</p> <p>Chuo Ah Ngau is a director of RGBSB and MSB.</p>

## ADDITIONAL COMPLIANCE INFORMATION

Provider of goods and services	Recipient of goods and services	Nature of Transaction	Actual value transacted <sup>(i)</sup> (RM)	Related Parties
RGBSB	Suneka Sdn. Bhd. ("SSB")	Sale of products <sup>(iii)</sup>	16,550	<p>Datuk Chuah Kim Seah is a director of the Company, RGBSB and SSB. He is also a major shareholder of the Company and SSB.</p> <p>Datuk Lim Tow Boon is a director of the Company, RGBSB and SSB.</p> <p>Chuah Kim Chiew is a director of the Company, RGBSB and SSB. He is also a major shareholder of SSB.</p> <p>Chuo Ah Ngau is a director of RGBSB and SSB.</p>
RGBI Group	Timor Holding, S.A. ("THSA")	Sale of products <sup>(iii)</sup> , technical support management <sup>(iv)</sup> , leasing of products and management fee <sup>(v)</sup>	4,134,629	<p>Datuk Chuah Kim Seah is a director and major shareholder of the Company and THSA via his interest in 1 Georgetown Ltd. ("1GL"). 1GL is a major shareholder of THSA. He is also a director of RGBSB, RGBL, RGBML and 1GL.</p> <p>Datuk Lim Tow Boon is a director of the Company, RGBSB, RGBL, RGBML, THSA and 1GL. He is also a major shareholder of THSA.</p>
RGBI Group	Pacific Legenda Capital Ltd. ("PLCL")	Sale of products <sup>(iii)</sup>	Nil	<p>Datuk Chuah Kim Seah is a director of the Company, RGBSB, RGBL, RGBML and PLCL. He is also a major shareholder of the Company and PLCL.</p> <p>Datuk Lim Tow Boon is a director of the Company, RGBSB, RGBL, RGBML and PLCL. He is also a major shareholder of PLCL.</p> <p>Chuah Kim Chiew is a director of the Company, RGBSB, RGBL and PLCL. He is also a major shareholder of PLCL.</p>
Prosper Dynasty Limited ("PDL") <sup>(vii)</sup>	RGBI Group	Sales of products <sup>(iii)</sup> , technical support management <sup>(iv)</sup> , leasing of products and management fee <sup>(vi)</sup>	821,192	<p>Datuk Chuah Kim Seah is a director of the Company, RGBSB, RGBL, RGBML and PDL. He is also a major shareholder of the Company and PDL.</p> <p>Datuk Lim Tow Boon is a director of the Company, RGBSB, RGBL and RGBML. He is also a major shareholder of PDL.</p> <p>Chuah Kim Chiew is a director of the Company, RGBSB and RGBL. He is also a major shareholder of PDL.</p>

### Notes:

- (i) The actual value transacted of RRPT during the FYE 31 December 2017.
- (ii) Products include gaming and amusement machines, gaming system, spare parts, casino equipment and accessories, gaming equipment and accessories.
- (iii) Technical fee would include fee charged on repair and maintenance of gaming and amusement machines after sales.
- (iv) Provision of technical support management comprise of technical support, maintenance and management of gaming and amusement machines and equipment.
- (v) Provision of management services encompassing advisory works.
- (vi) Provision of management services encompassing accounting and administrative work.
- (vii) The transfer of equity interest in PDL to Datuk Chuah Kim Seah, Datuk Lim Tow Boon and Chuah Kim Chiew did not materialise. In addition, Datuk Chuah Kim Seah was not appointed as Director of PDL. As such, PDL is not established as a Person Connected to a Related Party.

## ADDITIONAL COMPLIANCE INFORMATION

### Utilisation of Proceeds

There were no proceeds raised from any corporate proposals during the financial year.

### Options, Warrants or Convertible Securities

The ESOS allocations to directors and chief executive during the financial year 2017 and since the commencement of the ESOS as at 31 December 2017 are as follows:

	Aggregate options granted	Aggregate options exercised	Aggregate options lapsed	Aggregate options outstanding
<b>Directors and Chief Executive</b>				
During the financial year 2017	-	-	-	-
Since the commencement of the ESOS	56,000,000	46,000,000	6,000,000	4,000,000

As at 31 December 2017, the aggregate maximum and actual allocation of the ESOS to directors and senior management during the financial year 2017 and since the commencement of the ESOS are as follows:

<b>Directors and senior management</b>	Aggregate maximum allocation (%)	Actual allocation (%)
During the financial year 2017	4.70	4.70
Since the commencement of the ESOS	56.39	49.68

A breakdown of the options granted to and exercised by non-executive directors as at 31 December 2017 is as follows:

<b>Non-Executive Directors</b>	Amount of options granted	Amount of options exercised
Dato' Mahinder Singh Dulku	4,000,000	3,000,000
Ng Eng Tong	4,000,000	4,000,000
Lam Voon Kean	4,000,000	2,000,000
Tan Sri Norazman Hamidun	4,000,000	3,000,000
<b>Total</b>	<b>16,000,000</b>	<b>12,000,000</b>

## ADDITIONAL COMPLIANCE INFORMATION

### Audit and Non-audit Fees

The amount of audit and non-audit fees paid or payable to the external auditors by the Company and the Group for the FYE 31 December 2017 were as follows:

Fees	Company (RM)	Group (RM)
Audit	50,500	208,008
Non-audit	7,800	25,514

### Material Contracts

During the year under review, there were no material contracts of the Company and its subsidiaries involving the interests of major shareholders and/or directors.

### Contract Relating to Loans

During the year, there were no contracts relating to loans entered into by the Company involving the interests of major shareholders and/or directors.

# STATISTICS OF SHAREHOLDINGS

AS AT 30 MARCH 2018

## Issued shares of the Company

Total number of issued shares : 1,342,247,800  
 Class of shares : Ordinary shares  
 Voting rights : One vote per ordinary share

## Distribution of Shareholdings

Size of holdings	No. of Holders	% of Holders	No. of Shares	% of Shares
1 - 99	10	0.10	415	0.00
100 - 1,000	324	3.29	212,155	0.02
1,001 - 10,000	3,181	32.32	20,650,976	1.54
10,001 - 100,000	5,065	51.47	208,763,345	15.55
100,001 - less than 5% of issued shares	1,260	12.81	734,270,619	54.70
67,112,390 and 5% and above of issued shares	1	0.01	378,350,290	28.19
<b>Total</b>	<b>9,841</b>	<b>100.00</b>	<b>1,342,247,800</b>	<b>100.00</b>

## Substantial Shareholders

The substantial shareholders of the Company based on Register of Substantial Shareholders of the Company are as follows:

Name	Direct Interest		Indirect Interest	
	No. of Shares	% of Shares	No. of Shares	% of Shares
Datuk Chuah Kim Seah	378,350,290	28.19	1,603,800 <sup>(a)</sup>	0.12
Mazlan Ismail	50,000,000	3.73	20,000,000 <sup>(b)</sup>	1.49

<sup>(a)</sup> Deemed interested by virtue of holding more than 20% in the shares of Manju Sdn Bhd.

<sup>(b)</sup> Deemed interested by virtue of holding more than 20% in the shares of Gerak Juara Sdn Bhd.

## STATISTICS OF SHAREHOLDINGS

AS AT 30 MARCH 2018

### Directors' interests in the Company

The Directors' interests in the Company based on Register of Directors' Shareholdings of the Company are as follows:

Name	Direct Interest		Indirect Interest		No of unexercised ESOS options
	No. of Shares	% of Shares	No. of Shares	% of Shares	
Dato' Mahinder Singh Dulku	40,000	0.00	-	-	1,000,000 <sup>(d)</sup>
Datuk Chuah Kim Seah	378,350,290	28.19	1,954,500 <sup>(a)</sup>	0.15	-
Datuk Lim Tow Boon	6,640,500	0.49	-	-	-
Mazlan Ismail	50,000,000	3.73	20,000,000 <sup>(b)</sup>	1.49	-
Chuah Kim Chiew	27,764,194	2.07	1,603,800 <sup>(c)</sup>	0.12	-
Lam Voon Kean	1,000,000	0.07	-	-	2,000,000 <sup>(e)</sup>
Tan Sri Norazman Hamidun	2,980,000	0.22	-	-	1,000,000 <sup>(e)</sup>

<sup>(a)</sup> Deemed interested by virtue of holding more than 20% in the shares of Manju Sdn Bhd, 150,000 ordinary shares held by his spouse, Datin Tan Soon Kim, and 200,700 ordinary shares held by his son, Chuah Eng Meng.

<sup>(b)</sup> Deemed interested by virtue of holding more than 20% in the shares of Gerak Juara Sdn Bhd.

<sup>(c)</sup> Deemed interested by virtue of holding more than 20% in the shares of Manju Sdn Bhd.

<sup>(d)</sup> The ESOS option was granted on 25 November 2010.

<sup>(e)</sup> The ESOS option was granted on 1 October 2014.

By virtue of his interest in the shares of the Company, Datuk Chuah Kim Seah is also deemed to have an interest in the shares of the subsidiaries to the extent the Company has an interest.



## THIRTY LARGEST SHAREHOLDERS

AS AT 30 MARCH 2018

NO.	NAME	HOLDINGS	%
1	CHUAH KIM SEAH	266,994,660	19.89
2	CHUAH KIM SEAH	111,355,630	8.30
3	MAZLAN BIN ISMAIL	50,000,000	3.73
4	CHUAH KIM CHIEW	27,764,194	2.07
5	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)	20,200,000	1.50
6	GERAK JUARA SDN BHD	20,000,000	1.49
7	LEE WEI MING	18,000,000	1.34
8	LEE WAI YUEN	15,000,000	1.12
9	YEOH MEI MEI	12,000,000	0.89
10	ANG BOON GUAN	9,110,000	0.68
11	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHAMMED AZLAN BIN HASHIM	9,100,000	0.68
12	LAU KIM WAH	7,900,000	0.59
13	YAP KHONG	7,413,400	0.55
14	WOON CHUAN KEONG	7,199,300	0.54
15	LIM TOW BOON	6,640,500	0.49
16	RHB NOMINEES (TEMPATAN) SDN BHD FONG WOON YIN	6,230,000	0.46
17	PUBLIC INVEST NOMINEES (ASING) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)	6,021,900	0.45
18	UNG CHI FONG	5,361,400	0.40
19	UNG YOKE HONG	5,130,000	0.38
20	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	5,050,600	0.38
21	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	4,561,700	0.34
22	FIRST GENESIS SDN BHD	4,400,000	0.33
23	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG POO HING @ WONG FOO HIN (800436)	4,295,000	0.32
24	WONG KIM HAI	3,615,000	0.27
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAU HOW SIONG	3,444,600	0.26
26	TAN YAW ING	3,198,000	0.24
27	GOH SIN TIEN	3,000,000	0.22
28	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN OIY POW	3,000,000	0.22
29	KHOR TENG TONG	3,000,000	0.22
30	YAP BOOI LEK	3,000,000	0.22
		<b>651,985,884</b>	<b>48.57</b>

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the 15<sup>th</sup> Annual General Meeting of the Company will be held at Sri Mas 1 & 2, Level 4, Bayview Hotel Georgetown Penang, 25A Farquhar Street, 10200 Penang, Malaysia on Monday, 28 May 2018 at 10.00 am for the following purposes:

## AGENDA

### As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 and the Reports of Directors and Auditors thereon.
2. To approve the payment of a final single-tier dividend of RM0.007 per ordinary share in respect of the financial year ended 31 December 2017 as recommended by the Board of Directors. **Resolution 1**
3. To approve the payment of Directors' fees of RM442,200 to the Non-Executive Directors for the financial year ended 31 December 2017. **Resolution 2**
4. To approve the payment of benefits payable to the Non-Executive Directors up to an amount of RM64,000 from 28 May 2018 until the next Annual General Meeting of the Company. **Resolution 3**
5. To re-elect the following Directors retiring in accordance with Article 100(1) of the Company's Articles of Association (Constitution).
  - (a) Mr. Chuah Kim Chiew **Resolution 4**
  - (b) Datuk Chuah Kim Seah **Resolution 5**
  - (c) Mr. Mazlan Ismail **Resolution 6**
6. To re-appoint Messrs. BDO as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

### As Special Business:

To consider and, if thought fit, to pass the following Resolutions with or without modifications:

7. **Ordinary Resolution** **Resolution 8**  
**Continuation in office as an Independent Non-Executive Director**  
 "THAT Dato' Mahinder Singh Dulku, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, be retained and continued to act as an Independent Non-Executive Chairman of the Company until the conclusion of the next Annual General Meeting of the Company in accordance with the Malaysian Code on Corporate Governance."
8. **Ordinary Resolution** **Resolution 9**  
**Authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares**  
 "THAT subject always to the Companies Act 2016, the Articles of Association (Constitution) of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of the relevant governmental or regulatory authorities, where such approval is required, the Directors be and are hereby authorised and empowered pursuant to Section 76 of the Companies Act 2016 to issue and allot shares in the Company to such person or persons, at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being."

NOTICE OF ANNUAL  
GENERAL MEETING**9. Ordinary Resolution****Resolution 10****Proposed additional and renewal of Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature ("Proposed Shareholders' Mandate")**

"THAT approval be and is hereby given to the Company and its subsidiaries ("the Group") to enter into and to give effect to the recurrent related party transactions of a revenue or trading nature as specified in Section 2 of Part A of the Circular to Shareholders dated 30 April 2018, provided that such arrangements and/or transactions which are necessary for the Group's day-to-day operations are undertaken in the ordinary course of business, at arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders of the Company.

THAT such approval unless revoked or varied by the Company in general meeting shall continue to be in force until:

- (i) the conclusion of the next Annual General Meeting of the Company following the general meeting at which this mandate was passed, at which time it will lapse, unless by a resolution passed at the general meeting whereby the authority is renewed;
- (ii) the expiration of the period within which the next Annual General Meeting after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
- (iii) revoked or varied by resolution passed by the shareholders of the Company at a general meeting, whichever is earlier.

THAT the above mandate is subject to annual renewal and disclosure will be made in the annual report of the aggregate value of transactions conducted by the Group.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things and execute all necessary documents as they may consider expedient or necessary in the best interest of the Company to give effect to the Proposed Shareholders' Mandate."

**10. Special Resolution****Resolution 11****Proposed adoption of new Constitution of the Company ("Proposed Adoption of New Constitution")**

"THAT the Company's existing Memorandum and Articles of Association be deleted in its entirety with immediate effect and in place thereof, adopt the new Constitution of the Company as set out in Part B of the Circular to Shareholders dated 30 April 2018 AND THAT the Directors and Secretary of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all things and take all such steps as may be considered necessary and/or expedient in order to give full effect to the Proposed Adoption of New Constitution."

11. To transact any other business of which due notice shall have been given.

## NOTICE OF ANNUAL GENERAL MEETING

### NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT, subject to the shareholders' approval at the 15<sup>th</sup> Annual General Meeting of the Company, a final single-tier dividend of RM0.007 per ordinary share in respect of the financial year ended 31 December 2017 will be paid to the shareholders on 28 June 2018. The entitlement date for the said dividend shall be 18 June 2018.

A depositor shall qualify for entitlement to the said dividend only in respect of:

- (a) shares transferred to the depositor's securities account before 4.00 pm on 18 June 2018 in respect of ordinary transfers; and
- (b) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

#### **WOON MEI LING (MAICSA 7047736)**

Company Secretary  
Penang  
30 April 2018

#### **Notes:**

##### **Appointment of Proxy**

1. A proxy may but need not be a member of the Company.
2. For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company, Suite 16-1 (Penthouse Upper), Menara Penang Garden, 42-A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
4. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy.
5. If the appointor is a corporation, the Form of Proxy must be executed under the corporation's seal or under the hand of an officer or attorney duly authorised.
6. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
8. In respect of deposited securities, only members whose names appear on the Record of Depositors on 21 May 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

## NOTICE OF ANNUAL GENERAL MEETING

### **Explanatory Notes on Special Business:**

#### **Resolution 8 – Continuation in office as an Independent Non-Executive Director**

The proposed Resolution 8, if passed, will allow Dato' Mahinder Singh Dulku to be retained as an Independent Non-Executive Director of the Company. The Board of Directors had, vide the Nominating Committee, conducted an annual performance evaluation and assessment of, Dato' Mahinder Singh Dulku, who will serve as Independent Non-Executive Chairman of the Company for a cumulative term of more than twelve (12) years, and recommended him to continue to act as Independent Non-Executive Chairman of the Company based on the justifications as set out under Corporate Governance Overview Statement in the Company's Annual Report 2017.

#### **Resolution 9 – Authority to allot and issue shares**

The proposed Resolution 9, if passed, will give the Directors of the Company authority to issue shares in the Company up to an amount not exceeding 10% of the total issued capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting.

As of the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 29 May 2017 and which will lapse at the conclusion of the 15<sup>th</sup> Annual General Meeting.

The renewed general mandate for issue of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for the purpose of funding future investment, working capital and/or acquisition.

#### **Resolution 10 – Proposed Shareholders' Mandate**

The proposed Resolution 10, if passed, will allow the Group to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business on terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company. The Proposed Shareholders' Mandate is subject to renewal on an annual basis. Details of which are set out in Part A of the Circular to Shareholders dated 30 April 2018 which is dispatched together with the Company's Annual Report 2017.

#### **Resolution 11 – Proposed Adoption of New Constitution**

The proposed Resolution 11, if passed, will align the Company's Constitution with the Companies Act 2016 which came into force on 31 January 2017, the updated provision of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and prevailing statutory and regulatory requirements as well as to enhance administrative efficiency and to provide greater clarity. The Proposed Adoption of New Constitution is set out in Part B of the Circular to Shareholders dated 30 April 2018 accompanying the Company's Annual Report 2017.

### **STATEMENT ACCOMPANYING NOTICE OF 15<sup>TH</sup> ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.27(2) OF BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS**

No individual is standing election as a Director at the forthcoming 15<sup>th</sup> Annual General Meeting of the Company.

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**RGB International Bhd.**  
(603831-K)  
(Incorporated in Malaysia)

# FORM OF PROXY

No. of Shares held	
CDS Account No.	

\*I/We ..... NRIC No./Passport No./Company No. ....  
(FULL NAME IN BLOCK CAPITALS)

of .....  
(FULL ADDRESS)

being a \*member/members of RGB International Bhd. (603831-K) ("the Company"), hereby appoint .....

..... NRIC No. ....  
(FULL NAME IN BLOCK CAPITALS)

of.....  
(FULL ADDRESS)

or failing \*him/her, ..... NRIC No. ....  
(FULL NAME IN BLOCK CAPITALS)

of .....  
(FULL ADDRESS)

or failing \*him/her, the \*CHAIRMAN OF THE MEETING as \*my/our proxy to vote for \*me/us and on \*my/our behalf at the 15<sup>th</sup> Annual General Meeting of the Company to be held at Sri Mas 1 & 2, Level 4, Bayview Hotel Georgetown Penang, 25A Farquhar Street, 10200 Penang, Malaysia on Monday, 28 May 2018 at 10.00 am and at any adjournment thereof.

(Please indicate with an "X" in the appropriate spaces provided below on how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at \*his/her discretion.)

RESOLUTIONS	1	2	3	4	5	6	7	8	9	10	11
FOR											
AGAINST											

Signed this ..... day of ..... 2018

	No. of Shares	%
Proxy 1		
Proxy 2		
Total		100

.....  
Common Seal/Signature of Member

**Note:**

1. A proxy may but need not be a member of the Company.
2. For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company, Suite 16-1 (Penthouse Upper), Menara Penang Garden, 42-A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
4. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy.
5. If the appointor is a corporation, the Form of Proxy must be executed under the corporation's seal or under the hand of an officer or attorney duly authorised.
6. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
8. In respect of deposited securities, only members whose names appear on the Record of Depositors on 21 May 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.
9. By submitting the duly executed Form of Proxy, the member and his/her proxy(ies) consent to the Company and/or its agents/service providers to collect, use and disclose the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the Annual General Meeting of the Company and any adjournment thereof.

\* Strike out whichever is not applicable.

Fold this flap for sealing

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Affix  
Stamp

The Company Secretary

**RGB INTERNATIONAL BHD.** (603831-K)  
Suite 16-1 (Penthouse Upper), Menara Penang Garden  
42-A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia

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1<sup>st</sup> fold here



[www.rgbgames.com](http://www.rgbgames.com)

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**RGB International Bhd.**

(603831-K)

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Fax : +(60)4 263 1188