



RGB International Bhd.
(603831-K)

Annual
Report
2018

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Form of Proxy

WHAT'S INSIDE

VISION

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



MISSION

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, technical support and management ("TSM")
- on-site technical solution, preventive maintenance and repair services for electronic gaming machines and equipment ("Engineering Services")

The history of RGB's involvement in the supply and services in the gaming industry began way back in 1986 through its wholly owned subsidiary, RGB Sdn. Bhd. ("RGBSB"). The Group is now acknowledged as a leading supplier of electronic gaming machines and casino equipment as well as a major machine concession provider in Asia region.

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

The late Mr. Ng Eng Tong
Senior Independent
Non-Executive Director
(*demised on 17 April 2019*)

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
The late Mr. Ng Eng Tong
(*demised on 17 April 2019*)
Tan Sri Norazman Hamidun

Remuneration Committee

Dato' Mahinder Singh Dulku, Chairman
The late Mr. Ng Eng Tong
(*demised on 17 April 2019*)
Ms. Lam Voon Kean
Tan Sri Norazman Hamidun

Nomination Committee

The late Mr. Ng Eng Tong, Chairman
(*demised on 17 April 2019*)
Dato' Mahinder Singh Dulku
Ms. Lam Voon Kean
Tan Sri Norazman Hamidun

Employees' Share Option Scheme ("ESOS") Committee

The late Mr. Ng Eng Tong, Chairman
(*demised on 17 April 2019*)
Dato' Mahinder Singh Dulku
Datuk Steven Lim Tow Boon
Ms. Lam Voon Kean
Tan Sri Norazman Hamidun

Credit Review & Risk Assessment ("CRRR") 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

170-09-01 Livingston Tower
Jalan Argyll, 10050 George Town
Penang, Malaysia
Tel : +(60)4 229 4390
Fax : +(60)4 226 5860

Principal Place of Business

8 Green Hall, 10200 George Town
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.
2nd Floor, Wisma Penang Garden
42 Jalan Sultan Ahmad Shah
10050 George Town, 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 PLT (LLP0018825-LCA & AF 0206)
Chartered Accountants
51-21-F Menara BHL
Jalan Sultan Ahmad Shah
10050 George Town, Penang, Malaysia

Principal Bankers

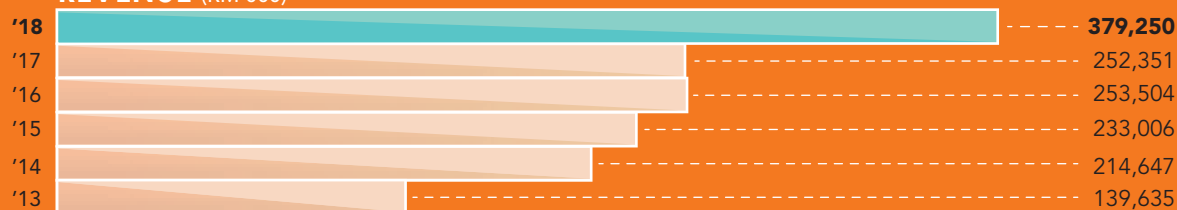
United Overseas Bank (Malaysia) Bhd.
Hong Leong Bank Berhad
The Bank of East Asia, Limited
Maybank International Labuan Branch

GROUP FINANCIAL HIGHLIGHTS

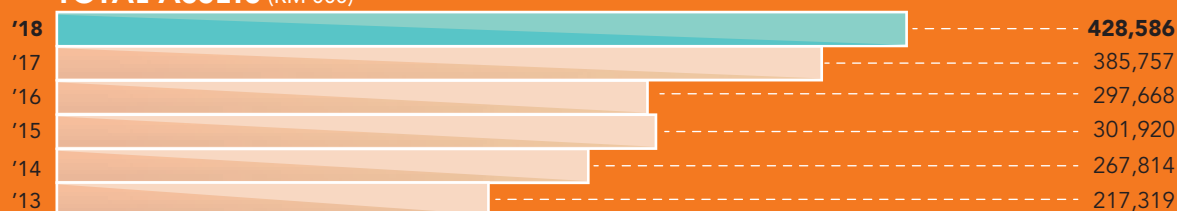
	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000
Revenue	379,250	252,351	253,504	233,006	214,647	139,635
Profit Before Tax	35,166	40,374	30,993	25,111	19,696	6,530
EBITDA*	65,743	66,543	64,002	62,323	55,081	49,030
Net Profit	35,439	30,699	25,301	21,289	18,156	5,966
Cash and Bank Balances	56,412	82,932	69,840	75,528	44,793	26,855
Property, Plant and Equipment	173,198	105,159	107,862	118,578	108,075	115,180
Total Assets	428,586	385,757	297,668	301,920	267,814	217,319
Shareholders' Equity	234,797	210,074	203,452	175,253	104,708	74,962

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

REVENUE (RM'000)



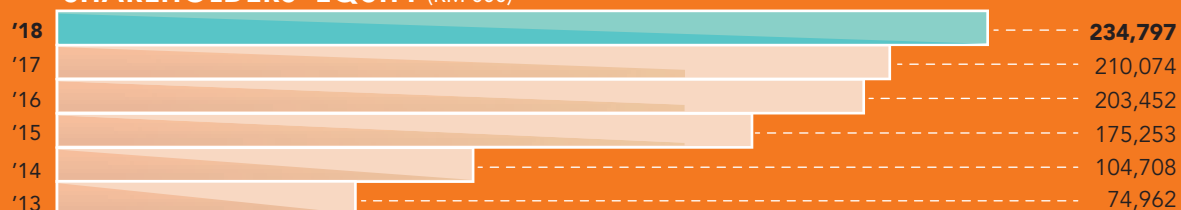
TOTAL ASSETS (RM'000)



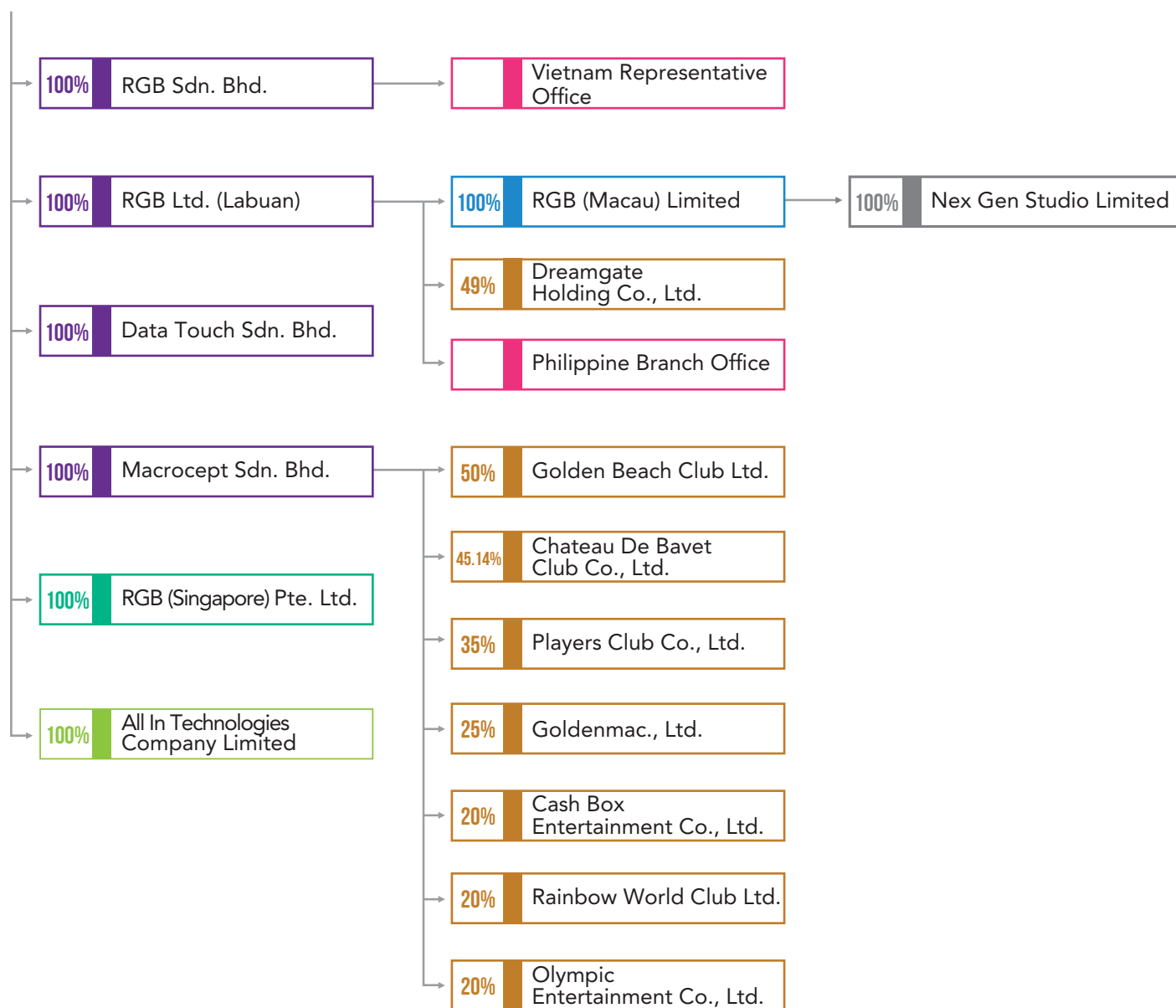
EBITDA* (RM'000)



SHAREHOLDERS' EQUITY (RM'000)



CORPORATE STRUCTURE



- Companies incorporated in Malaysia
- Companies incorporated in Cambodia
- Company incorporated in Singapore
- Company incorporated in Vietnam
- Company incorporated in Macau
- Company incorporated in Hong Kong
- Branch/Representative Office

PROFILE OF DIRECTORS



DATO' MAHINDER SINGH DULKU, DSPN, PKT Independent Non-Executive Chairman

Age/Gender/ Nationality	76/Male/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	6/6
Qualification	Utter Barrister, Lincoln's Inn, UK
Board Committee membership	<ul style="list-style-type: none"> • Chairman of Remuneration Committee • Member of Audit Committee • Member of Nomination Committee • Member of ESOS Committee
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"> • Trustee of Penang Swimming Club • Trustee of Old Xaverians' Association, Penang • Chairman of the Board of Governors of Khalsa Dharmik School, Penang • Director of several other private limited companies



DATUK CHUAH KIM SEAH, DMSM, DSDK, JP Managing Director ("MD")

Age/Gender/ Nationality	66/Male/Malaysian
Date of appointment	30 October 2003
No. of Board meetings attended	6/6
Qualification	<ul style="list-style-type: none"> • Fellow, Association of Chartered Certified Accountants • Member, Malaysian Institute of Accountants ("MIA")
Board Committee membership	<ul style="list-style-type: none"> • Chairman of Executive Committee • Member of CRRA Committee
Working experience	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.
Other information	<ul style="list-style-type: none"> • Director of several subsidiaries of RGB • Director of several other private limited companies

PROFILE OF DIRECTORS



DATUK STEVEN LIM TOW BOON, P.JN, BKM

Chief Operating Officer ("COO")

Age/Gender/Nationality	58/Male/Malaysian
Date of appointment	30 October 2003
No. of Board meetings attended	6/6
Qualification	<ul style="list-style-type: none"> Member, Australian Institute of Company Directors Bachelor of Arts, Brock University, Canada
Board Committee membership	<ul style="list-style-type: none"> Member of ESOS Committee Member of Executive Committee
Working experience	<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>
Other information	<ul style="list-style-type: none"> Director of several subsidiaries of RGB Director of several other private limited companies



MR. MAZLAN ISMAIL

Executive Director

Age/Gender/Nationality	55/Male/Malaysian
Date of appointment	30 October 2003
No. of Board meetings attended	5/6
Qualification	<ul style="list-style-type: none"> Ordinary Member, Malaysian Institute of Management Diploma in Management, Malaysian Institute of Management
Board Committee membership	Member of Executive Committee
Working experience	<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 & Associates in 1988 before leaving to pursue other career opportunities 3 years later.</p>
Other information	<ul style="list-style-type: none"> Director of several subsidiaries of RGB Director of 1 other private limited company

PROFILE OF DIRECTORS



MR. CHUAH KIM CHIEW

Deputy COO

Age/Gender/ Nationality	55/Male/Malaysian
Date of appointment	30 October 2003
No. of Board meetings attended	4/6
Qualification	Bachelor of Business Administration, University of Waseda, Japan
Board Committee membership	Member of Executive Committee
Working experience	<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>
Other information	<ul style="list-style-type: none"> • Director of several subsidiaries and an associated company of RGB • Director of several other private limited companies



THE LATE MR. NG ENG TONG

Senior Independent Non-Executive Director
(demised on 17 April 2019)

Age/Gender/ Nationality	73/Male/Malaysian
Date of appointment	27 May 2011
Date appointed as Senior Independent Non-Executive Director	31 March 2014
No. of Board meetings attended	6/6
Qualification	Bachelor of Science (Honours) in Chemical Engineering, University of Wales, UK
Board Committee membership	<ul style="list-style-type: none"> • Chairman of Nomination Committee • Chairman of ESOS Committee • Member of Audit Committee • Member of Remuneration Committee
Working experience	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.
Other information	<ul style="list-style-type: none"> • Chairman of the Board of Lembaga Totalisator Malaysia • Committee member of Royal Perak Turf Club • Director of 1 other private limited company

PROFILE OF DIRECTORS



MS. LAM VOON KEAN

Independent Non-Executive Director

Age/Gender/Nationality	66/Female/Malaysian
Date of appointment	31 March 2014
No. of Board meetings attended	6/6
Qualification	<ul style="list-style-type: none"> Member, MIA Member, Malaysian Institute of Certified Public Accountants ("MICPA")
Board Committee membership	<ul style="list-style-type: none"> Chairman of Audit Committee Member of Remuneration Committee Member of Nomination Committee Member of ESOS Committee
Working experience	<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&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>
Other information	<ul style="list-style-type: none"> Independent Non-Executive Director of Asia File Corporation Bhd. Independent Non-Executive Director of Globetronics Technology Berhad Independent Non-Executive Director of Tambun Indah Land Berhad Independent Non-Executive Director of Alcom Group Berhad



TAN SRI NORAZMAN HAMIDUN,

PSM, P.JN, DGMK, DSDK, AMK, JP

Independent Non-Executive Director

Age/Gender/Nationality	54/Male/Malaysian
Date of appointment	1 April 2014
No. of Board meetings attended	5/6
Qualification	<ul style="list-style-type: none"> Corporate Member, Malaysian Institute of Marketing MARA University of Technology majoring in Business Studies
Board Committee membership	<ul style="list-style-type: none"> Member of Audit Committee Member of Remuneration Committee Member of Nomination Committee Member of ESOS Committee
Working experience	<p>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.</p>
Other information	<ul style="list-style-type: none"> Chief Executive Officer/Chairman of HMS Oil & Gas Sdn. Bhd. Chairman of Widad Builders Sdn. Bhd. Director of several other private limited companies

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

Age/Gender/ Nationality	33/Male/Malaysian
Date first appointed to key senior management position	1 January 2016
Qualification	<ul style="list-style-type: none"> Member, Chartered Accountants Australia and New Zealand ("CA ANZ") Member, MICPA Bachelor of Business (Accounting), Monash University, Australia Bachelor of Computing, Monash University, Australia
Working experience	<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 & Young in transaction advisory and assurance services prior to joining the Group.</p>
Other information	<ul style="list-style-type: none"> Member of Executive Committee of RGB Director of several subsidiaries of RGB Director of several other private limited companies



MS. TEH MUN HUI

Chief Financial Officer ("CFO")

Age/Gender/ Nationality	46/Female/Malaysian
Date first appointed to key senior management position	1 August 2004
Qualification	<ul style="list-style-type: none"> Member, MIA Member, MICPA Bachelor of Accounting, University of Malaya
Working experience	<p>Ms. Teh is currently the CFO, a position she held since 2015. She was promoted to General Manager, Finance & 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 & Co. (now known as Ernst & Young) in its audit assurance division before joining the Group 4 years later as Finance Manager in 2001.</p>
Other information	<ul style="list-style-type: none"> Member of Executive Committee of RGB Member of CRRRA Committee of RGB Director of several subsidiaries and an associated company of RGB

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.

KEY SENIOR MANAGEMENT TEAM



MR. GANASER KALIAPPEN

Senior Vice President, Corporate and Regulatory Compliance

Age/Gender/Nationality	63/Male/Malaysian
Date first appointed to key senior management position	1 October 2004
Qualification	<ul style="list-style-type: none"> • Master in Public & International Affairs, University of Pittsburgh, USA • Bachelor of Arts, University of Malaya • Diploma in Education, University of Malaya • Diploma in Public Management, National Institute of Public Training
Working experience	<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>
Other information	<ul style="list-style-type: none"> • Member of Executive Committee of RGB • Director of a subsidiary of RGB • Director of several other private limited companies

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.



DATO' DR. GAN KONG MENG, DSDK, PSPP, SDK, DJN, BCN, SMP, AMK, KMN, PPA, PhD

Senior Vice President, Corporate Integrity

Age/Gender/Nationality	64/Male/Malaysian
Date first appointed to key senior management position	19 January 2015
Qualification	<ul style="list-style-type: none"> • Doctor of Philosophy (Drug Research), Universiti Sains Malaysia • Master in Social Science (Anthropology/Sociology), Universiti Sains Malaysia • Bachelor of Science (Mathematics and Physics), Universiti Sains Malaysia • Diploma in Police Science, Universiti Kebangsaan Malaysia
Working experience	<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>
Other information	<ul style="list-style-type: none"> • Chairman of CRRA Committee of RGB • Independent Non-Executive Director of Grand United Holdings Berhad

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 2018.

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 technical, management and advisory services to our customers.

RGB's Engineering Services division is another revenue generating division within the Group. RGB's Engineering Services 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 trained by renowned brand of manufacturers with up-to-date technical skills to deliver top quality engineering support and services. RGB's Engineering Services division offers:

MANAGEMENT DISCUSSION AND ANALYSIS

- (i) products installation, setup and relocation as well as game conversion and upgrade;
- (ii) products and scenario-based solution training;
- (iii) on-call, remote access to the system and game-related support;
- (iv) consultancy on electronic gaming machines layouts, technical requirements, machines and systems matters for new venue setup; and
- (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 continued to register robust financial performance for year 2018.

The table below highlights the Group's financial performance for year 2018:

	2018 RM million	2017 RM million
Revenue	379.2	252.3
EBITDA*	65.7	66.5
Profit before tax	35.2	40.4
Profit after tax	35.4	30.7
Shareholders' equity	234.8	210.1
Earnings per share (sen)	2.29	1.98

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

Revenue and Profit Before Tax

The Group recorded a revenue of RM379.2 million as compared to RM252.3 million in year 2017, which represents an increase of 50%. However, the profit before tax was marginally decreased to RM35.2 million from RM40.4 million in previous year.

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

- (i) The impact arising from the adoption of MFRS 15 Revenue from Contracts with Customers of RM1.8 million for TSM division;
- (ii) Higher depreciation on new machines for upgrading and expansion and increase of headcount in certain region for TSM division; and
- (iii) Unrealised translation of currencies required for operation of RM3.7 million foreign exchange loss as compared to the unrealised forex gain of RM2.0 million in previous year.

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 stood at RM62.7 million as at 31 December 2018. Net cash generated from operations was RM46.9 million. During year 2018, RM94.3 million was used for capital expenditure, RM6.3 million for repayment of borrowings and RM9.4 million for payment of dividends.

The Group's capital expenditure incurred in year 2018 amounting to RM94.3 million of which RM91.3 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 2018 improved to RM265.1 million from RM162.0 million in 2017 representing a growth of 64%. For the FYE 31 December 2018, EBITDA has increased by 6% to RM24.5 million from RM23.1 million in 2017. In tandem, profit before tax grew to RM24.0 million from RM22.9 million representing an increase of 5%. The increase in revenue was mainly attributed to the increase in our customer base resulting in a higher volume and a wider range of products sold.

TSM Division

TSM division operates in 34 concession venues across Asia with a total of 5,500 machines as at end of 2018.

In 2018, the revenue for TSM increased to RM110.7 million, representing an increase of 26% as compared to RM87.8 million a year ago. In tandem, the EBITDA has increased to RM50.0 million as compared to RM48.2 million in previous year and profit before tax has decreased to RM22.4 million from RM24.4 million in 2017. The decrease in profit before tax of 8% was primarily affected by purchase of new gaming machines, upgrading of new games software, implementation cost of the latest management system for TSM outlets and increase in staff headcount.

MANAGEMENT DISCUSSION AND ANALYSIS

Engineering Services Division

In the financial year 2018, Engineering Services division registered a total revenue of RM3.4 million representing a growth of 109% over the previous year with EBITDA and profit before tax of RM2.7 million and RM2.6 million respectively. Engineering Services 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 Services 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 Group's commendable achievement in 2018 has set the right momentum for continuous growth in 2019. The Group will capitalise on the positive results achieved in 2018 to maintain the upward growth trend by increasing our presence in gaming market.

To sustain this growth trend, the Group targets to expand our presence 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 continues to place utmost importance in creating value for our loyal shareholders. In addition to the completed corporate exercise to give bonus shares to our shareholders in 2018, the Board has proposed a final single-tier dividend of RM0.007 per ordinary share, subject to the shareholders' approval at the forthcoming Annual General Meeting ("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

We are deeply saddened by the sudden passing of our Senior Independent Non-Executive Director, Mr. Ng Eng Tong. The late Mr. Ng was appointed to the Board since 2011. During his tenure of service, he also served as Chairman of the Nomination and ESOS Committees and Member of Audit and Remuneration Committees. His valuable contribution and insights as well as wise counsel will be missed. We extend our deepest sympathy and condolences to his family.

On behalf of the Board, we wish to convey our deep gratitude to our valued shareholders for their continued confidence in us. We also wish to express our sincere appreciation to our business partners and financial institutions for their unstinting support and faith in us throughout the year.

Last but not least, we would also like to thank our fellow Directors, management team and employees for their invaluable contributions. Our consistent growth has been made possible by their hard work, solidarity, cooperation and support.

DATO' MAHINDER SINGH DULKU

Independent Non-Executive Chairman

DATUK CHUAH KIM SEAH

Managing Director

17 April 2019

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.rbggames.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 2018.

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.rbggames.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@rbggames.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 2018

20 - 22 March

ASEAN 2nd Annual Gaming Summit, the Philippines

Participated in ASEAN 2nd Annual Gaming Summit held at Conrad Manila. This event was organised by Asia Gaming Brief which gathered over 300 industry participants from Asia's land-based and online gaming industry.



15 - 17 May

Global Gaming Expo Asia ("G2E Asia") 2018, Macau SAR

Participated and showcased our latest range of electronic gaming machines and products at G2E Asia 2018, a major gaming exposition in Asia convened at The Venetian Macao.

CALENDAR OF EVENTS 2018

28 May and 29 August

15th AGM and Extraordinary General Meeting ("EGM"), Penang

15th AGM and EGM of RGB were held at Bayview Hotel Georgetown Penang. All resolutions proposed at the meetings were duly approved by the shareholders.



7 June

"Buka Puasa" Dinner, Penang

Children from Pertubuhan Permata Al-Mahabbah and The Cerebral Palsy (Spastic) Children's Association were treated to a "Buka Puasa" dinner at C'est Si Bon Restaurant, Vouk Hotel Suites and presented with hampers.



CALENDAR OF EVENTS 2018



7 - 8 September

Cambodia International Gaming Conference ("CIGC") 2018, Kingdom of Cambodia

A first-ever CIGC 2018 was organised by RGB at Sofitel Phnom Penh Phokeethra for the governmental ministries of Kingdom of Cambodia and all the casino operators in Cambodia.

26 August and 17 November

RGB Career Day 2018, Penang and the Philippines

Career days were held at G Hotel Gurney, Penang and AG New World Manila Bay Hotel, the Philippines to meet and engage with potential employees and to promote career opportunities.



CALENDAR OF EVENTS 2018



21 September

Esplanade Casual Walk, Penang
RGB Sports Club has organised a walk around the field and a team building game at The Esplanade.



3 November

Shan Children's Home, Penang

An early Deepavali celebration with donation, gifts and food for the children at Shan Children's Home.



13 - 15 November

MGS Entertainment Show 2018, 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.



SUSTAINABILITY STATEMENT



This Sustainability Statement, which represents the first reporting in the manner as prescribed in Practice Note 9 of the Main Market Listing Requirements (“MMLR”) of Bursa Securities together with the Sustainability Reporting Guide and Toolkits, highlights the commitment of RGB and its subsidiaries to undertaking our business in a responsible and sustainable manner.

SCOPE OF SUSTAINABILITY STATEMENT

This Statement focuses primarily on the principal business segments of the Group that consist of SSM, TSM, and Engineering Services. This covers the operating entities of RGBSB, RGB Ltd., RGB (Macau) Limited and the branch office in the Philippines which account for more than 95% of the Group’s revenue and are the major contributors to the economic, environmental and social sustainability (“EES”) aspects of the Group.

This Statement covers the reporting period from 1 January 2018 to 31 December 2018, unless otherwise stated.

OUR SUSTAINABILITY APPROACH

As a premier supplier of gaming machines and equipment in Asia and one of the major providers of concession programmes in Asia, the increasingly competitive gaming industry has placed a greater emphasis for businesses such as RGB to adopt a more sustainable approach. We are committed to focusing on operating our business diligently and be accountable for decisions that impact our shareholders, investors, business partners, employees, governments, industry authorities and the communities around us.

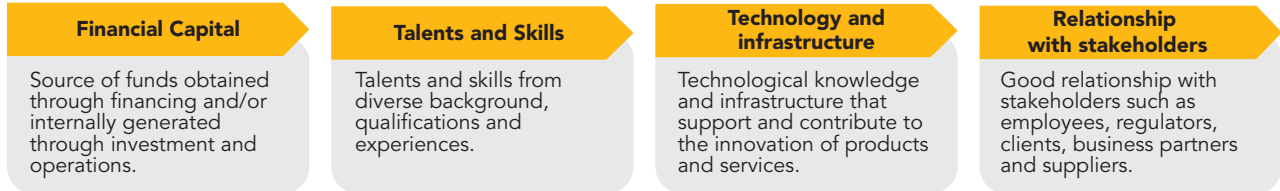
We recognise the importance of both financial and non-financial strategies in our continuous efforts to maintain long-term sustainable performance of the Group. With the formalisation of the Sustainability Policy, our sustainability initiatives provide us with the strategy to address the EES aspects of our business in the interests of various stakeholders and to enhance investor perception and public trust. We are also guided by our core values – people, quality, corporate leadership and corporate social responsibility. Upholding and reinforcing these core values as part of our sustainability initiatives are crucial for positive recognition from our stakeholders.

While focusing on improving financial profitability and shareholder value, we are also mindful of our responsibilities to provide a sustainable workplace for our human capital as they are critical components to our growth. Our commitment to corporate social responsibility (“CSR”) is represented by our “RGB Cares” programme, where we aim to create a sustainable future for our community and the environment.

As we continue in this sustainability journey and in moving our aspirations to actualisation, we have developed a structured approach to achieving a sustainable business by allocating the financial, technological and human capitals into our business operations whilst upholding our vision, mission and core values to create value for various stakeholder groups.

SUSTAINABILITY STATEMENT

OUR BUSINESS INPUTS



OUR VALUE CREATION

SUSTAINABILITY AS A KEY ENABLER



OUR BUSINESS OUTPUTS



SUSTAINABILITY STATEMENT

SUSTAINABILITY GOVERNANCE

We undertake various measures to progressively embed sustainable business practices into our day-to-day operations. Notably, during the reporting year, we have enhanced our governance structure through the formation of a Sustainability Working Group (“SWG”), to improve the management of sustainability related matters within the Group. The diagram below illustrates our new governance structure.



STAKEHOLDER ENGAGEMENT

We actively engage our internal and external stakeholders through multiple engagement channels. These engagement sessions are imperative in understanding our stakeholders’ views and addressing their expectations. We acknowledge that our stakeholders have varying levels of influence and dependence on our operations. The table below shows our efforts in engaging a wide range of stakeholders throughout the year to gauge their feedback and address their expectations.

Stakeholder group	Engagement channels
The Board, Investors/Shareholders	<ul style="list-style-type: none"> ▪ General meetings ▪ Media releases ▪ Annual Report and Quarterly Reports ▪ Corporate website
Customers/Business Partners	<ul style="list-style-type: none"> ▪ Direct engagements ▪ Events and activities (e.g. trade shows, expositions, workshops) ▪ Corporate website
Employees	<ul style="list-style-type: none"> ▪ Training programme ▪ Other avenues for interactions such as meetings, activities
Government/Regulatory Authorities	<ul style="list-style-type: none"> ▪ Participation in programme/conferences ▪ Meetings and email correspondences
Suppliers	<ul style="list-style-type: none"> ▪ One-to-one meetings ▪ Events and activities (e.g. trade shows, expositions, workshops)
Local communities	<ul style="list-style-type: none"> ▪ Corporate volunteering programme

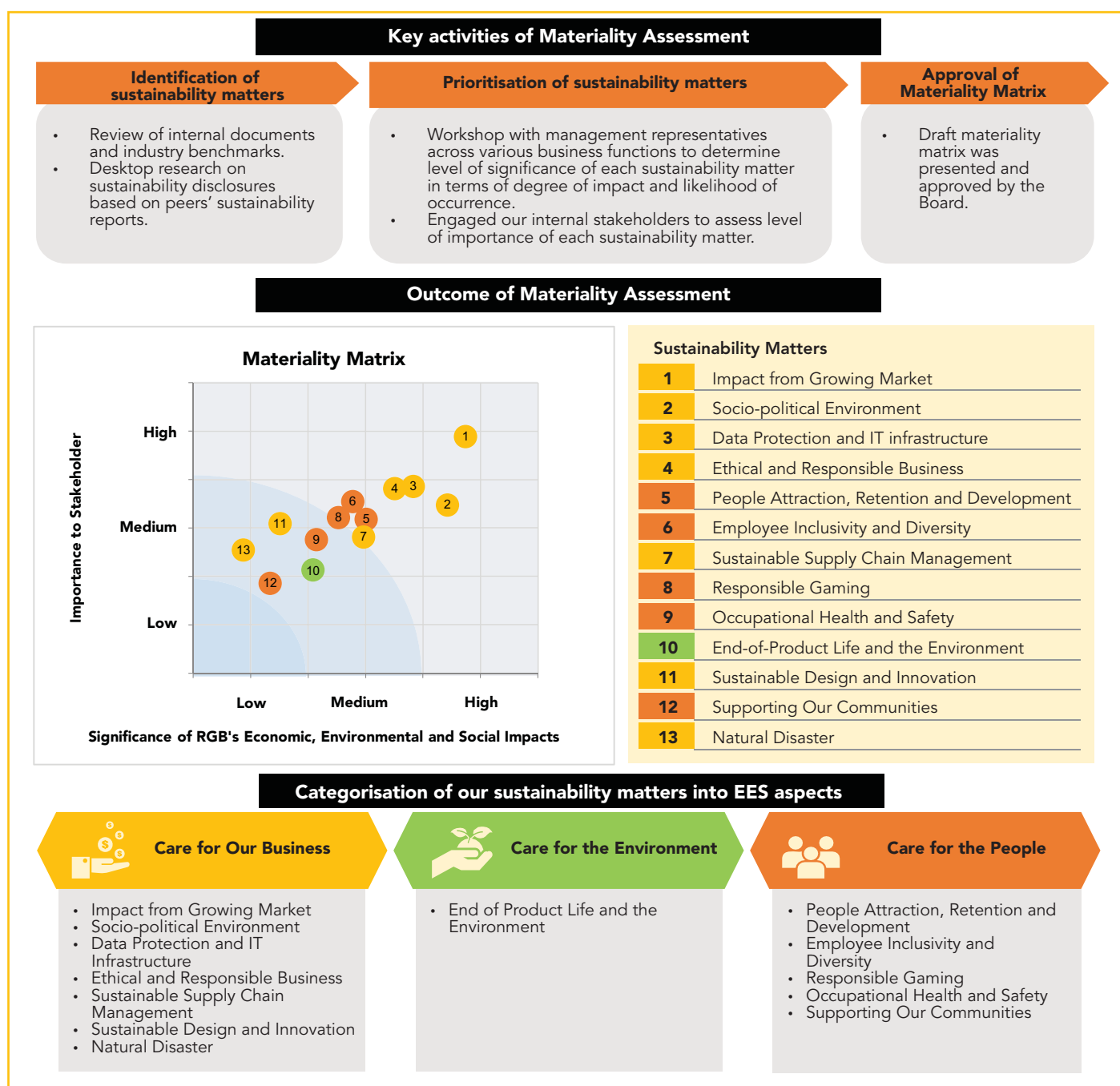
During the reporting year, under the facilitation of an external consultant, we adopted a structured approach to prioritise our stakeholder groups. The Stakeholder Prioritisation Exercise was conducted by assessing the level of influence and dependence of each stakeholder group on RGB. Based on this exercise, the Board, senior management, customers/business partners, employees and the government/regulatory authorities were identified as the key stakeholder groups for RGB to engage with.

SUSTAINABILITY STATEMENT

MATERIALITY ASSESSMENT

As we embark on our sustainability reporting journey, we adopted a structured materiality assessment approach which takes into consideration our business needs and stakeholder interests. Of the key stakeholder groups that were identified, surveys were conducted with the internal stakeholders comprising the Board, senior management and employees of the Group, to determine the level of importance of a list of identified sustainability matters. This is an initial step for the Group and we will endeavour to engage with the external stakeholder groups in the coming years.

The diagram below depicts the key activities involved in the materiality assessment process that led to the outcome of the assessment which is the Materiality Matrix:



SUSTAINABILITY STATEMENT

THEME 1: CARE FOR OUR BUSINESS

RGB's unwavering commitment to create and share sustainable value for its stakeholders
by operating in a sustainable and responsible manner

IMPACT FROM GROWING MARKET

External threats arising from the continuous growth in the gaming market cannot be neglected given the potential negative impacts it may have on our performance. The gaming industry in Southeast Asia has been on the rise in the past decade¹ and this translates to the need for the Group to closely manage the relationship with our business partners.

Distributorship Management

Our distributorship management within the SSM business segment is directly overseen by the MD with the support from our COO and CFO. The Group always ensures that formal distributorship agreements are signed with the suppliers. To have variety in our products and services and promote innovation, we encourage diversified distributorship with different suppliers instead of depending on a single or small number of suppliers.

As part of this mutual relationship with our suppliers, our SSM team is provided with regular product updates. During the reporting year, a total of 14 trainings were conducted by the industrial experts.

Our continuous efforts in improving our distribution channel management can also be seen through our joint participation with our key suppliers, in game expositions or conferences. In 2018, we participated in the Global Gaming Expo Asia (G2E Asia), MGS Entertainment Show and ASEAN 2nd Annual Gaming Summit with our key suppliers, to create awareness for our customers about our distributorship arrangements. For product improvements, we conducted quarterly dialogues with our key suppliers to share the performance of their product strengths and weaknesses, to meet with market requirements and half-yearly performance review with the suppliers to assess the performance and achievement against set targets.

The success of managing our distributorship has brought forth to the expansion of our business across Asia, in which we have become the leading distributor of internationally well-known electronic gaming machines, table games equipment, accessories and slot management system.

Customer Management

Being in the gaming industry for more than 30 years, we believe that customers are our main priority. The increase in the number of casinos especially in the Southeast Asia region presented the Group with vast opportunities to tap on. For the existing customers of the Group, we ensure that we maintain positive relationship at all times using a structured customer management framework.

Additionally, our Engineering Services team is committed to ensure that the needs of our customers and market requirements are met in a timely, reliable and cost-effective manner through technical assistance and after sales service, with the support of latest technological methodologies and tools. This is aligned with our tagline, "Commitment to Quality Services and Customer Satisfaction". Besides, being the first line of contact with customers, our team is trained with up-to-date technical skills to perform innovative and retrofit work to achieve the mission set for the team – maximising operations profitability and performance through excellent end-to-end solutions.

On top of that, regular communications are maintained with our business partners through weekly or monthly meetings to facilitate discussion on performance data of slot machines and business marketing plans. Site visits are also conducted to maintain the relationship as well as to observe the operations of the business. To ensure that all issues/complaints are properly managed and our aspiration of providing an exciting experience to our customers is maintained, we have designated personnel in each outlet to take charge of the routine issues/complaints that arise during the daily operations of our business.

Managing customers to us also means developing relationships with parties that allow the Group to increase our existing network of outlets or expand into new markets.

SOCIO-POLITICAL ENVIRONMENT

The socio-political environment in the gaming industry has always been a challenging aspect for us to manage due to our presence in various countries in the region, in which gaming regulations and social settings may vary. This can be seen in the uncertainty in the Philippines since the change to the current presidency in mid-2016²

¹ Arrifin, Eijas. 2018, October 24. Betting on the gambling industry. The Asean Post. Retrieved from <https://theaseanpost.co>

² Gambling Compliance. 2018. Asia Outlook: Casinos and Online Gambling 2018. Retrieved from <https://gamblingcompliance.com>

SUSTAINABILITY STATEMENT

which continues to shake up the relationship between government and the industry. Added to this are the difficulty in securing new licenses and increased gaming taxes in Singapore starting in 2022, the overturning of ruling by the Vietnamese government which outlawed gaming for its local population¹ and the uncertainty surrounding the next wave of casino concessions in Macau³. We are therefore cognisant of our decision-making in new ventures and management of joint-venture relationships as these ever-changing conditions may influence RGB's standing in the gaming industry.

To manage this, we have established a risk assessment framework to assess and manage the potential socio-political risks in the region where we operate. Managing business investments and strategy is a comprehensive aspect which requires continuous monitoring and assurance of compliance with relevant laws and regulations and is currently under the purview of the CRRR Committee. The CRRR Committee is guided by our internal policy and procedures that establishes a guideline for assessment and monitoring of new investments and capital expenditures and to ensure the investments are within the required rate of return.

In considering new and potential business ventures or market, we only engage with credible and reputable parties/joint venture partners with valid gaming and operations licences. All potential/new customers/business partners are subjected to the Anti-bribery and Corruption Policy where due diligence review, background checks and screening procedures are carried out. Our Board and senior management play a huge responsibility in the decision-making of new ventures and capital acquisitions based on site visits and feasibility studies of the proposals.

Because of the need to have a presence in various jurisdictions, alliance with the right business partner is vital for the Group's business growth and its sustainability. We maintain regular contact and active discussion with our business partners to keep abreast of the latest progress and achievements within the country. Our SSM, TSM and Engineering Services staff are placed at our regional offices outside of Malaysia to provide a one-stop service and support to our business partners in a more efficient and effective manner.

On top of that, the Group has initiated the following to manage the identified socio-political risk and opportunities:

Conduct site visit on overseas operations, to understand political and social situation at sites

Perform regular research and updates from research websites for the latest updates and information on the gaming industry

All agreement/contract terms with new partners are vetted by our Legal Compliance Department and appointed local legal advisor

Perform regular checking with local authorities, government staff, as well as local business partners, pertaining to political, social and economic issues of the country

DATA PROTECTION AND IT INFRASTRUCTURE

Cyber related risk has become a common emerging risk for many businesses, including RGB, to manage. Based on a study³, many companies receive up to 10,000 threats a day in Asia Pacific. We understand the potential risk of disruption to the day-to-day business that may arise from data breaches and cyber-attacks. To manage this risk, together with data protection and IT infrastructure, the Group has an IT Standard Operating Procedures in place to provide a structured and measured approach towards the general IT security and protection.

In order to safeguard our data, information and intellectual property against intrusions, viruses, malwares and ransomwares, we have installed various hardware and software within all the Company's ICT equipment and implemented user access controls to regulate access to sensitive data on servers and key applications. Our IT Department is responsible for the monitoring and tracking of installed software and their corresponding license to protect against intellectual property infringements.

In addition to the internal controls in place, our employees are reminded of the acceptable use policy and importance of data protection and IT infrastructure through awareness training and the inclusion of confidentiality clauses and non-disclosure terms in the Letter of Employment.

We have also implemented the measures that include implementation of automated backup system and the availability of external hard disk drive for data backup and recovery in order to mitigate the risks of data loss in the event of system failure and data corruption. These measures are constantly being reviewed for enhancements and improvements. A system is in place that constantly monitors firewalls and is configured to send email alerts upon detecting abnormal traffic patterns.

During the reporting year, with our continuous efforts to keep up with the current best practices and trends, we have not experienced any recordable incidents of data privacy breaches and genuine threats from our firewall monitoring.






¹ Arrifin, Eijas. 2018, October 24. Betting on the gambling industry. The Asean Post. Retrieved from <https://theaseanpost.co>

³ Cisco, 2018. Asia Pacific Security Capabilities Benchmark Study - Executive Summary. Retrieved from <https://www.cisco.com>

SUSTAINABILITY STATEMENT

ETHICAL AND RESPONSIBLE BUSINESS

To gain a competitive advantage in the increasingly competitive business environment, it is inevitable for us to conduct our business activities with the utmost integrity. Guided by our mission to achieve total compliance with the statutory and regulatory requirements, our Corporate, Regulatory and Legal Compliance Departments are responsible in overseeing all compliance issues within the Group. The Group has in place several policies and procedures to ensure all employees carry out their responsibilities in an ethical manner.

 Code of Ethics and Conduct	Cover a range of practices and procedures namely compliance with laws, rules and regulations, competition and fair dealing, conflict of interest and confidentiality and protection of company assets.
 Whistleblowing Policy	Provide an avenue for stakeholders to report any illegal/improper action and/or wrongdoing in good faith as well as protection of confidentiality of identity.
 Anti-bribery and Corruption Policy	Set standards for compliance that is expected from the stakeholders and any third party intermediaries or representatives performing work or services for or on behalf of RGB to comply with in conducting business.
 Corporate Integrity Standard Operating Procedures	Outline the principle of integrity and to ensure all core and internal policies and procedures are strictly followed as well as the compliance in relation to office environment.
 Investor Relations Policy	Describe the practices to create an effective communication with external stakeholders to ensure that dissemination of information is made in a timely, fair, transparent, accurate, consistent and equal manner. Details of the policy are available at the corporate website, http://www.rbggames.com/home/investor-policy.html .

We ensure that our employees adhere to all mandatory employment policy requirements as contained in the Employee Handbook, that the accepted code of ethical conduct and employee obligations and responsibilities are practised.

We engage with external legal advisors to consult on legal-related issues such as gaming operating standards, tax compliance, trademark application and setting up companies in foreign countries. We also engage with external company secretaries to seek advice on the latest corporate compliance and reporting requirements.

We keep ourselves abreast with the regulatory and licensing changes in the respective jurisdictions that the Group operates in, through yearly subscription to Gambling Compliance, a platform for regulatory updates for most available jurisdictions. We also ensure full compliance with the Anti-bribery and Corruption Policy, Foreign Corrupt Practices Act and Anti-Money Laundering Act policies. Since August 2015, our Anti-bribery and Corruption Policy is in full compliance with the U.S. Foreign Corrupt Practices Act and UK Anti-Bribery Act. Proper due diligence is carried out prior to any gaming related business dealing as a preventive measure stipulated under the Anti-Money Laundering Act 2001.

In addition, we receive periodic updates through various other channels, including in-house research, TSM/joint venture partners and local authorities, on the developments of the rules and regulations in the jurisdictions that the Group operates.

To ensure total compliance, the Group has implemented other key preventive measures against fraudulent activity. This includes internal policy review that is done annually or bi-annually, internal controls in place such as surprise cash counts and checks, monitoring of remittance from joint venture partners, access to safe via dual key lock system and reconciliation of soft meter readings and system data as well as installation of CCTVs and slot management system to monitor fraudulent activities.

Channels for the Group to be constantly updated with the country and industry-specific regulations

- ✓ Monitor compliance of RGB Group's activities and operations in the Philippines, Lao PDR, Cambodia where gaming policies are highly regulated by the government;
- ✓ Regular updates relating to gaming laws and political issue in respective region;
- ✓ Attendance at meetings with the local Ministry of Economics and Finance;
- ✓ Subscription to Gambling Compliance for regulatory updates; and
- ✓ Direct communication with Ministry of Finance Malaysia, Casino Regulatory Authority Singapore, Macau Directorate for the Inspection and Coordination of Games and Philippines Amusement and Gaming Corporation.

SUSTAINABILITY STATEMENT

SUSTAINABLE SUPPLY CHAIN MANAGEMENT

Our supply chain within our operations begins from obtaining procurement orders from buyers, sourcing of gaming machines, machine parts or services, and finally delivery of products or services to customers or business partners. We have a policy in place for our Product Support and Purchasing Department, which provides guidelines for the end-to-end procurement activities and emphasises the acquisition of goods and services with the required quality at optimum prices. Guided by our Logistic Policies and Procedures, the Product Support and Purchasing, Logistics (including Macau, the Philippines and Malaysia) and Credit Control Departments are responsible in ensuring that our delivery and logistic processes are executed in a timely manner and our goods arrive at the right location, in good condition and at the right cost.

We are cognisant of the need to maintain mutually positive relationships with our key suppliers. Hence, we keep and maintain good rapport with our suppliers via frequent communications such as dialogue with our major supplier on our performance. Prior to appointment of new suppliers, potential suppliers are evaluated based on key criteria such as compliance with regulatory requirements. All our key suppliers have the highest standard in regulatory compliance where we are required to comply with the relevant anti-bribery and corruption laws, regulations and international conventions in countries where RGB Group engages in business transactions, and this can be evidenced through the formalisation of our Anti-bribery and Corruption Policy. For non-key suppliers, we assess them on as the need arises, to ensure their performance. While machine parts are normally sourced from the manufacturers, other common parts are sourced locally where possible to minimise the cost of logistics and fuel consumption in transporting the parts. We have a logistical management in place to ensure that our product distribution is cost-effective and fuel-efficient.

To improve effectiveness and efficiency of the processes in the supply chain of the Group, our Logistics Department is responsible to process all shipping agreements. The performance of our supply chain processes is monitored through our internal Microsoft Dynamics AX system. For better tracking and managing the supply chain management, weekly meeting is conducted to monitor the progress of the respective department.

RESPONSIBLE GAMING

Being one of Asia's largest distributor and service support provider in the gaming industry, we aim to not only provide the best experience, but also foster and instil the concept of responsible gaming in our customers. Promoting our products for the enjoyment and entertainment of our customers is our business, but we are also aware of the accompanying negative social consequences and are highly committed to minimising and preventing these through continuously promoting an awareness for the need to exercise responsible gaming.

In the TSM business in the Philippines, we are proud to maintain the commitment of making gaming experience fun while promoting responsible gaming practices as advocated highly by the Philippines Amusement and Gaming Corporation. Besides, being a responsible business, we work closely with our customers, regulators and other stakeholders to ensure proper implementation of policies addressing gaming related problems without unduly impacting the majority who gamble recreationally and responsibly.

Initiatives to promote responsible gaming



Direct players who have gaming related issues to authorities dealing with "Responsible Gaming" problems



Assist in banning players on the list from the outlets.



Stop players who are on the banned list from patronising the outlets.



Remove players on the banned list from the outlets once identified.

A timeframe is set before problematic players are suspended from patronising the outlets and who may also be referred for professional counselling. For outlets that are under joint management, the number of problematic players is monitored. As an example, in Golden Sand Club, Timor-Leste, a total of 21 problematic players have been banned to-date. We also practise the policy of installing machines which conform to the Gaming Laboratories International (GLI) Standards. Our machines that are installed at joint venture outlets are from reputable manufacturers with compliance of "International Gaming Standards" and are certified by an independent gaming certification lab in the world, BMM Testlabs.

We have a structured process in place to ensure our machines are installed and operated with the highest integrity, both from the technology and players' perspective. Prior to putting the machines into operations, User Acceptance Test is carried out on the machines in the presence of a government officer, representative of the joint venture partner, TSM and Engineering Services personnel to ensure that all the requirements have been complied with.

From education perspective, during the reporting year, the Group organised the Cambodia International Gaming Conference for the governmental ministries of Kingdom of Cambodia and all the casino operators in Cambodia. The 1-day conference discussed current trends in the gaming industry that included issues related to responsible gaming and how problematic gaming is being managed by the casino operators.

SUSTAINABILITY STATEMENT

SUSTAINABLE DESIGN AND INNOVATION

Guided by one of our core values – Quality, we strive to serve and deliver the best quality of services and products by taking EES into consideration in the products that we design and develop. At RGB, our Creative Studio Department plays an important role in the development of gaming products which are suited to the ever-evolving market. We have in place the Game Development Procedures to guide us in the development of land-based slot products. We also have in place the Game Releases' Quality Assurance Procedures, which is supplemented with checklist, game bugs tracking list and game release form to ensure quality assurance and continuous improvements of released products.

To ensure a sustainable product design and development, as well as to encourage innovation in order to stay abreast with the evolving trends in the industry, the Group has embarked on the following initiatives:



Our procedures, practices and measures are constantly being reviewed to ensure effective and sustainable product designs and development as well as to promote and accelerate innovation. The existing Standard Operating Procedures are being streamlined in order to widen the scope of product development to cover online-based products as well.

NATURAL DISASTER

The occurrence of natural disaster is unpredictable and the impact from it can be devastating. Damages from nature related catastrophes could linger for months or years. By having the TSM business operations in a region that is highly exposed to natural disasters such as earthquakes and typhoon, the Group has in place an emergency protocol for our employees and customers to follow in such eventualities. In order to raise the preparedness amongst the employees in this region, we provide preparedness training for all the employees. Evacuation diagrams are displayed at various areas to ensure that the employees are aware and well informed.

As preventive measures, important information and data are backed up automatically on a daily basis. Annually, fire drills are carried out at the office building and outlet by the respective property owner. We also conduct basic training on fire prevention for outlets that are under RGB Group's control. For region that is prone to earthquake, earthquake drills are also carried out.

During the reporting year, there are no natural disasters recorded at the jurisdictions where RGB Group operates.

Current initiatives/ measures to mitigate the impact of natural disaster



High runner slot machines are placed at higher level to prevent damage due to floods.



The outlet is built on higher ground to avoid unfortunate events or incidents that may be caused by flood.



Staff are alerted for early preparation when an alarming natural disaster is forecast.



The information and data are backed-up automatically on a daily basis.

SUSTAINABILITY STATEMENT

THEME 2: CARE FOR THE ENVIRONMENT

RGB's long-term commitment to minimise environmental impacts by operating in an eco-friendly manner while delivering innovation and excellence

END OF PRODUCT LIFE AND THE ENVIRONMENT

Little is known that gaming machines do contain hazardous materials such as heavy metals, the potential risk of which comes from machines that are decommissioned. To manage this, RGB Group endeavours to reduce the waste that is generated from the decommissioning of older, obsolete or unutilised gaming machines. The machines are decommissioned after our internal analysis of the market determines that the ever-changing demand for popular gaming concepts and trends from the customers and country-specific regulations as well as information from the manufacturers have rendered them obsolete. Our TSM and Engineering Services teams also keep a record of all the machines that malfunction and have undergone repair to track and observe the performance of the machines. In addition to the threats to the environment, machines that are unutilised continue to depreciate in value, their physical condition and functionality.

To address this, the Group has carried out refurbishment of machines and reallocated them according to their purpose. While the machines are being utilised, our engineers would maintain them accordingly – recondition, upgrade and repair, and when the machines have reached their end of life, certain components are removed for re-use in similar machines. Our plans in mobilising machines from tier-1 to tier-2 and tier-3 countries have also given us the opportunities to lengthen the life of the machines in the market. The refurbishment programme is currently carried out on need-be basis.

Apart from managing the environmental impacts arising from end of product life, the Group has taken initiatives to minimise energy and water consumption and waste generation at the back office end of our operations. These initiatives include installation of energy-efficient bulbs, LED lighting, reduced use of computer peripherals, air-conditioning and printers as well as the 3R strategy of Recycle, Reduce and Reuse. Through the 3R efforts, a total of 1,928 kg of paper and plastic wastes have been recycled during the 3-year period of 2016-2018.

THEME 3: CARE FOR OUR PEOPLE

RGB's contribution to the economy by providing a sustainable workplace for our employees' career development whilst placing importance on giving back to the community

PEOPLE ATTRACTION, RETENTION AND DEVELOPMENT

We truly believe that our employees are our most valuable asset. We continuously identify new talents and maximise their potentials by providing them with vast opportunities for not only career development, but also finding innovative solutions for our clients. In addition to recruiting and selecting employees who are highly qualified and skilled for carrying out their tasks with high professionalism, the Group strives to continually enhance our employees' knowledge and skills throughout their career with us.

The hiring practices are guided by our Guidelines for Recruitment Process under the Human Resources Policies and Procedures. The Group has also formalised a recruitment/screening process to ensure that recruitment for all positions including permanent, part time or contract basis is conducted in line with the requirements. We hire employees based on their skills and competencies as well as personal behaviours with no preference as to gender, age, religion or ethnicity.

The Group has always believed in local young talents and to exploit this, the Group has taken the following key initiatives to recruit and develop such talents.

SUSTAINABILITY STATEMENT

Referral Programme	Programme for existing employees to recommend potential young candidates, whereby the employees are rewarded for successful referrals.
Career Fair	Human Resources Department makes presence in career fairs to reach out for potential young talents.
Graduate Programme	The Group has introduced the Graduate Programme in year 2018 to recruit potential young talents to join at entry-level.



In our Human Resources Policies and Procedures, the Group has adopted the Performance Management System for the conduct of performance appraisal of all our employees. The policy ensures a structured approach in the carrying out of the performance appraisal process.

At RGB, we constantly aspire to provide continuous learning and development for the employees within the Group through internal and external training programmes to develop the capability of employees and eventually facilitate their career growth. During the reporting year, we have conducted leadership training for the management team and technical trainings for the technical and support groups to brief on the latest trends in the industry. Induction trainings were also held to equip new recruits with the Group’s policies and procedures and the Employee Handbook. The Group aims to conduct more technical and soft skill training in 2019, as well as carry out Training Needs Analysis and develop key performance indicators to ensure continuous career development of our employees and enhance our employee retention, which will consequently help in the succession planning process within the Group.

EMPLOYEES INCLUSIVITY AND DIVERSITY

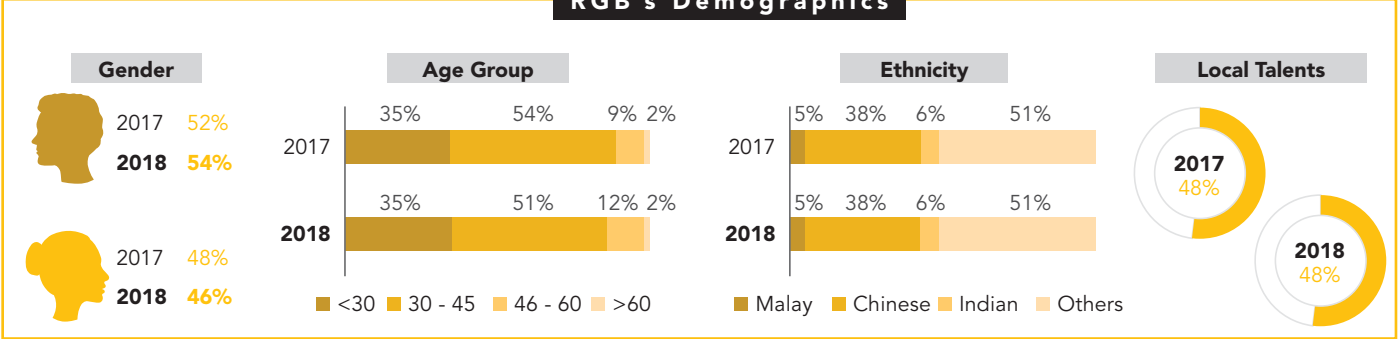
We embrace workforce diversity within our Group and we believe in creating an environment which ensures that our people feel safe, are empowered at work and have zero-tolerance for unethical and immoral conduct at workplace. We respect our employees’ rights to be heard as their feedbacks and opinions are significant to us. To ensure this, we have introduced several employee engagement initiatives to promote a high-performing working culture, which motivates employees’ productivity and improve employee welfare.

Initiatives to promote high-performing work culture

 <p>Open Door Discussion</p> <p>The concept of “open door” encourages a two-way communication with their superiors to ensure sharing of ideas and/or work to improve work processes and working environment.</p>	 <p>Sports Club</p> <p>We organise sports activities for employees to gather and interact as physical well-being is key to productive and happy workforce.</p>	 <p>CSR Events</p> <p>Employees from various departments are involved in CSR events/activities, e.g. during festive seasons.</p>
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Compensation packages are provided based on a structured performance appraisal process and benchmarked against market’s fair wage practices on an annual basis. We offer healthcare-related benefits such as insurance, medical claims, health-screening programme, time-off for emergency cases or doctor consultation, as well as fruit baskets for hospitalised employees. We also provide allowance benefits for subsistence, flight, accommodation, meal, phone and transport to employees, especially seconded employees and local employees who undergo business trips. For employees who work at the outlet, accommodation in vicinity of the workplace, company vehicles, driver services or outlet buses are provided. Additionally, our employment practices are in compliance with the local requirements such as Employment Act 1955, Children and Young persons (Employment) Act 1966, Employment (Restriction) Act 1968 and Minimum Wages Order 2016.

RGB’s Demographics



SUSTAINABILITY STATEMENT

OCCUPATIONAL HEALTH AND SAFETY

Our employees are one of our key assets, hence their health and safety at the workplace is of high priority. At RGB, the Administration Department is responsible to evaluate the working environment, developing, endorsing and encouraging measures that might prevent injuries and illness and to provide safety and health related information to all the stakeholders including employers, employees, and the public.

Health and Safety Procedures

Provision of personal protective equipment (PPE)



We provide high-quality face mask with filter, safety shoes and goggles to employees who may be exposed to dusty/cold/chemical-related working condition. We also provide glove and mask to staff during layout printing process (to avoid scalding) and removal of contaminant.

Assessment on risk and effectiveness of controls at the workplace



We appoint contractors to conduct maintenance services for fire protection system such as fire alarm, fire extinguishers and hose reel system every 2 months. Fire extinguishers are installed and replaced yearly before expiry.

Emergency Response Plans



Our on-site emergency response teams are accountable for any emergency responses. We provide emergency response and fire-fighting training to our employees.

Healthy and Safe Indoor Environment



The filters of the air conditioners are cleaned on a monthly basis to achieve a healthy indoor working environment.

As discussed in the "Employees Inclusivity and Diversity" section of the Statement, we strive to ensure that the well-being of our employees are being taken care of through our health benefits as well as accessibility and convenience that are provided for our employees at workplace.

The Group constantly equips the employees, including new joiners, with several safety related training programmes such as on forklift safety, performing equipment inspections, gaming machine handling and on-job hazards.

Amount invested in community development in 2018

RM397,000



SUPPORTING OUR COMMUNITIES

While concentrating on managing a profitable business, we strive to play a part as a good corporate citizen by promoting inclusiveness with the community through social development. We have formalised and introduced a social initiative through a programme known as "RGB Cares". It symbolises the Group's commitment to operate its business responsibly and be accountable for decision that impact the shareholders, investors, employees, business partners and fellow stakeholders. We have a dedicated portal on "RGB Cares" at <http://www.rgbgames.com/home/rgb-cares.html> to demonstrate our efforts as a responsible corporate citizen.

Bolstered by our 3 CSR objectives, our CSR Department is responsible in leading, overseeing the planning and implementing all CSR initiatives and activities within the Group. The social activities of the Group are currently guided by the Company's CSR Policy. In order to enhance and bring value to the community, we have plans to develop a Standard Operating Procedure in the future to establish a structured approach for our CSR initiatives.

CSR Objectives

Being a good corporate citizen.

To create awareness where RGB operates.

Providing fair participation for everyone to have the opportunity to access food and education.

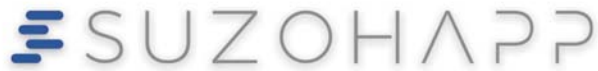
We strive to do our part and give back to society through passionate and voluntary community service. Over the years, our employees actively engaged with orphans, spastic children, senior citizens and the disabled group, especially during festive seasons to add joy and share the spirit of the festivities. We also endeavor to provide equal learning to the society through our participation in fund-raising for schools, monetary donations or in-kind to the outskirt community to raise fund for education. During the reporting year, the Group has expanded its efforts in terms of education via an internship programme for school leavers known as Graduate Programme and School Leaver Programme. Our other CSR initiatives include raising funds for a temple building.

We aim to continuously enhance our CSR initiatives in the forthcoming years. In the near future, we aim to explore and expand our CSR initiatives to other jurisdictions where RGB Group operates, to improve the health and well-being of communities, to enhance equal learning, as well as contribution of digital assets to deserving non-governmental organisations and communities.



KEY SUPPLIERS

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 2018. This statement is prepared in compliance with MMLR of Bursa Securities and it is to be read together with the Company's CG Report 2018 ("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) Revision of the Nomination Committee's TOR.
- x) Consideration of the appointment of an additional member to the Executive Committee.

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.rgbgames.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 3 times to deliberate on:

- i) remuneration package including any benefits payable to the Executive Directors and senior management for year 2018;
- ii) revision of the TOR of Remuneration Committee;
- iii) Remuneration Policy for Directors and senior management; and
- iv) proposed renewal of Directors and Officers Liability Insurance Policy.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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. During the financial year under review, the ESOS Committee comprised 4 Independent Non-Executive Directors and an Executive Director. The Committee met once and deliberated on the allocation of shares under ESOS to eligible employees of the Group.

e) CRRRA Committee

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

Summary of activities of the CRRRA 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 2018, as set out in the table below.

Directors	Attendance
Dato' Mahinder Singh Dulku	6/6
Datuk Chuah Kim Seah	6/6
Datuk Steven Lim Tow Boon	6/6
Mr. Mazlan Ismail	5/6
Mr. Chuah Kim Chiew	4/6
The late Mr. Ng Eng Tong (<i>demised on 17 April 2019</i>)	6/6
Ms. Lam Voon Kean	6/6
Tan Sri Norazman Hamidun	5/6

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

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

During the financial year under review, the Board comprised 4 Executive Directors and 4 Independent Non-Executive Directors which complied with the MCGG and MMLR of Bursa Securities in respect of board composition.

With the demise of the late Mr. Ng Eng Tong, the Senior Independent Non-Executive Director, on 17 April 2019, the current composition of the Board is not aligned with this Practice 4.1 of MCGG which requires at least half of the Board comprises independent directors. The Nomination Committee will search for a suitable candidate to be recommended to the Board for appointment as an Independent Non-Executive Director of the Company to bring the level of Independent Directors on the Board to half of the total number of the Directors.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

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 16th 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 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. The effectiveness of the Audit Committee is further assessed in the aspects of its quality, skills and competencies as well as the conduct and administration of the Audit Committee meetings.

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 26 February 2019 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 2018 were as follows:

Director	Programmes	Date
Dato' Mahinder Singh Dulku	Global Gaming Expo Asia 2018	15 - 17 May 2018
	Affin Hwang Asset Management	29 August 2018
	Cambodia International Gaming Conference 2018	7 September 2018
Datuk Chuah Kim Seah	ASEAN 2 nd Annual Gaming Summit	20 - 22 March 2018
	How to Manage Impairment of Various Assets (Beyond MFRS136/IAS36)	18 April 2018
	Global Gaming Expo Asia 2018	15 - 17 May 2018
	Australasian Gaming Expo 2018	14 - 16 August 2018
	Affin Hwang Asset Management	29 August 2018
	Cambodia International Gaming Conference 2018	7 September 2018
	Global Gaming Expo Las Vegas 2018	9 - 11 October 2018
	MGS Entertainment Show 2018	14 November 2018
	National Tax Seminar (NTS) 2018	15 November 2018
Datuk Steven Lim Tow Boon	ICE Totally Gaming 2018	6 - 8 February 2018
	ASEAN 2 nd Annual Gaming Summit	20 - 22 March 2018
	Global Gaming Expo Asia 2018	15 - 17 May 2018
	International Company Directors Course (by Australian Institute of Company Directors)	11 - 15 June 2018
	Australasian Gaming Expo 2018	14 - 16 August 2018
	Affin Hwang Asset Management	29 August 2018
	Improving Slot Revenues - It's All About Marketing	3 - 5 September 2018
	Cambodia International Gaming Conference 2018	7 September 2018
	Global Gaming Expo Las Vegas 2018	9 - 11 October 2018
	MGS Entertainment Show 2018	14 November 2018
	KPMG Penang Tax Summit 2018	22 November 2018

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Director	Programmes	Date
Mr. Mazlan Ismail	Affin Hwang Asset Management	29 August 2018
	MGS Entertainment Show 2018	14 November 2018
Mr. Chuah Kim Chiew	Global Gaming Expo Asia 2018	15 - 17 May 2018
	Affin Hwang Asset Management	29 August 2018
	Combodia International Gaming Conference 2018	7 September 2018
	Global Gaming Expo Las Vegas 2018	9 - 11 October 2018
The late Mr. Ng Eng Tong (demised on 17 April 2019)	Corporate Governance Briefing Sessions: MCCG Reporting & CG Guide	1 March 2018
	Affin Hwang Asset Management	29 August 2018
Ms. Lam Voon Kean	Hong Kong IPO for Malaysian Enterprises Conference – Hong Kong Capital Markets Analysis and IPO Practices	17 May 2018
	Affin Hwang Asset Management	29 August 2018
	Case Study Workshop for Independent Directors “Rethinking- Independent Directors: Board Best Practices”	5 September 2018
Tan Sri Norazman Hamidun	Affin Hwang Asset Management	29 August 2018

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.rbggames.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 2018, 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 CRRA 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 Constitution provides that a member entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint not more than 2 proxies to attend and vote in his/her stead at the meeting, and that a proxy may but need not be a member. There shall be no restriction as to the qualification of the proxy. Where a member appoints more than 1 proxy, he/she shall specify the proportion of his/her holdings to be represented by each proxy, failing which the appointment shall be invalid. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

Poll voting

Pursuant to Paragraph 8.29A of the MMLR of Bursa Securities, voting at the 15th AGM of the Company held on 28 May 2018 at Bayview Hotel Georgetown Penang was conducted by poll using an electronic voting system. 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 15th 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, BDO PLT, 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 2019.

AUDIT COMMITTEE REPORT

MEMBERS

Ms. Lam Voon Kean, Chairman	- Independent Non-Executive Director
Dato' Mahinder Singh Dulku	- Independent Non-Executive Chairman
The late Mr. Ng Eng Tong (<i>demised on 17 April 2019</i>)	- 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

During the FYE 31 December 2018, the Audit Committee comprised 4 members, all of whom were Independent Non-Executive Directors and this met 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 and Audit Committee 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.

A total of 5 meetings were held during the FYE 31 December 2018. 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
The late Mr. Ng Eng Tong (<i>demised on 17 April 2019</i>)	5/5
Tan Sri Norazman Hamidun	4/5

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES

The main activities undertaken by the Audit Committee for the FYE 31 December 2018 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 2018 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 2018 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 2018 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 BDO PLT as auditors of the Company for the FYE 31 December 2018 subject to shareholders' approval.

- (c) Discussed with external auditors on their audit plan for the FYE 31 December 2018 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 2018 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.

(3) Internal Audit

- (a) Reviewed and approved the risk based internal audit plan for the FYE 31 December 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.

AUDIT COMMITTEE REPORT

(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.

(5) Others

- (a) Reviewed Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report 2018 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 2018 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") and status update of approved new ROI.
- (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.
- (g) Considered the sustainability reporting service from an external independent consultant prior to recommending it to the Board for consideration and approval.
- (h) Reviewed the proposed audit and tax fees for FYE 31 December 2018 and recommended them to the Board for approval.

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 budget and investment monitoring, outlet management and inventory management based on the internal audit plan which has been approved by the Audit Committee. The internal auditors have also carried out a Foreign Corrupt Practices Act/anti-bribery and corruption compliance review on the Company's internal controls, policies and procedures. 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 2018 is RM228,000.

This report is made pursuant to a resolution of the Board dated 17 April 2019.

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 2018.

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 CRRA 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 CRRA 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 update to the Board via CRRA 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.

The CRRA 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 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.

(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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 2018 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 2019.

2018

27 February

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

30 April

Announcement of the audited consolidated results for the financial year ended 31 December 2017

28 May

15th Annual General Meeting

28 May

Announcement of the consolidated results for the 1st quarter ended 31 March 2018

29 August

Announcement of the consolidated results for the 2nd quarter ended 30 June 2018

26 November

Announcement of the consolidated results for the 3rd quarter ended 30 September 2018

2019

26 February

Announcement of the consolidated results for the 4th quarter and financial year ended 31 December 2018

FINANCIAL CALENDAR

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2018

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 2018.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. 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	35,439,083	11,217,974
Attributable to:		
Owners of the Company	35,173,257	11,217,974
Non-controlling interests	265,826	-
	35,439,083	11,217,974

DIVIDENDS

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

	Company RM
In respect of financial year ended 31 December 2017:	
Final single-tier dividend of RM0.007 per ordinary share, paid on 28 June 2018	9,412,960

The Directors have proposed a final single-tier dividend of RM0.007 per ordinary share in respect of the financial year ended 31 December 2018, 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 Note 26 to the financial statements.

DIRECTORS' REPORT

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 1,340,547,300 ordinary shares to 1,539,089,683 ordinary shares by way of:

- (a) the issuance of 5,466,300 new ordinary shares for cash pursuant to the exercise of Employees' Share Option Scheme ("ESOS"), before bonus issue, at a weighted average issue price of RM0.135 per ordinary share;
- (b) the bonus issue of 192,283,353 new ordinary shares credited as fully paid up on 20 September 2018 on the basis of one (1) bonus share for every seven (7) existing ordinary shares held; and
- (c) the issuance of 792,730 new ordinary shares for cash pursuant to the exercise of ESOS, after bonus issue, at a weighted average issue price of RM0.104 per ordinary share.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary 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 five (5) years from the date of implementation. On 24 August 2012, the Company had extended the option for another five (5) years until 20 October 2019.

The salient features and other terms of the ESOS are disclosed in Note 28 to the financial statements.

DIRECTORS' REPORT

EMPLOYEES' SHARE OPTION SCHEME (continued)

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 1 January 2018 '000	Granted '000	Exercised '000	Forfeited '000	Outstanding at 20 September 2018 '000	Bonus issue '000	Exercised '000	Forfeited '000	Outstanding at 31 December 2018 '000	Exercisable at 31 December 2018 '000
2010 options:										
Grant 1	4,426	-	(1,316)	-	3,110	445	(277)	-	3,278	3,278
2012 options:										
Grant 2	229	-	(33)	-	196	28	(83)	-	141	141
Grant 3	694	-	(81)	-	613	88	-	-	701	701
2013 options:										
Grant 4	1,034	-	(457)	-	577	83	(47)	-	613	613
2014 options:										
Grant 5	4,550	-	(1,496)	-	3,054	436	(201)	-	3,289	3,289
2015 options:										
Grant 6	2,877	-	(865)	(159)	1,853	265	(104)	-	2,014	2,014
2017 options:										
Grant 7	4,670	-	(701)	(446)	3,523	503	-	(41)	3,985	2,443
Grant 8	7,757	-	(517)	(235)	7,005	1,000	(10)	(127)	7,868	7,868
2018 options:										
Grant 9	-	2,899	-	(116)	2,783	397	(71)	(37)	3,072	3,072
	26,237	2,899	(5,466)	(956)	22,714	3,245	(793)	(205)	24,961	23,419

On 20 August 2018, the Company granted options over ordinary shares amounting to 2,898,600 at an exercise price of RM0.22 per share to eligible employees of the Group under the Company's ESOS.

DIRECTORS' REPORT

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

RGB International Bhd.

Dato' Mahinder Singh Dulku
 Datuk Chuah Kim Seah
 Datuk Lim Tow Boon
 Mazlan Ismail
 Chuah Kim Chiew
 The late Ng Eng Tong (demised on 17 April 2019)
 Lam Voon Kean
 Tan Sri Norazman Hamidun

Subsidiaries of RGB International Bhd.

Chuah Eng Hwa
 Teh Mun Hui
 Ganaser Kaliappen
 Chuo Ah Ngau
 Ung Chi Fong
 Lim Chin Teong (appointed on 4 January 2019)
 Andrew Lim Chong Thye (appointed on 21 May 2018)
 Tang Weng Cheong (resigned on 4 January 2019)
 Ho Choo Geok (resigned on 21 May 2018)

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 2018 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 2018
	1 January 2018	Acquired	Bonus issue	Sold	
Shares in the Company					
<u>Direct interests:</u>					
Dato' Mahinder Singh Dulku	40,000	1,600,000	234,285	-	1,874,285
Datuk Chuah Kim Seah	378,350,290	10,000,000	55,478,612	-	443,828,902
Datuk Lim Tow Boon	6,640,500	-	948,642	-	7,589,142
Mazlan Ismail	50,000,000	-	7,142,857	-	57,142,857
Chuah Kim Chiew	27,764,194	-	3,966,313	-	31,730,507
Lam Voon Kean	1,000,000	1,000,000	285,714	-	2,285,714
Tan Sri Norazman Hamidun	2,980,000	-	425,714	-	3,405,714
<u>Indirect interests:</u>					
Datuk Chuah Kim Seah	1,903,800	550,700	350,641	-	2,805,141
Mazlan Ismail	20,000,000	-	1,428,571	(10,000,000)	11,428,571
Chuah Kim Chiew	1,603,800	571,542	300,542	-	2,475,884

DIRECTORS' REPORT

DIRECTORS' INTERESTS (continued)

	← Number of options over ordinary shares →				31 December 2018
	1 January 2018	Exercised	Bonus issue	Forfeited	
Share options in the Company					
Dato' Mahinder Singh Dulku	1,000,000	(1,000,000)	-	-	-
Lam Voon Kean	2,000,000	(1,000,000)	142,857	-	1,142,857
Tan Sri Norazman Hamidun	1,000,000	-	142,857	-	1,142,857

By virtue of Datuk Chuah Kim Seah's interest in the shares of the Company, he is deemed to have interest in the shares of all the subsidiaries to the extent that the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in the 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 following:

- (a) certain Directors who may be deemed to derive benefits by virtue of trade transactions entered into with companies in which certain Directors have substantial financial interests; and
- (b) certain Directors who received remuneration from the subsidiaries as Directors of the subsidiaries.

The details of the above transactions are disclosed in Note 34 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 the 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 as mentioned in Note 28 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. The amount of insurance premium paid by the Company for the financial year 2018 was RM21,510.

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 known 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 will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(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.

DIRECTORS' REPORT

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

Auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2018 amounted to RM51,000 and RM187,578 respectively.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

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 2019

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements as set out on pages 65 to 133 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 2018 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 2019

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 set out on pages 65 to 133 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 George Town in the State of Penang on 17 April 2019

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 2018 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 65 to 133.

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 2018, 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.

Impairment of trade receivables

Gross trade receivables of the Group as at 31 December 2018 were RM126,263,718 as disclosed in Note 20 to the financial statements.

We determined this to be key audit matter because it requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward-looking information.

Audit response

Our audit procedures included the following:

- (a) Recomputed the probability of default using historical data and forward-looking information adjustment applied by the Group;
- (b) Recomputed the correlation coefficient between the macroeconomic indicators set by the Group and historical credit losses to determine the appropriateness of the forward-looking information used by the Group; and
- (c) Inquiries of management to assess the rationale underlining the relationship between the forward-looking information and expected credit losses.

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF RGB INTERNATIONAL BHD.

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 ability of the Group and of the Company 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.

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 internal control of the Group and of the Company.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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 (continued):

- (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 ability of the Group or of the Company 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.

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 PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Koay Theam Hock
02141/04/2021 J
Chartered Accountant

Penang
17 April 2019

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Revenue	5	379,249,636	252,350,768	16,484,139	17,117,212
Cost of sales	6	(298,966,417)	(167,883,638)	-	-
Gross profit		80,283,219	84,467,130	16,484,139	17,117,212
Other income	7	3,204,238	3,725,502	69,250	64,845
Administrative expenses		(36,846,576)	(43,480,733)	(4,827,504)	(4,644,565)
Selling and marketing expenses		(6,233,135)	(5,294,251)	-	-
Other (expenses)/gain, net		(4,333,979)	1,439,288	(491,801)	(227,757)
Finance costs	8	(908,127)	(482,451)	(4,946)	(3,123)
Profit before tax		35,165,640	40,374,485	11,229,138	12,306,612
Taxation	11	273,443	(9,675,911)	(11,164)	13,183
Profit for the financial year		35,439,083	30,698,574	11,217,974	12,319,795
Other comprehensive income/(loss), net of tax:					
Item that may be reclassified subsequently to profit or loss					
- Foreign currency translation, representing other comprehensive income/(loss) for the financial year					
		4,924,393	(20,371,428)	-	-
Total comprehensive income for the financial year		40,363,476	10,327,146	11,217,974	12,319,795
Profit attributable to:					
Owners of the Company		35,173,257	30,278,455	11,217,974	12,319,795
Non-controlling interests	15(d)	265,826	420,119	-	-
		35,439,083	30,698,574	11,217,974	12,319,795
Total comprehensive income attributable to:					
Owners of the Company		39,675,683	12,047,625	11,217,974	12,319,795
Non-controlling interests		687,793	(1,720,479)	-	-
		40,363,476	10,327,146	11,217,974	12,319,795
Earnings per ordinary share attributable to owners of the Company (sen):					
Basic	12(a)	2.29	1.98		
Diluted	12(b)	2.27	1.95		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Assets					
Non-current assets					
Property, plant and equipment	14	173,198,346	105,158,595	34,528	33,603
Investments in subsidiaries	15	-	-	158,910,782	157,632,007
Investments in associates	16	165,373	162,081	-	-
Right-of-use assets	17(a)	1,552,005	-	40,109	-
Intangible assets	18	2,294,475	2,674,314	-	-
Trade receivables	20	24,724	387,718	-	-
Other receivables	21	37,563	46,230	-	-
Lease receivables	22	8,286,215	9,870,051	-	-
Due from associates	24	2,866,787	-	-	-
		188,425,488	118,298,989	158,985,419	157,665,610
Current assets					
Inventories	19	4,725,154	10,179,498	-	-
Trade receivables	20	123,399,331	84,899,257	-	-
Other receivables	21	47,090,635	53,173,747	81,206	70,337
Lease receivables	22	2,245,715	1,605,945	-	-
Due from subsidiaries	23	-	-	10,014,654	8,191,468
Due from associates	24	-	4,076,989	-	-
Current tax assets		-	-	3,948	5,196
Cash and bank balances	25	62,699,669	113,522,706	2,667,990	2,344,975
		240,160,504	267,458,142	12,767,798	10,611,976
Total assets		428,585,992	385,757,131	171,753,217	168,277,586
Equity and liabilities					
Equity attributable to owners of the Company					
Share capital	26	157,052,573	134,729,884	157,052,573	134,729,884
Reserves	27	77,743,961	75,344,360	14,005,946	32,893,399
		234,796,534	210,074,244	171,058,519	167,623,283
Non-controlling interests	15(d)	20,988,480	20,820,082	-	-
Total equity		255,785,014	230,894,326	171,058,519	167,623,283

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Non-current liabilities					
Borrowings	29	5,472,027	7,205,872	-	-
Lease liabilities	17(b)	657,055	-	-	-
Trade payables	32	8,592,286	230,454	-	-
Deferred tax liabilities	31	134,307	131,956	-	-
		14,855,675	7,568,282	-	-
Current liabilities					
Borrowings	29	13,870,808	5,573,164	-	-
Lease liabilities	17(b)	913,412	-	41,002	-
Trade payables	32	107,747,636	60,050,352	-	-
Other payables	33	34,614,752	80,849,429	653,696	654,303
Due to associates	24	88,744	86,978	-	-
Current tax liabilities		709,951	734,600	-	-
		157,945,303	147,294,523	694,698	654,303
Total liabilities		172,800,978	154,862,805	694,698	654,303
Total equity and liabilities		428,585,992	385,757,131	171,753,217	168,277,586

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 options reserve RM	Retained earnings RM			
At 1 January 2018, as previously reported		134,729,884	21,128,519	12,804,415	1,740,379	39,671,047	210,074,244	20,820,082	230,894,326
Adjustments on initial application of:									
MFRS 9	39.1(a)	-	-	96,540	-	(2,850,792)	(2,754,252)	(519,395)	(3,273,647)
MFRS 15	39.1(b)	-	-	104,053	-	(4,520,456)	(4,416,403)	-	(4,416,403)
Balance as at 1 January 2018, as restated		134,729,884	21,128,519	13,005,008	1,740,379	32,299,799	202,903,589	20,300,687	223,204,276
Profit for the financial year		-	-	-	-	35,173,257	35,173,257	265,826	35,439,083
Foreign currency translations		-	-	4,502,426	-	-	4,502,426	421,967	4,924,393
Total comprehensive income for the financial year		-	-	4,502,426	-	35,173,257	39,675,683	687,793	40,363,476
Transactions with owners:									
Dividends paid	13	-	-	-	-	(9,412,960)	(9,412,960)	-	(9,412,960)
Issue of ordinary shares pursuant to ESOS	26	1,194,170	-	-	(373,751)	-	820,419	-	820,419
Bonus issue	26	19,228,335	(19,228,335)	-	-	-	-	-	-
Transfer pursuant to Companies Act 2016	26	1,900,184	(1,900,184)	-	-	-	-	-	-
Share options vested under ESOS	9	-	-	-	809,803	-	809,803	-	809,803
Total transactions with owners		22,322,689	(21,128,519)	-	436,052	(9,412,960)	(7,782,738)	-	(7,782,738)
At 31 December 2018		157,052,573	-	17,507,434	2,176,431	58,060,096	234,796,534	20,988,480	255,785,014
At 1 January 2017		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
Transactions with owners:									
Dividends paid	13	-	-	-	-	(8,017,485)	(8,017,485)	-	(8,017,485)
Issue of ordinary shares pursuant to ESOS	26	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)
At 31 December 2017		134,729,884	21,128,519	12,804,415	1,740,379	39,671,047	210,074,244	20,820,082	230,894,326

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Company	Note	← Non-distributable →			Distributable		Total equity RM
		Share capital RM	Share premium RM	Share options reserve RM	Retained earnings RM		
At 1 January 2018		134,729,884	21,128,519	1,740,727	10,024,153	167,623,283	
Profit for the financial year		-	-	-	11,217,974	11,217,974	
Other comprehensive income, net of tax		-	-	-	-	-	
Total comprehensive income for the financial year		-	-	-	11,217,974	11,217,974	
Transactions with owners:							
Dividends paid	13	-	-	-	(9,412,960)	(9,412,960)	
Issue of ordinary shares pursuant to ESOS	26	1,194,170	-	(373,751)	-	820,419	
Bonus issue	26	19,228,335	(19,228,335)	-	-	-	
Transfer pursuant to Companies Act 2016	26	1,900,184	(1,900,184)	-	-	-	
Share options vested under ESOS		-	-	809,803	-	809,803	
Total transactions with owners		22,322,689	(21,128,519)	436,052	(9,412,960)	(7,782,738)	
At 31 December 2018		157,052,573	-	2,176,779	11,829,167	171,058,519	
At 1 January 2017		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	
Transactions with owners:							
Dividends paid	13	-	-	-	(8,017,485)	(8,017,485)	
Issue of ordinary shares pursuant to ESOS	26	1,811,514	4,108	(445,904)	-	1,369,718	
Share options vested under ESOS		-	-	1,222,733	-	1,222,733	
Total transactions with owners		1,811,514	4,108	776,829	(8,017,485)	(5,425,034)	
At 31 December 2017		134,729,884	21,128,519	1,740,727	10,024,153	167,623,283	

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Cash flows from operating activities					
Profit before tax		35,165,640	40,374,485	11,229,138	12,306,612
Adjustments for:					
Dividend income from subsidiaries	5	-	-	(16,484,139)	(17,117,212)
Interest income	7	(424,455)	(334,280)	(67,397)	(63,113)
Interest expense	8	653,016	223,879	2,785	-
Amortisation of intangible assets	18	402,245	474,233	-	-
Depreciation of property, plant and equipment	14	27,438,811	25,467,172	15,989	13,721
Depreciation of right-of-use assets	17(a)	1,276,302	-	40,108	-
Gain on disposal of property, plant and equipment		(11,487)	(1,858)	-	-
Impairment losses on:					
- Due from associates	24(d)	130,497	-	-	-
- Other receivables	21(d)	131,169	-	-	-
- Property, plant and equipment	14	807,144	3,448	-	-
- Trade receivables	20(g)	768,845	-	-	-
Impairment losses written back on:					
- Due from subsidiaries	23(d)	-	-	(30,599)	-
- Other receivables	21(d)	(6,666)	-	-	-
- Trade receivables	20(g)	(541,266)	-	-	-
Inventories written (back)/down	19(c)	(136,731)	294,006	-	-
Share options vested under ESOS	9	809,803	1,222,733	344,428	513,673
Unrealised foreign exchange losses/(gain)		3,694,287	(2,021,939)	562,938	(358,265)
Written off on property, plant and equipment		35,656	25,392	6	7
Operating profit/(loss) before changes in working capital		70,192,810	65,727,271	(4,386,743)	(4,704,577)
Changes in working capital:					
Inventories		5,635,541	(3,177,312)	-	-
Trade receivables		(38,883,846)	(15,520,505)	-	-
Other receivables		4,877,100	(24,669,329)	(10,869)	4,374
Lease receivables		944,066	(11,475,996)	-	-
Due from subsidiaries		-	-	(2,355,707)	(6,194,474)
Due from associates		(49,270)	410,250	-	-
Trade payables		55,823,325	28,647,234	-	-
Other payables		(48,865,616)	49,681,260	(607)	69,010
Cash generated from/(used in) operations		49,674,110	89,622,873	(6,753,926)	(10,825,667)
Interest paid		(653,016)	(223,879)	(2,785)	-
Tax paid, net		(2,081,177)	(9,249,695)	(9,916)	(1,453)
Net cash from/(used in) operating activities		46,939,917	80,149,299	(6,766,627)	(10,827,120)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Cash flows from investing activities					
Purchase of property, plant and equipment	14	(94,266,591)	(34,191,414)	(16,920)	(8,616)
Proceeds from disposal of property, plant and equipment		11,500	1,862	-	-
Changes in bank balances and deposits pledged to licensed banks		4,213,248	1,317,399	(63,326)	(65,236)
Acquisition of intangible assets	18	-	(340,627)	-	-
Subscription of ordinary shares in a subsidiary	15(b)	-	-	(813,400)	-
Dividends received		-	-	16,484,139	17,117,212
Interest received		424,455	334,280	67,397	63,113
Net cash (used in)/from investing activities		(89,617,388)	(32,878,500)	15,657,890	17,106,473
Cash flows from financing activities					
Proceeds from issuance of ordinary shares		820,419	1,369,718	820,419	1,369,718
Drawdown of term loans		-	8,938,600	-	-
Repayments of term loans		(4,892,936)	(2,130,400)	-	-
Proceeds from onshore foreign currency loan		3,684,580	2,371,396	-	-
Repayments of onshore foreign currency loan		(1,310,467)	(4,221,299)	-	-
Proceeds from revolving credits		9,090,490	-	-	-
Repayments of hire purchase creditors		(62,796)	(74,274)	-	-
Repayments of lease liabilities		(1,235,228)	-	(39,215)	-
Dividends paid	13	(9,412,960)	(8,017,485)	(9,412,960)	(8,017,485)
Net cash used in financing activities		(3,318,898)	(1,763,744)	(8,631,756)	(6,647,767)
Net (decrease)/increase in cash and cash equivalents		(45,996,369)	45,507,055	259,507	(368,414)
Effects of foreign exchange rate changes		(613,420)	(9,392,899)	182	(190)
Cash and cash equivalents at beginning of financial year		103,840,764	67,726,608	299,394	667,998
Cash and cash equivalents at end of financial year	25	57,230,975	103,840,764	559,083	299,394

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	← Group →			
	Onshore foreign currency loan (Note 29) RM	Hire purchase creditors (Note 29) RM	Revolving credits (Note 29) RM	Term loans (Note 29) RM
At 1 January 2018	471,634	118,402	-	12,189,000
Cash flows	2,374,113	(62,796)	9,090,490	(4,892,936)
Non-cash flows:				
- Effect of foreign exchange	55,528	(600)	-	-
At 31 December 2018	2,901,275	55,006	9,090,490	7,296,064
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 2018

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 170-09-01 Livingston Tower, Jalan Argyll, 10050 George Town, Penang, Malaysia.

The principal place of business of the Company is located at 8, Green Hall, 10200 George Town, 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 2019.

2. PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. 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 65 to 133 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 disclosed in Note 39.1 to the financial statements.

The Group and the Company applied MFRS 15 *Revenue from Contracts with Customers*, MFRS 9 *Financial Instruments* and MFRS 16 *Leases* for the first time during the current financial year, using the cumulative effect method as at 1 January 2018. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

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.

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. |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

4. OPERATING SEGMENTS (continued)

Operating segments are defined as components of the Group that:

- 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);
- 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
- 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).

	Sales and marketing RM	Technical support and management RM	Engineering services RM	Others RM	Total RM
2018					
Revenue					
Total revenue	265,124,309	110,679,648	3,416,599	281,080	379,501,636
Inter-segment sales	-	-	-	(252,000)	(252,000)
Revenue from external customers	265,124,309	110,679,648	3,416,599	29,080	379,249,636
Results					
Segment results	24,089,133	22,945,926	2,564,074	(1,600,793)	47,998,340
Finance costs	(64,146)	(553,264)	(4,916)	(166)	(622,492)
	24,024,987	22,392,662	2,559,158	(1,600,959)	47,375,848
Unallocated expenses					
- Unallocated finance costs					(285,635)
- Other unallocated expenses					(11,924,573)
Profit before tax					35,165,640
Taxation					273,443
Profit for the financial year					35,439,083

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

4. OPERATING SEGMENTS (continued)

	Sales and marketing RM	Technical support and management RM	Engineering services RM	Others RM	Total RM
2018 (continued)					
Assets					
Segment assets	132,179,320	236,655,062	1,056,212	50,583,105	420,473,699
Investments in associates	-	-	-	165,373	165,373
Unallocated assets					7,946,920
Total assets					428,585,992
Liabilities					
Segment liabilities	96,003,194	72,390,314	96,427	1,954,362	170,444,297
Tax liabilities					844,258
Unallocated liabilities					1,512,423
Total liabilities					172,800,978
Other information					
Addition to non-current assets					
- Reportable segments	30,816	94,507,923	-	12,100	94,550,839
- Unallocated					191,340
					94,742,179
Interest income					
- Reportable segments	-	14,432	-	-	14,432
- Unallocated					410,023
					424,455
Depreciation and amortisation					
- Reportable segments	465,195	26,211,620	174,035	1,944,030	28,794,880
- Unallocated					322,478
					29,117,358
Impairment of property, plant and equipment					
- Reportable segments	-	807,144	-	-	807,144
					807,144
Other non-cash items					
- Reportable segments	411,897	295,920	-	47,899	755,716
- Unallocated					424,104
					1,179,820

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

4. OPERATING SEGMENTS (continued)

	Sales and marketing RM	Technical support and management RM	Engineering services RM	Others RM	Total RM
2017					
Revenue					
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
Results					
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
Taxation					(9,675,911)
Profit for the financial year					30,698,574
Assets					
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
Liabilities					
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 2018

4. OPERATING SEGMENTS (continued)

	Sales and marketing RM	Technical support and management RM	Engineering services RM	Others RM	Total RM
2017 (continued)					
Other information					
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 2018

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:

	2018 RM	2017 RM
Revenue		
Total revenue for reportable segments	379,501,636	252,602,768
Elimination of inter-segmental revenue	(252,000)	(252,000)
Revenue of the Group per consolidated statement of profit or loss and other comprehensive income	379,249,636	252,350,768
Profit for the financial year		
Total profit for the reportable segments	47,375,848	46,829,631
Unallocated expenses		
- Realised foreign exchange gain/(loss)	191,621	(555,669)
- Unrealised foreign exchange (loss)/gain	(3,694,287)	2,021,939
- Legal and professional fees	(700,828)	(392,518)
- Finance costs	(285,635)	(258,572)
- Other corporate expenses	(7,721,079)	(7,270,326)
Profit before tax	35,165,640	40,374,485
Taxation	273,443	(9,675,911)
Profit for the financial year of the Group per consolidated statement of profit or loss and other comprehensive income	35,439,083	30,698,574
Assets		
Total assets for reportable segments	420,639,072	377,393,810
Unallocated assets	7,946,920	8,363,321
Assets of the Group per consolidated statement of financial position	428,585,992	385,757,131
Liabilities		
Total liabilities for reportable segments	170,444,297	151,982,906
Tax liabilities	844,258	866,556
Unallocated liabilities	1,512,423	2,013,343
Liabilities of the Group per consolidated statement of financial position	172,800,978	154,862,805

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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	
	2018 RM	2017 RM	2018 RM	2017 RM
Malaysia	15,154,114	22,831,562	8,600,002	9,319,116
Southeast Asia (excluding Malaysia)	362,807,261	228,339,104	165,051,910	96,304,837
South Asia	1,056,947	1,066,367	2,442,334	1,448,927
Other countries	231,314	113,735	1,115,953	922,110
	379,249,636	252,350,768	177,210,199	107,994,990

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

	Note	2018 RM	2017 RM
Property, plant and equipment	14	173,198,346	105,158,595
Investments in associates	16	165,373	162,081
Right-of-use assets	17(a)	1,552,005	-
Intangible assets	18	2,294,475	2,674,314
		177,210,199	107,994,990

Major customers

Revenue from major customers amounting to RM116,791,287 (2017: RM57,682,700) arose from sales and marketing segment.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

5. REVENUE

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Revenue from contracts with customers:				
- Sales and marketing	265,124,309	162,049,124	-	-
- Technical support and management	110,679,648	87,822,101	-	-
- Engineering services	3,416,599	1,635,588	-	-
- Others	29,080	843,955	-	-
Other revenue:				
- Dividend income from subsidiaries	-	-	16,484,139	17,117,212
	379,249,636	252,350,768	16,484,139	17,117,212

	2018 RM	Group 2017 RM
Timing of revenue recognition:		
- Services transferred over time	131,727,548	105,154,516
- Products transferred at a point in time	247,522,088	147,196,252
	379,249,636	252,350,768

(a) Sale of goods

Revenue from sale of goods is recognised at a point in time when the goods have been transferred to the customer and coincides with the delivery of goods and acceptance by customers.

There is no right of return and warranty provided to the customers on the sale of goods.

There is no significant financing component in the revenue arising from sale of goods as the sales are made on the normal credit terms not exceeding twelve (12) months.

(b) Revenue from technical support and management

Revenue relating to technical support and management is recognised at the point over time when services are rendered to the customers and coincides with the acceptance by customers.

There is no significant financing component in the revenue arising from services rendered as the services are made on the normal credit terms not exceeding twelve (12) months.

(c) Revenue from engineering services

Revenue relating to engineering services is recognised at the point over time when services are rendered to the customers and coincides with the acceptance by customers.

There is no significant financing component in the revenue arising from services rendered as the services are made on the normal credit terms not exceeding twelve (12) months.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

5. REVENUE (continued)

(d) Dividend income

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

6. COST OF SALES

	2018 RM	Group 2017 RM
Sales and marketing	230,946,770	128,232,128
Technical support and management	66,898,416	37,805,448
Engineering services	639,627	734,604
Others	481,604	1,111,458
	298,966,417	167,883,638

7. OTHER INCOME

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest income	424,455	334,280	67,397	63,113
Rental income from building	2,178,705	2,321,851	-	-
Sundry income	601,078	1,069,371	1,853	1,732
	3,204,238	3,725,502	69,250	64,845

(a) Interest income

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

(b) Rental income from building

Rental income from building is recognised on a straight line basis over the lease term of an ongoing lease.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

8. FINANCE COSTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest on:				
- Bank overdrafts	3,108	-	-	-
- Hire purchase creditors	3,979	6,819	-	-
- Lease liabilities (Note 17(b))	91,844	-	2,785	-
- Onshore foreign currency loan	15,535	35,185	-	-
- Revolving credits	31,162	-	-	-
- Term loans	507,388	181,875	-	-
Total interest expense	653,016	223,879	2,785	-
Bank and other charges	255,111	258,572	2,161	3,123
	908,127	482,451	4,946	3,123

9. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Salaries, wages, bonuses and allowances	14,655,541	14,047,192	2,377,609	2,284,990
Defined contribution plans	1,488,549	1,488,452	275,754	267,842
Share options vested under ESOS	809,803	1,222,733	344,428	513,673
Other employee benefits	53,744	261,404	25,740	31,057
	17,007,637	17,019,781	3,023,531	3,097,562

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM4,798,379 (2017: RM4,609,987) and RM316,337 (2017: RM324,450) respectively as further disclosed in Note 10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

10. DIRECTORS' REMUNERATION

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Directors of the Company:				
Executive:				
Emoluments other than fees	3,004,615	2,827,252	316,337	324,450
Estimated monetary value of benefits-in-kind	33,850	33,850	9,900	9,900
	3,038,465	2,861,102	326,237	334,350
Non-executive:				
Fees	478,000	442,200	478,000	442,200
Share options vested under ESOS	-	46,096	-	46,096
Other emoluments	46,000	40,000	46,000	40,000
	524,000	528,296	524,000	528,296
Directors of the Subsidiaries:				
Executive:				
Emoluments other than fees	1,622,235	1,563,926	-	-
Share options vested under ESOS	161,529	208,809	-	-
Fees	10,000	10,000	-	-
	1,793,764	1,782,735	-	-
Non-executive:				
Fees	5,000	5,000	-	-
Total Directors' remuneration	5,361,229	5,177,133	850,237	862,646
Analysis:				
Total Executive Directors' remuneration excluding benefits-in-kind (Note 9)	4,798,379	4,609,987	316,337	324,450
Estimated monetary value of benefits-in-kind	33,850	33,850	9,900	9,900
Total Executive Directors' remuneration	4,832,229	4,643,837	326,237	334,350
Total Non-executive Directors' remuneration	529,000	533,296	524,000	528,296
	5,361,229	5,177,133	850,237	862,646

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

10. DIRECTORS' REMUNERATION (continued)

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	-	3
RM150,001 - RM200,000	-	1
RM300,001 - RM350,000	1	-
RM400,001 - RM450,000	1	-
RM1,100,001 - RM1,150,000	2	-
	4	4

11. TAXATION

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current tax expense based on profit for the financial year:				
Malaysian income tax	1,139,710	1,727,250	13,200	13,500
Foreign income tax	917,632	7,855,142	-	-
	2,057,342	9,582,392	13,200	13,500
(Over)/Underprovision in prior years	(2,333,136)	111,730	(2,036)	(26,683)
	(275,794)	9,694,122	11,164	(13,183)
Deferred tax (Note 31):				
Relating to origination and reversal of temporary differences	(6,788)	(9,323)	-	-
Under/(Over)provision in prior years	9,139	(8,888)	-	-
	2,351	(18,211)	-	-
Taxation	(273,443)	9,675,911	11,164	(13,183)

- (a) Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2017: 24%) of the estimated taxable profits for the fiscal year.
- (b) 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 2018

11. TAXATION (continued)

- (c) The 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	
	2018 RM	2017 RM	2018 RM	2017 RM
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	8,439,754	9,689,876	2,694,993	2,953,587
Tax effects in respect of:				
Different tax rates in other countries and for Labuan trading activities	(7,634,682)	(1,615,585)	-	-
Non-taxable income	(516,188)	(219,895)	(3,956,638)	(4,108,499)
Non-allowable expenses	1,707,440	1,763,213	1,274,845	1,168,412
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	54,230	-	-	-
	2,050,554	9,573,069	13,200	13,500
(Over)/Underprovision of tax expense in prior years	(2,333,136)	111,730	(2,036)	(26,683)
Under/(Over)provision of deferred tax in prior years	9,139	(8,888)	-	-
	(273,443)	9,675,911	11,164	(13,183)

- (d) Tax on each component of other comprehensive income is as follows:

	← Before tax RM	Group Tax effect RM	→ After tax RM
2018			
Item that may be reclassified subsequently to profit or loss			
Foreign currency translation	4,924,393	-	4,924,393
2017			
Item that may be reclassified subsequently to profit or loss			
Foreign currency translation	(20,371,428)	-	(20,371,428)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

12. EARNINGS PER ORDINARY SHARE

Pursuant to the requirements of MFRS 133 *Earnings per Share*, the weighted average number of ordinary shares used in the calculation of basic and diluted earnings per ordinary share for the financial year ended 31 December 2017 have been retrospectively adjusted to reflect the bonus issue as disclosed in Note 26 to the financial statements.

(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.

	2018 RM	Group 2017 RM
Profit for the financial year attributable to owners of the Company (RM)	35,173,257	30,278,455
Weighted average number of ordinary shares in issue	1,536,480,000	1,527,481,000
Basic earnings per ordinary share (sen)	2.29	1.98

(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.

	2018	Group 2017
Profit for the financial year attributable to owners of the Company (RM)	35,173,257	30,278,455
Weighted average number of ordinary shares in issue	1,536,480,000	1,527,481,000
Effect of dilution due to:		
- ESOS	14,209,000	23,573,000
Adjusted weighted average number of ordinary shares	1,550,689,000	1,551,054,000
Diluted earnings per ordinary share (sen)	2.27	1.95

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

13. DIVIDENDS

	Group and Company			
	Dividend per share RM	2018 Amount of dividend RM	Dividend per share RM	2017 Amount of dividend RM
Dividends paid:				
In respect of financial year ended 31 December 2017:				
Final single-tier dividend	0.007	9,412,960	-	-
In respect of financial year ended 31 December 2016:				
Interim single-tier dividend	-	-	0.003	4,007,236
Final single-tier dividend	-	-	0.003	4,010,249
	0.007	9,412,960	0.006	8,017,485

The Directors have proposed a final single-tier dividend of RM0.007 per ordinary share in respect of the financial year ended 31 December 2018, subject to the approval of members at the forthcoming Annual General Meeting.

The financial statements for the financial year ended 31 December 2018 do not reflect this proposed final dividend. The proposed final dividend, shall be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

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14. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Leasehold land RM	Buildings RM	Renovation RM	Electrical installation RM	Motor vehicles RM	Gaming machines RM	Plant, machinery, fittings and equipment RM	Furniture, fittings and office equipment RM	Total RM
At 31 December 2018										
Cost										
At 1 January 2018	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
Additions	-	-	-	2,017,654	-	122,263	91,269,920	-	856,754	94,266,591
Disposals/Written off	-	-	-	-	-	(42,103)	(51,658,839)	(149,649)	(285,051)	(52,135,642)
Transfer to inventories	-	-	-	-	-	-	(132,265)	-	-	(132,265)
Exchange differences	-	-	882,983	28,873	-	33,571	9,468,050	-	312,387	10,725,864
At 31 December 2018	1,610,000	1,700,000	50,160,798	4,040,441	79,138	2,454,313	526,379,375	869,285	23,308,915	610,602,265
Accumulated depreciation and impairment losses										
At 1 January 2018	-	185,939	8,835,715	1,309,514	71,345	2,152,830	419,751,703	824,993	19,587,083	452,719,122
Depreciation charge for the financial year	-	26,562	1,006,430	421,897	1,798	110,282	24,619,718	69,392	1,182,732	27,438,811
Disposals/Written off	-	-	-	-	-	(42,102)	(51,626,882)	(149,620)	(281,369)	(52,099,973)
Transfer to inventories	-	-	-	-	-	-	(87,799)	-	-	(87,799)
Impairment loss recognised in profit or loss	-	-	-	-	-	-	-	-	229,307	807,144
Exchange differences	-	-	183,645	22,773	-	32,520	8,102,673	-	285,003	8,626,614
At 31 December 2018	-	212,501	10,025,790	1,754,184	73,143	2,253,530	401,337,250	744,765	21,002,756	437,403,919
Analysed as:										
Accumulated depreciation	-	212,501	9,509,588	1,490,638	73,143	2,253,530	368,694,252	744,765	16,635,490	399,613,907
Accumulated impairment losses	-	-	516,202	263,546	-	-	32,642,998	-	4,367,266	37,790,012
At 31 December 2018	-	212,501	10,025,790	1,754,184	73,143	2,253,530	401,337,250	744,765	21,002,756	437,403,919
Net carrying amount										
At 31 December 2018	1,610,000	1,487,499	40,135,008	2,286,257	5,995	200,783	125,042,125	124,520	2,306,159	173,198,346

NOTES TO THE FINANCIAL STATEMENTS

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land RM	Leasehold land RM	Buildings RM	Renovation RM	Electrical installation RM	Motor vehicles RM	Gaming machines RM	Plant, machinery, fittings and equipment RM	Furniture, fittings and office equipment RM	Total RM
At 31 December 2017										
Cost										
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
Disposals/Written off	-	-	-	-	-	-	(56,401,274)	(7,941)	(345,413)	(56,754,628)
Transfer to inventories	-	-	-	-	-	-	(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
Accumulated depreciation and impairment losses										
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
Disposals/Written off	-	-	-	-	-	-	(56,375,946)	(7,939)	(345,729,232)	(56,729,232)
Transfer to inventories	-	-	-	-	-	-	(16,597,747)	-	(1,795)	(16,599,542)
Impairment loss recognised in profit or loss	-	-	-	-	-	-	-	-	-	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
Analysed as:										
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
Net carrying amount										
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

NOTES TO THE FINANCIAL STATEMENTS

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Furniture, fittings and office equipment RM
At 31 December 2018	
Cost	
At 1 January 2018	149,736
Additions	16,920
Disposals/Written off	(20,004)
At 31 December 2018	146,652
Accumulated depreciation	
At 1 January 2018	116,133
Depreciation charge for the financial year	15,989
Disposals/Written off	(19,998)
At 31 December 2018	112,124
Net carrying amount	
At 31 December 2018	34,528
At 31 December 2017	
Cost	
At 1 January 2017	163,444
Additions	8,616
Disposals/Written off	(22,324)
At 31 December 2017	149,736
Accumulated depreciation	
At 1 January 2017	124,729
Depreciation charge for the financial year	13,721
Disposals/Written off	(22,317)
At 31 December 2017	116,133
Net carrying amount	
At 31 December 2017	33,603

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

NOTES TO THE FINANCIAL STATEMENTS

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Buildings	2%
Renovation	20%
Electrical installation	20%
Motor vehicles	20%
Gaming machines	20%
Plant, machinery, fittings and equipment	20%
Furniture, fittings and office equipment	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 54 years (2017: 55 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 29 to the financial statements are as follows:

	2018 RM	Group 2017 RM
Freehold land	1,610,000	1,610,000
Leasehold land	1,487,499	1,514,061
Buildings	3,881,818	3,984,637
	6,979,317	7,108,698

- (d) A motor vehicle of the Group with a net carrying amount of RM78,824 (2017: RM169,956) 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 RM807,144 (2017: RM3,448). The recoverable amount was based on value-in-use of the cash generating unit ("CGU") to which the property, plant and equipment are allocated.
- (f) During the financial year, estimates of the remaining useful life of certain assets were shortened following a review of lifespan of the assets. The changes in accounting estimates reflects the remaining period over which the Group expects to obtain value from the identified assets.

Depreciation charged to the Group's profit or loss increased by RM1,045,454 (2017: RM Nil) in the current financial year ended 31 December 2018 as a result of the change in accounting estimates, with RM116,574 and RM129,478 of decrease in depreciation is expected to be incurred from the identified assets in the financial year ending 2019 and 2020.

NOTES TO THE FINANCIAL STATEMENTS

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15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018 RM	2017 RM
Unquoted equity shares, at cost	152,827,820	152,014,420
Equity contributions in subsidiaries in respect of ESOS	6,082,962	5,617,587
	158,910,782	157,632,007

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Proportion of ownership interest		Principal activities
		2018 %	2017 %	
Held by the Company:				
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.
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.
All In Technologies Company Limited #	Vietnam	100	-	Repair and maintenance of machinery and equipment and management consulting services.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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
		2018 %	2017 %	
Held through subsidiaries:				
RGB (Macau) Limited [®]	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 [^]	Hong Kong	100	100	Supply and management of gaming machines and equipment.
Chateau de Bavet Club Co., Ltd. ^{#®}	Cambodia	45.14	45.14	Renting of property.

* Audited by BDO member firms.

[^] Audited by firm other than BDO member firms.

[#] Consolidated using management financial statements up to 31 December 2018.

[®] The financial statements of these subsidiaries are not required to be audited in their respective 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 Company had, on 15 May 2018, incorporated a wholly owned subsidiary in Vietnam known as All In Technologies Company Limited ("AITCL"). The charter capital of AITCL is VND4,558,000,000 (equivalent to RM813,400).

(c) 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 2018

15. INVESTMENTS IN SUBSIDIARIES (continued)

(d) The subsidiary in which the Group has material non-controlling interests ("NCI") is as follows:

	Chateau de Bavet Club Co., Ltd.	Total
2018		
NCI percentage of ownership interest and voting interest	54.86%	
Carrying amount of NCI (RM)	20,988,480	20,988,480
Profit allocated to NCI (RM)	265,826	265,826
2017		
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

(e) 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.	
	2018 RM	2017 RM
Assets and liabilities		
Non-current assets	39,666,273	37,556,084
Current assets	902,341	4,109,583
Non-current liabilities	(263,159)	-
Current liabilities	(2,047,198)	(3,714,370)
Net assets	38,258,257	37,951,297
Results		
Profit for the financial year	484,553	765,801
Total comprehensive income/(loss)	1,253,725	(3,136,127)
Cash flows used in operating activities	(37,427)	(37,183)
Cash flows from financing activities	3,505	-
Net decrease in cash and cash equivalents	(33,922)	(37,183)

NOTES TO THE FINANCIAL STATEMENTS

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16. INVESTMENTS IN ASSOCIATES

	2018 RM	Group 2017 RM
Unquoted equity shares, at cost	39,894	39,894
Share of post-acquisition reserves	82,537	82,537
	122,431	122,431
Exchange differences	42,942	39,650
	165,373	162,081

Details of the associates are as follows:

Name of company	Country of incorporation	Proportion of ownership interest		Principal activities
		2018 %	2017 %	
Held through subsidiaries:				
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

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16. INVESTMENTS IN ASSOCIATES (continued)

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

	Dreamgate Holding Co., Ltd. RM	Other individual immaterial associates RM	Total RM
2018			
Assets and liabilities			
Non-current assets	4,138,806	-	4,138,806
Current assets	273,292	870,261	1,143,553
Current liabilities	(5,960,329)	(6,218,444)	(12,178,773)
Net liabilities	(1,548,231)	(5,348,183)	(6,896,414)
Results			
Revenue	12,517	-	12,517
Profit for the financial year	21,204	-	21,204
Total comprehensive income	21,204	-	21,204
Cash flows from operating activities	78,086	-	78,086
Net increase in cash and cash equivalents	78,086	-	78,086
2017			
Assets and liabilities			
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)
Results			
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)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

16. INVESTMENTS IN ASSOCIATES (continued)

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

	Dreamgate Holding Co., Ltd. RM	Other individual immaterial associates RM	Total RM
As at 31 December 2018			
Share of net assets of the Group	-	165,373	165,373
Carrying amount in the statement of financial position	-	165,373	165,373
Share of results of the Group for the financial year ended 31 December 2018			
Share of profit of the Group	-	-	-
Share of total comprehensive income of the Group	-	-	-
As at 31 December 2017			
Share of net assets of the Group	-	162,081	162,081
Carrying amount in the statement of financial position	-	162,081	162,081
Share of results of the Group for the financial year ended 31 December 2017			
Share of profit of the Group	-	-	-
Share of total comprehensive income of the Group	-	-	-

(d) The unrecognised share of profit of associates amounted to RM10,389 (2017: unrecognised share of loss amounted to RM11,670) in the current financial year. As a result, the accumulated unrecognised share of losses of associates amounted to RM1,874,671 (2017: RM1,885,060). 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.

17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group and the Company have early adopted MFRS 16 *Leases* and applied this Standard retrospectively during the financial year. In accordance with the transition requirements under the Appendix C, paragraph 5(b) of this Standard, comparatives are not restated.

NOTES TO THE FINANCIAL STATEMENTS

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17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

(a) Right-of-use assets

	Group 2018 RM	Company 2018 RM
Cost		
At 1 January	-	-
Effects of MFRS 16 Leases adoption (Note 39.1(c))	2,330,490	80,217
Additions	475,588	-
Exchange differences	47,346	-
At 31 December	2,853,424	80,217
Accumulated depreciation		
At 1 January	-	-
Depreciation charge for the financial year	1,276,302	40,108
Exchange differences	25,117	-
At 31 December	1,301,419	40,108
Net carrying amount		
At 31 December	1,552,005	40,109

Right-of-use assets comprise premises and equipment. Subsequent to initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation, accumulated impairment losses and adjusted for any remeasurement of lease liabilities. The right-of-use assets are measured at an amount equal to the lease liabilities.

(b) Lease liabilities

	Group 2018 RM	Company 2018 RM
Non-current		
Lease liabilities	657,055	-
Current		
Lease liabilities	913,412	41,002
Total lease liabilities	1,570,467	41,002

Lease liabilities arising from the premises and equipment are recognised and discounted using the weighted average incremental borrowing rate of the Group of 4.5%. Subsequent to initial recognition, the Group measure the lease liabilities by increasing the carrying amount to reflect the interest on the lease liabilities, reducing the carrying amount to reflect lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

NOTES TO THE FINANCIAL STATEMENTS

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17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

(b) Lease liabilities (continued)

The movement of lease liabilities during the financial year is as follows:

	Group 2018 RM	Company 2018 RM
At 1 January 2018	-	-
Effects of MFRS 16 Leases adoption (Note 39.1(c))	2,330,490	80,217
Additions	475,588	-
Interest charged (Note 8)	91,844	2,785
Payment of:		
- principal	(1,272,059)	(39,215)
- interest	(91,844)	(2,785)
Exchange differences	36,448	-
At 31 December 2018	1,570,467	41,002

18. INTANGIBLE ASSETS

Group	Goodwill RM	Development costs RM	Gaming licenses RM	Rights RM	Total RM
At 31 December 2018					
Cost					
At 1 January 2018	1,142,351	3,949,423	1,015,750	4,245,835	10,353,359
Exchange differences	-	16,061	20,625	85,168	121,854
At 31 December 2018	1,142,351	3,965,484	1,036,375	4,331,003	10,475,213
Accumulated amortisation and impairment					
At 1 January 2018	271,839	3,161,371	-	4,245,835	7,679,045
Amortisation	-	402,245	-	-	402,245
Exchange differences	-	14,280	-	85,168	99,448
At 31 December 2018	271,839	3,577,896	-	4,331,003	8,180,738
Net carrying amount					
At 31 December 2018	870,512	387,588	1,036,375	-	2,294,475

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

18. INTANGIBLE ASSETS (continued)

Group	Goodwill RM	Development costs RM	Gaming licenses RM	Rights RM	Total RM
At 31 December 2017					
Cost					
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
Accumulated amortisation and impairment					
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
Net carrying amount					
At 31 December 2017	870,512	788,052	1,015,750	-	2,674,314

- (a) Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost. 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.
- (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. After initial recognition, gaming licenses are measured 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

18. INTANGIBLE ASSETS (continued)

- (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.

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 technical support and management operations in South America 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 10.3% (2017: 8.6%).

19. INVENTORIES

	2018 RM	Group 2017 RM
At cost		
Gaming machines	-	741,524
Goods at third party premises	-	4,674,642
Goods in transit	1,530,575	252,336
	1,530,575	5,668,502
At net realisable value		
Gaming and amusement machines	765,153	2,177,391
Spare parts, gaming and amusement accessories, table game equipment and accessories	2,429,426	2,333,605
	3,194,579	4,510,996
	4,725,154	10,179,498

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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 RM190,857,184 (2017: RM121,006,106).

(c) Inventories where the net realisable value is expected to be below the carrying amount were written down. The amount written back during the financial year was RM136,731 (2017: amount written down of RM294,006) for the Group.

20. TRADE RECEIVABLES

	2018 RM	Group 2017 RM
Trade receivables		
Third parties	120,203,866	79,614,401
Related parties	6,059,852	7,401,574
	126,263,718	87,015,975
Less: Impairment losses		
Third parties	(2,720,065)	(1,729,000)
Related parties	(119,598)	-
Trade receivables, net	123,424,055	85,286,975
Representing trade receivables:		
- Current	123,399,331	84,899,257
- Non-current	24,724	387,718
	123,424,055	85,286,975

(a) Trade receivables are classified as financial assets measured at amortised cost.

(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.

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

	2018 RM	Group 2017 RM
Current	15,445,504	26,230,320
Non-current	24,724	387,718
	15,470,228	26,618,038

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

20. TRADE RECEIVABLES (continued)

(d) Included in "trade receivables third parties" is an amount of RM Nil (2017: RM4,230,645) which will be paid by variable instalments terms based on an agreed percentage on the gross collections generated from the machines sold and is interest-free.

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

	2018 RM	Group 2017 RM
United States Dollar	93,390,121	66,272,847
Philippine Peso	20,609,851	7,243,395
Ringgit Malaysia	5,638,775	9,742,796
Thai Baht	3,670,998	1,771,968
Singapore Dollar	85,301	84,254
Others	29,009	171,715
	123,424,055	85,286,975

(f) Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

The Group considers credit loss experience and observable data such as current changes and future forecasts in economic conditions by market segment of the Group to estimate the amount of expected impairment loss. The methodology (roll rate method) and assumptions including any forecasts of future economic conditions are reviewed regularly.

During this process, the probability of non-payment by the trade receivables is adjusted by forward-looking information (gross domestic product ("GDP")) and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward-looking information.

Lifetime expected loss provision for trade receivables as at 31 December 2018 is as follows:

	Less than 180 days	More than 180 days	Total
Expected loss rate	0.166%	26.797%	
Gross carrying amount (RM)	116,387,228	9,876,490	126,263,718
Impairment (RM)	193,059	2,646,604	2,839,663

During the financial year, the Group did not renegotiate the terms of any trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

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20. TRADE RECEIVABLES (continued)

(g) The reconciliation of movement in impairment accounts:

	2018 RM	Group 2017 RM
At 1 January under MFRS 139	1,729,000	1,908,474
Restated through opening retained earnings	823,144	-
Opening impairment loss in accordance with MFRS 9	2,552,144	1,908,474
Charge for the financial year	768,845	-
Reversal of impairment losses	(541,266)	-
Exchange differences	59,940	(179,474)
At 31 December	2,839,663	1,729,000

(h) Information on financial risks of trade receivables is disclosed in Note 38 to the financial statements.

21. OTHER RECEIVABLES

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Deposits	33,602,184	42,750,258	13,797	7,000
Interest receivables	166,458	159,890	67,409	63,337
Sundry receivables	10,380,558	7,210,727	-	-
	44,149,200	50,120,875	81,206	70,337
Less: Impairment losses	(1,820,808)	(342,087)	-	-
	42,328,392	49,778,788	81,206	70,337
Prepayments	4,799,806	3,441,189	-	-
	47,128,198	53,219,977	81,206	70,337
Representing other receivables:				
- Current	47,090,635	53,173,747	81,206	70,337
- Non-current	37,563	46,230	-	-
	47,128,198	53,219,977	81,206	70,337

(a) Other receivables are classified as financial assets measured at amortised cost.

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21. OTHER RECEIVABLES (continued)

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
United States Dollar	38,329,286	47,481,524	-	-
Ringgit Malaysia	1,417,026	394,461	81,206	70,337
Philippine Peso	1,318,900	501,854	-	-
Thai Baht	573,390	670,476	-	-
Hong Kong Dollar	494,848	403,442	-	-
Vietnamese Dong	74,783	-	-	-
Japanese Yen	65,181	46,686	-	-
Singapore Dollar	6,675	256,182	-	-
Others	48,303	24,163	-	-
	42,328,392	49,778,788	81,206	70,337

(c) Impairment for other receivables, amounts due from subsidiaries and associates are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. At the end of the reporting period, the Group and the Company assess whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

(d) The reconciliation of movement in impairment accounts:

	Group	
	2018 RM	2017 RM
At 1 January under MFRS 139	342,087	376,732
Restated through opening retained earnings	1,321,528	-
Opening impairment loss in accordance with MFRS 9	1,663,615	376,732
Charge for the financial year	131,169	-
Reversal of impairment losses	(6,666)	-
Exchange differences	32,690	(34,645)
At 31 December	1,820,808	342,087

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

(f) Information on financial risks of other receivables is disclosed in Note 38 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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22. LEASE RECEIVABLES

	2018 RM	Group 2017 RM
Future minimum lease receivables:		
- Not later than one (1) year	3,282,838	2,955,102
- Later than one (1) year and not later than five (5) years	9,731,591	12,618,942
Total future minimum lease receivables	13,014,429	15,574,044
Less: Unearned finance income	(2,482,499)	(4,098,048)
Present value of finance lease receivables	10,531,930	11,475,996
Analysis of present value of finance lease receivables:		
Current		
- Not later than one (1) year	2,245,715	1,605,945
Non-current		
- Later than one (1) year and not later than five (5) years	8,286,215	9,870,051
	10,531,930	11,475,996

- (a) Lease receivables are classified as financial assets measured at amortised cost.
- (b) 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.
- (c) Lease receivables are denominated in United States Dollar.
- (d) Information on financial risks of lease receivables is disclosed in Note 38 to the financial statements.

23. DUE FROM SUBSIDIARIES

	2018 RM	Company 2017 RM
Due from subsidiaries	10,014,654	8,222,067
Less: Impairment losses	-	(30,599)
	10,014,654	8,191,468

- (a) Amounts due from subsidiaries are classified as financial assets measured at amortised cost.
- (b) Amounts due from subsidiaries represent normal non-trade transactions and payments made on behalf, which are interest-free, unsecured and payable within next twelve (12) months in cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

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23. DUE FROM SUBSIDIARIES (continued)

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

	Company	
	2018 RM	2017 RM
United States Dollar	6,561,484	7,876,095
Singapore Dollar	-	298,562
Ringgit Malaysia	3,453,170	16,811
	10,014,654	8,191,468

(d) Impairment for amounts due from subsidiaries are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model as disclosed in Note 21(c) to the financial statements.

Movement in impairment accounts:

	Company	
	2018 RM	2017 RM
At 1 January	30,599	30,599
Reversal of impairment losses	(30,599)	-
At 31 December	-	30,599

(e) Information on financial risks of amounts due from subsidiaries is disclosed in Note 38 to the financial statements.

24. DUE FROM/(TO) ASSOCIATES

	Group	
	2018 RM	2017 RM
Due from associates	6,390,375	6,287,843
Less: Impairment losses	(3,523,588)	(2,210,854)
	2,866,787	4,076,989
Representing amounts due from associates:		
- Current	-	4,076,989
- Non-current	2,866,787	-
	2,866,787	4,076,989
Due to associates	(88,744)	(86,978)

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24. DUE FROM/(TO) ASSOCIATES (continued)

- (a) Amounts due from/(to) associates are classified as financial assets/(liabilities) measured at amortised cost.
- (b) Amounts due from/(to) associates represent normal non-trade transactions and payments made on behalf, which are interest-free, unsecured and payable within next twelve (12) months in cash and cash equivalents.
- (c) Amounts due from/(to) associates are denominated in United States Dollar.
- (d) Impairment for amounts due from associates are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model as disclosed in Note 21(c) to the financial statements.

The reconciliation of movement in impairment accounts:

	2018 RM	Group 2017 RM
At 1 January under MFRS 139	2,210,854	2,369,967
Restated through opening retained earnings	1,128,975	-
Opening impairment loss in accordance with MFRS 9	3,339,829	2,369,967
Charge for the financial year	130,497	-
Exchange differences	53,262	(159,113)
At 31 December	3,523,588	2,210,854

- (e) Information on financial risks of amounts due from/(to) associates is disclosed in Note 38 to the financial statements.

25. CASH AND BANK BALANCES

	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Cash and bank balances	56,412,275	82,932,304	559,083	299,394
Deposits with licensed banks	6,287,394	30,590,402	2,108,907	2,045,581
As reported in the statements of financial position	62,699,669	113,522,706	2,667,990	2,344,975
Less: Bank balances and deposits pledged to licensed banks	(5,468,694)	(9,681,942)	(2,108,907)	(2,045,581)
Cash and cash equivalents included in the statements of cash flows	57,230,975	103,840,764	559,083	299,394

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25. CASH AND BANK BALANCES (continued)

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
United States Dollar	24,310,228	67,120,341	-	-
Thai Baht	13,728,582	12,454,636	-	-
Philippine Peso	12,433,693	19,468,337	-	-
Ringgit Malaysia	10,030,792	11,690,777	2,667,608	2,338,924
Singapore Dollar	1,386,319	2,064,818	-	-
Hong Kong Dollar	567,968	229,194	382	-
Japanese Yen	135,862	181,451	-	-
Macau Patacas	84,641	295,841	-	-
Euro	9,104	10,600	-	-
Others	12,480	6,711	-	6,051
	62,699,669	113,522,706	2,667,990	2,344,975

(b) Included in the deposits with licensed banks of the Group and of the Company are amounts of RM5,468,694 (2017: RM7,597,642) and RM2,108,907 (2017: RM2,045,581) respectively pledged to licensed banks as security for the secured borrowings of the Group as disclosed in Note 29 to the financial statements.

(c) Included in the cash and bank balances of the Group is an amount of RM Nil (2017: RM2,084,300) pledged to licensed banks as security for the secured borrowings of the Group as disclosed in Note 29 to the financial statements.

(d) No expected credit loss is recognised arising from cash and bank balances as it is negligible.

(e) Information on financial risks of cash and bank balances is disclosed in Note 38 to the financial statements.

26. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2018	2017	2018 RM	2017 RM
Issued and fully paid:				
At 1 January	1,340,547,300	1,329,183,700	134,729,884	132,918,370
Issue of ordinary shares pursuant to ESOS	6,259,030	11,363,600	1,194,170	1,811,514
Issue of bonus shares	192,283,353	-	19,228,335	-
Transfer from share premium account pursuant to the Companies Act 2016	-	-	1,900,184	-
At 31 December	1,539,089,683	1,340,547,300	157,052,573	134,729,884

(a) Owners of the Company are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

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26. SHARE CAPITAL (continued)

- (b) During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 1,340,547,300 ordinary shares to 1,539,089,683 ordinary shares by way of:
- (i) the issuance of 5,466,300 new ordinary shares for cash pursuant to the exercise of ESOS, before bonus issue, at a weighted average issue price of RM0.135 per ordinary share;
 - (ii) the bonus issue of 192,283,353 new ordinary shares credited as fully paid up on 20 September 2018 on the basis of one (1) bonus share for every seven (7) existing ordinary shares held; and
 - (iii) the issuance of 792,730 new ordinary shares for cash pursuant to the exercise of ESOS, after bonus issue, at a weighted average issue price of RM0.104 per ordinary share.
- (c) During the financial year ended 31 December 2017, 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.
- (d) 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. 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. On 20 September 2018, share premium account of RM19,228,335 had been utilised for the bonus issue of the Company and the balance of RM1,900,184 was transferred to share capital account.

27. RESERVES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Non-distributable:				
Share premium	-	21,128,519	-	21,128,519
Foreign currency translation reserve	17,507,434	12,804,415	-	-
Share options reserve	2,176,431	1,740,379	2,176,779	1,740,727
	19,683,865	35,673,313	2,176,779	22,869,246
Distributable:				
Retained earnings	58,060,096	39,671,047	11,829,167	10,024,153
	77,743,961	75,344,360	14,005,946	32,893,399

(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. On 20 September 2018, share premium account of RM19,228,335 had been utilised for the bonus issue of the Company and the balance of RM1,900,184 was transferred to share capital account.

(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.

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27. RESERVES (continued)

(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.

28. 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 five (5) years from the date of implementation. On 24 August 2012, the Company had extended the ESOS for another five (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 share 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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28. EMPLOYEES' SHARE OPTION SCHEME (continued)

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

Grant Date	Option price	Number of options over ordinary shares									
		Outstanding at 1 January 2018 '000	Granted '000	Exercised '000	Forfeited '000	Outstanding at 20 September 2018 '000	Bonus issue '000	Exercised '000	Forfeited '000	Outstanding at 31 December 2018 '000	Exercisable at 31 December 2018 '000
2010 options:											
Grant 1	0.088*	4,426	-	(1,316)	-	3,110	445	(277)	-	3,278	3,278
2012 options:											
Grant 2	0.088*	229	-	(33)	-	196	28	(83)	-	141	141
Grant 3	0.088*	694	-	(81)	-	613	88	-	-	701	701
2013 options:											
Grant 4	0.092*	1,034	-	(457)	-	577	83	(47)	-	613	613
2014 options:											
Grant 5	0.103*	4,550	-	(1,496)	-	3,054	436	(201)	-	3,289	3,289
2015 options:											
Grant 6	0.091*	2,877	-	(865)	(159)	1,853	265	(104)	-	2,014	2,014
2017 options:											
Grant 7	0.195*	4,670	-	(701)	(446)	3,523	503	-	(41)	3,985	2,443
Grant 8	0.215*	7,757	-	(517)	(235)	7,005	1,000	(10)	(127)	7,868	7,868
2018 options:											
Grant 9	0.193*	-	2,899	-	(116)	2,783	397	(71)	(37)	3,072	3,072
		26,237	2,899	(5,466)	(956)	22,714	3,245	(793)	(205)	24,961	23,419

* Adjusted exercise price pursuant to the bonus issue.

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28. EMPLOYEES' SHARE OPTION SCHEME (continued)

On 20 August 2018, the Company granted options over ordinary shares amounting to 2,898,600 at an exercise price of RM0.22 per share to eligible employees of the Group under the Company's ESOS.

Share options exercised during the financial year resulted in the issuance of:

- (a) 5,466,300 (2017: 11,363,600) new ordinary shares before the bonus issue at an average price of RM0.135 (2017: RM0.121) each. The related weighted average ordinary share price at the date of exercise was RM0.268 (2017: RM0.297); and
- (b) 792,730 new ordinary shares subsequent to the bonus issue at an average price of RM0.104 each. The related weighted average ordinary share price at the date of exercise was RM0.197.

The fair value of the share options granted under ESOS on 20 August 2018 is estimated at the grant date using a binomial options pricing model, taking into account the terms and conditions upon which the options 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 used are as follows:

	2018	2017
Fair value of share options (RM)	0.091	0.102 - 0.141
Average share price at grant date (RM)	0.295	0.310 - 0.315
Exercise price (RM)	0.220	0.222 - 0.245
Dividend yield (%)	2.61	1.77 - 2.12
Expected volatility (%)	60.44	56.93 - 76.55
Risk-free interest rate (% p.a.)	3.33	3.20 - 3.31
Option life (years)	1.17	2.02 - 2.77
Cliff vesting period (years)	0	0 - 2
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.

29. BORROWINGS

	2018 RM	Group 2017 RM
Short term borrowings (secured):		
Onshore foreign currency loan	2,901,275	471,634
Hire purchase creditors (Note 30)	55,006	63,394
Revolving credits	9,090,490	-
Term loans	1,824,037	5,038,136
	13,870,808	5,573,164

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29. BORROWINGS (continued)

	2018 RM	Group 2017 RM
Long term borrowings (secured):		
Hire purchase creditors (Note 30)	-	55,008
Term loans	5,472,027	7,150,864
	5,472,027	7,205,872
Total borrowings:		
Onshore foreign currency loan	2,901,275	471,634
Hire purchase creditors (Note 30)	55,006	118,402
Revolving credits	9,090,490	-
Term loans	7,296,064	12,189,000
	19,342,835	12,779,036

- (a) Borrowings are classified as financial liabilities measured at amortised cost.
- (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 25 to the financial statements; and
 - (iii) corporate guarantees of RM38,723,850 (2017: RM50,012,876) by the Company.
- (c) Foreign currency exposure of borrowings is as follows:

	2018 RM	Group 2017 RM
United States Dollar	19,287,829	12,660,634
Ringgit Malaysia	55,006	118,402
	19,342,835	12,779,036

- (d) Fair value of the borrowings of the Group is categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

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29. BORROWINGS (continued)

- (e) Borrowings that are not carried at fair values and whose carrying amounts are reasonable approximation of fair values are as follows:

	Fair value (Level 2) RM	Group	
		2018 Carrying amount RM	2017 Carrying amount RM
Hire purchase creditors	54,769	55,006	118,402

Fair value of the borrowings are 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.

- (f) Information on financial risks of borrowings is disclosed in Note 38 to the financial statements.

30. HIRE PURCHASE CREDITORS

	Group	
	2018 RM	2017 RM
Minimum hire purchase payments:		
- Not later than one (1) year	56,110	67,371
- Later than one (1) year and not later than five (5) years	-	56,113
Total minimum hire purchase payments	56,110	123,484
Less: Future interest charges	(1,104)	(5,082)
Present value of hire purchase creditors	55,006	118,402
Repayable as follows:		
Current (Note 29)		
- Not later than one (1) year	55,006	63,394
Non-current (Note 29)		
- Later than one (1) year and not later than five (5) years	-	55,008
	55,006	118,402

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31. DEFERRED TAX LIABILITIES

	2018 RM	Group 2017 RM
At 1 January	131,956	150,167
Recognised in profit or loss (Note 11)	2,351	(18,211)
At 31 December	134,307	131,956

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 2018	125,990	480,946	606,936
Recognised in profit or loss	(26,870)	(37,779)	(64,649)
At 31 December 2018	99,120	443,167	542,287
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

Deferred tax assets of the Group:

	Unused tax losses, unabsorbed capital allowances and tax incentives RM	Accruals RM	Inventories, trade and other receivables RM	Property, plant and equipment expensed out RM	Total RM
At 1 January 2018	(296,070)	(143,670)	(23,960)	(11,280)	(474,980)
Recognised in profit or loss	(27,840)	112,480	(16,920)	(720)	67,000
At 31 December 2018	(323,910)	(31,190)	(40,880)	(12,000)	(407,980)
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)

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31. DEFERRED TAX LIABILITIES (continued)

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	
	2018 RM	2017 RM	2018 RM	2017 RM
Unused tax losses	4,922,000	4,603,000	-	-
Unabsorbed capital allowances	39,000	39,000	39,000	39,000
	4,961,000	4,642,000	39,000	39,000

The unused tax losses of the Group amounting to RM4,922,000 (2017: RM4,603,000) which is 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.

32. TRADE PAYABLES

	Group	
	2018 RM	2017 RM
Trade payables		
Third parties	115,940,308	59,896,462
Related parties	399,614	384,344
	116,339,922	60,280,806
Representing trade payables:		
- Current	107,747,636	60,050,352
- Non-current	8,592,286	230,454
	116,339,922	60,280,806

- Trade payables are classified as financial liabilities measured at amortised cost.
- Trade payables are interest-free and the normal trade credit terms granted to the Group range from one (1) month to three (3) months.
- Amount owing to related parties are unsecured, interest-free and payable upon demand in cash and cash equivalents.

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32. TRADE PAYABLES (continued)

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

	2018 RM	Group 2017 RM
Current	24,314,187	15,917,053
Non-current	7,563,850	230,454
	31,878,037	16,147,507

(e) "Trade payables third parties" which will be paid by variable instalments terms based on an agreed percentage on the gross collections generated from the machines purchased are interest-free and repayable as follows:

	2018 RM	Group 2017 RM
Current	15,072,170	18,596,163
Non-current	1,028,436	-
	16,100,606	18,596,163

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

	2018 RM	Group 2017 RM
United States Dollar	116,206,264	60,221,204
Hong Kong Dollar	128,843	2,744
Ringgit Malaysia	-	25,712
Others	4,815	31,146
	116,339,922	60,280,806

(g) Information on financial risks of trade payables is disclosed in Note 38 to the financial statements.

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33. OTHER PAYABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Accruals	20,767,649	23,543,320	647,211	646,900
Deposits received	12,939,179	54,886,735	6,485	7,403
Sundry payables	907,924	2,419,374	-	-
	34,614,752	80,849,429	653,696	654,303

(a) Other payables are classified as financial liabilities measured at amortised cost.

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
United States Dollar	26,004,544	65,222,201	-	-
Philippine Peso	5,059,060	9,007,407	-	-
Thai Baht	2,349,027	2,251,549	-	-
Ringgit Malaysia	799,491	3,197,931	653,696	654,303
Singapore Dollar	239,882	149,530	-	-
Hong Kong Dollar	101,992	933,473	-	-
Others	60,756	87,338	-	-
	34,614,752	80,849,429	653,696	654,303

(c) Information on financial risks of other payables is disclosed in Note 38 to the financial statements.

34. 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.

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34. RELATED PARTY DISCLOSURES (continued)

(b) The Group and the Company had the following transactions with related parties during the financial year:

	2018 RM	2017 RM
Group		
Related parties*:		
- Sales of products	2,526,790	3,638,248
- Technical service fee received	15,705	9,520
- Technical support and management income	3,592,129	4,134,629
- Purchase of products	1,611,752	-
Associates:		
- Operating lease expense	13,314	14,189
Company		
Subsidiaries:		
- Dividend income	16,484,139	17,117,212
- Operating lease expense	42,000	42,000

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

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

(c) Compensation of key management personnel

Key management personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Group either directly and indirectly. The key management personnel include any Director (whether executive or otherwise) of the Group and of the Company.

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Short-term employee benefits	5,007,920	4,749,146	1,267,069	1,178,255
Post-employment benefits:				
Defined contribution plans	451,260	434,306	73,448	69,664
Share-based payments	324,121	459,033	325,184	454,352
Estimated monetary value of benefits-in-kind	5,783,301 33,850	5,642,485 33,850	1,665,701 9,900	1,702,271 9,900
	5,817,151	5,676,335	1,675,601	1,712,171

Included in total remuneration of key management personnel of the Group and of the Company are Directors' remuneration amounting to RM5,361,229 (2017: RM5,177,133) and RM850,237 (2017: RM862,646) respectively as further disclosed in Note 10 to the financial statements.

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34. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel (continued)

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	
	2018	2017	2018	2017
At 1 January	10,468,800	9,400,000	10,400,000	9,400,000
Granted	-	6,068,800	-	6,000,000
Exercised	(2,500,000)	(5,000,000)	(2,500,000)	(5,000,000)
Forfeited	(68,800)	-	-	-
Bonus issue	1,128,568	-	1,128,568	-
At 31 December	9,028,568	10,468,800	9,028,568	10,400,000

The terms and conditions of the ESOS are detailed in Note 28 to the financial statements.

35. CAPITAL COMMITMENTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Capital expenditure				
Approved but not contracted for:				
Property, plant and equipment	83,800,000	80,400,000	590,000	20,000
Contracted but not provided for:				
Property, plant and equipment	1,050,000	-	-	-
	84,850,000	80,400,000	590,000	20,000

36. 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 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.

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36. CONTINGENT LIABILITIES (continued)

- (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 RM38,723,850 (2017: RM50,012,876) of which RM19,397,502 (2017: RM12,790,984) 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 RM99,492,000 (2017: RM97,512,000) of which RM70,078,266 (2017: RM58,348,331) 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.

37. 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 2018 and 31 December 2017.

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 payables, other payables and lease liabilities, less cash and bank balances. Capital represents equity attributable to the owners of the Company. The gearing ratio as at 31 December 2018 and 31 December 2017 are as follows:

	Note	2018 RM	Group 2017 RM	2018 RM	Company 2017 RM
Borrowings (current and non-current)	29	19,342,835	12,779,036	-	-
Trade payables (current and non-current)	32	116,339,922	60,280,806	-	-
Other payables	33	34,614,752	80,849,429	653,696	654,303
Lease liabilities	17(b)	1,570,467	-	41,002	-
Less: Cash and bank balances	25	(62,699,669)	(113,522,706)	(2,667,990)	(2,344,975)
Net debt/(cash)		109,168,307	40,386,565	(1,973,292)	(1,690,672)
Equity attributable to the owners of the Company, represent total capital		234,796,534	210,074,244	171,058,519	167,623,283
Net debt and capital		343,964,841	250,460,809	169,085,227	165,932,611
Gearing ratio		32%	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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38. FINANCIAL RISK MANAGEMENT

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

Exposure to credit risk arises mainly from sales made on credit terms and deposits with licensed banks. The Group controls the credit risk on sales by ensuring that its customers have sound financial position and credit history. The Group also seeks to invest cash assets safely and profitably with approved financial institutions in line with the policy of the Group.

Exposure to credit risk

At the end of each reporting period, the maximum exposure to credit risk of the Group and of the Company is represented by the carrying amount of each class of financial assets recognised in the statements of financial position. Information regarding credit enhancement for trade and other receivables is disclosed in Note 20 and Note 21 to the financial statements.

Credit risk concentration profile

As at 31 December 2018, other than the amounts owing by subsidiaries constituting 99% (2017: 99%) 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 88% (2017: 83%) of the total trade receivables at the end of the reporting period. These customers contributed approximately 66% (2017: 54%) of the total revenue of the Group. The Group and the Company do not anticipate the carrying amounts recorded at the end of each reporting period to be significantly different from the values that would eventually be received.

(b) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

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38. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity and cash flow risk (continued)

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.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
2018				
Group				
Financial liabilities:				
Trade and other payables	142,362,388	8,592,286	-	150,954,674
Borrowings	14,239,263	5,919,217	-	20,158,480
Lease liabilities	962,672	461,817	546,066	1,970,555
Due to associates	88,744	-	-	88,744
Total undiscounted financial liabilities	157,653,067	14,973,320	546,066	173,172,453
Company				
Financial liabilities:				
Trade and other payables	653,696	-	-	653,696
Lease liabilities	42,000	-	-	42,000
Total undiscounted financial liabilities	695,696	-	-	695,696
2017				
Group				
Financial liabilities:				
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
Total undiscounted financial liabilities	147,047,972	8,084,007	-	155,131,979
Company				
Financial liabilities:				
Trade and other payables	654,303	-	-	654,303
Total undiscounted financial liabilities	654,303	-	-	654,303

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38. FINANCIAL RISK MANAGEMENT (continued)

(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.

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
At 31 December 2018								
Group								
Fixed rates								
Deposits with licensed banks	25	2.8	6,287,394	-	-	-	-	6,287,394
Hire purchase creditors	29	2.5	(55,006)	-	-	-	-	(55,006)
Floating rates								
Onshore foreign currency loan	29	3.8	(2,901,275)	-	-	-	-	(2,901,275)
Revolving credits	29	5.2	(9,090,490)	-	-	-	-	(9,090,490)
Term loans	29	5.7	(1,824,037)	(1,824,037)	(1,824,037)	(1,823,953)	-	(7,296,064)
Company								
Fixed rate								
Deposits with licensed banks	25	3.2	2,108,907	-	-	-	-	2,108,907
At 31 December 2017								
Group								
Fixed rates								
Deposits with licensed banks	25	1.7	30,590,402	-	-	-	-	30,590,402
Hire purchase creditors	29	2.5	(63,394)	(55,008)	-	-	-	(118,402)
Floating rates								
Onshore foreign currency loan	29	3.2	(471,634)	-	-	-	-	(471,634)
Term loans	29	4.5	(5,038,136)	(1,787,736)	(1,787,736)	(1,787,736)	(1,787,656)	(12,189,000)
Company								
Fixed rate								
Deposits with licensed banks	25	3.3	2,045,581	-	-	-	-	2,045,581

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38. FINANCIAL RISK MANAGEMENT (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	
	2018 RM	2017 RM
Floating rates		
<u>Increase by 0.1%</u>		
Onshore foreign currency loan	(2,205)	(358)
Revolving credits	(9,091)	-
Term loans	(7,296)	(12,176)
<u>Decrease by 0.1%</u>		
Onshore foreign currency loan	2,205	358
Revolving credits	9,091	-
Term loans	7,296	12,176

(d) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group also holds cash and bank balances denominated in foreign currencies for working capital purposes.

Subsidiaries operating in overseas have assets and liabilities together with expected cash flows from anticipated transactions denominated in those foreign currencies.

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	
	2018 RM	2017 RM	2018 RM	2017 RM
<u>Strengthened 5%</u>				
USD/RM	374,536	(161,184)	328,074	393,805
Peso/USD	1,447,576	910,262	-	-
THB/USD	780,834	632,178	-	-
<u>Weakened 5%</u>				
USD/RM	(374,536)	161,184	(328,074)	(393,805)
Peso/USD	(1,447,576)	(910,262)	-	-
THB/USD	(780,834)	(632,178)	-	-

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

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39. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

39.1 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 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

Besides, the Group has elected to early adopt the following Standard which is mandatory for financial periods beginning on or after 1 January 2019:

MFRS 16 *Leases*

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for MFRS 9, MFRS 15 and MFRS 16 described in the following sections.

(a) MFRS 9 *Financial Instruments*

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, encompassing all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group is applying the retrospective method upon adoption of MFRS 9. In accordance with the transitional requirements of this Standard, the Group has not restated the comparative information, which continues to be reported under MFRS 139. Differences arising from the adoption of MFRS 9 have been recognised directly in retained earnings and other components of equity.

(i) Classification of financial assets and financial liabilities

The Group and the Company classify their financial assets into the following measurement categories depending on the business model of the Group and the Company for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

39. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

39.1 New MFRSs adopted during the financial year (continued)

(a) MFRS 9 *Financial Instruments* (continued)

(i) Classification of financial assets and financial liabilities (continued)

The following summarises the key changes:

- The Available-For-Sale ("AFS"), Held-To-Maturity ("HTM") and Loans and Receivables ("L&R") financial asset categories were removed.
- A new financial asset category measured at Amortised Cost ("AC") was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.
- A new financial asset category measured at Fair Value Through Other Comprehensive Income ("FVTOCI") was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- The remaining amount of change in the fair value is presented in profit or loss.

(ii) Impairment of financial assets

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Group by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Group to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables and contract assets that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

During this process, the probability of non-payment by the trade receivables is adjusted by forward-looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

39. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

39.1 New MFRSs adopted during the financial year (continued)

(a) MFRS 9 *Financial Instruments* (continued)

(ii) Impairment of financial assets (continued)

Impairment for other receivables, amounts due from subsidiaries and associates are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

(iii) Classification and measurement

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of the Group and of the Company as at 1 January 2018:

Group	Classification		Carrying amount	
	Existing under MFRS 139	New under MFRS 9	Existing under MFRS 139 RM	New under MFRS 9 RM
Financial assets				
Trade receivables	L&R	AC	85,286,975	84,463,831
Other receivables, excluding prepayments	L&R	AC	49,778,788	48,457,260
Lease receivables	L&R	AC	11,475,996	11,475,996
Due from associates	L&R	AC	4,076,989	2,948,014
Cash and bank balances	L&R	AC	113,522,706	113,522,706
Financial liabilities				
Trade payables	OFL	AC	60,280,806	60,280,806
Other payables	OFL	AC	80,849,429	80,849,429
Borrowings	OFL	AC	12,779,036	12,779,036
Due to associates	OFL	AC	86,978	86,978
Company				
Financial assets				
Other receivables, excluding prepayments	L&R	AC	70,337	70,337
Due from subsidiaries	L&R	AC	8,191,468	8,191,468
Cash and bank balances	L&R	AC	2,344,975	2,344,975
Financial liabilities				
Other payables	OFL	AC	654,303	654,303

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

39. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

39.1 New MFRSs adopted during the financial year (continued)

(a) MFRS 9 *Financial Instruments* (continued)

(iii) Classification and measurement (continued)

The following table summarises the impact of transition to MFRS 9 on statements of financial position at 1 January 2018:

Group	Existing under MFRS 139	New under MFRS 9	
	Carrying amount as at 31 December 2017 RM	Impact on adopting MFRS 9 RM	Carrying amount as at 1 January 2018 RM
Assets			
Trade receivables	85,286,975	(823,144)	84,463,831
Other receivables, excluding prepayments	49,778,788	(1,321,528)	48,457,260
Due from associates	4,076,989	(1,128,975)	2,948,014
Others	246,614,379	-	246,614,379
Total assets	385,757,131	(3,273,647)	382,483,484
Equity			
Foreign currency translation reserve	12,804,415	96,540	12,900,955
Retained earnings	39,671,047	(2,850,792)	36,820,255
Others	157,598,782	-	157,598,782
Non-controlling interests	210,074,244	(2,754,252)	207,319,992
	20,820,082	(519,395)	20,300,687
Total equity	230,894,326	(3,273,647)	227,620,679
Total liabilities	154,862,805	-	154,862,805
Total equity and liabilities	385,757,131	(3,273,647)	382,483,484

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

39. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

39.1 New MFRSs adopted during the financial year (continued)

(b) MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a comprehensive framework for revenue recognition and measurement. It replaces MFRS 118 Revenue, MFRS 111 Construction Contracts, and related Interpretations. Under MFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires significant judgement.

The Group adopted MFRS 15 using the modified retrospective method, with the effect of initially applying this Standard at the date of initial application of 1 January 2018. The cumulative effect of initially applying MFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under MFRS 111, MFRS 118 and related Interpretations.

The following table summarises the impact of transition to MFRS 15 on statements of financial position at 1 January 2018:

Group	Carrying amount as at 31 December 2017 RM	Impact on adopting MFRS 15 RM	Carrying amount as at 1 January 2018 RM
Assets			
Other receivables	53,219,977	267,973	53,487,950
Others	332,537,154	-	332,537,154
Total assets	385,757,131	267,973	386,025,104
Equity			
Foreign currency translation reserve	12,804,415	104,053	12,908,468
Retained earnings	39,671,047	(4,520,456)	35,150,591
Others	178,418,864	-	178,418,864
Total equity	230,894,326	(4,416,403)	226,477,923
Liabilities			
Other payables	80,849,429	4,684,376	85,533,805
Others	74,013,376	-	74,013,376
Total liabilities	154,862,805	4,684,376	159,547,181
Total equity and liabilities	385,757,131	267,973	386,025,104

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

39. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

39.1 New MFRSs adopted during the financial year (continued)

(c) MFRS 16 Leases

The Group and the Company have early adopted MFRS 16 *Leases* and applied this Standard retrospectively during the financial year. In accordance with the transition requirements under the Appendix C, paragraph 5(b) of this Standard, comparatives are not restated.

As a result of the adoption of MFRS 16 *Leases*, the existing requirements for a lessee to distinguish between finance leases and operating leases under the MFRS 117 *Leases* are no longer required. This Standard introduces a single accounting model, requiring the lessee to recognise the right-of-use of the underlying lease asset and the future lease payments liabilities in the statements of financial position. For a lessor, MFRS 16 *Leases* continues to allow the lessor to classify leases as either operating leases or finance leases and to account for these two types of leases differently.

The following table provides the impact of changes to the statements of financial position of the Group and of the Company resulting from the early adoption of MFRS 16 as at 1 January 2018:

Group	Note	Carrying amount as at 31 December 2017 RM	Impact on adopting MFRS 16 RM	Carrying amount as at 1 January 2018 RM
Non-current assets				
Right-of-use assets	(i)	-	2,330,490	2,330,490
Non-current liabilities				
Lease liabilities		-	1,221,242	1,221,242
Current liabilities				
Lease liabilities		-	1,109,248	1,109,248
Total lease liabilities	(ii)	-	2,330,490	2,330,490
Company				
Non-current assets				
Right-of-use assets	(i)	-	80,217	80,217
Non-current liabilities				
Lease liabilities		-	41,002	41,002
Current liabilities				
Lease liabilities		-	39,215	39,215
Total lease liabilities	(ii)	-	80,217	80,217

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

39. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)

39.1 New MFRSs adopted during the financial year (continued)

(c) MFRS 16 Leases (continued)

- (i) Right-of-use assets comprise premises and equipment. Subsequent to initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation, accumulated impairment losses and adjusted for any remeasurement of lease liabilities. The right-of-use assets are measured at an amount equal to the lease liabilities.
- (ii) Lease liabilities arising from the premises and equipment are recognised and discounted using the weighted average incremental borrowing rate of the Group of 4.5%. Subsequent to initial recognition, the Group measure the lease liabilities by increasing the carrying amount to reflect the interest on the lease liabilities, reducing the carrying amount to reflect lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.
- (iii) There is no impact to the retained earnings of the Group as at 1 January 2018.

Other than the above, the Group elected to apply exemption for a lease of premises and equipment expiring within 12 months under the Appendix C, paragraph 10(c) of this Standard. The lease payments of these premises and equipment are recognised as an expense on a straight line basis over the remaining lease term.

39.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019

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
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</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
Amendments to <i>References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
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 does not expect the adoption of the above Standards to have a significant impact on the financial statements.

LIST OF GROUP PROPERTIES

AS AT 31 DECEMBER 2018

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
RGBSB							
1. 65 Sims Avenue #08-04 Yi Xiu Factory Building Singapore	Building	Office cum Factory	Freehold	36	113	804,717	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	45	1,035.03	1,412,639	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	45	1,109.71	1,470,706	1 January 2011
Data Touch Sdn. Bhd.							
4. No. 8 Green Hall 10200 George Town, Penang Malaysia	Land & Building	Office	In Perpetuity	40	2,387.16	4,095,972	1 January 2011
Chateau De Bavet Club Co., Ltd.							
5. No. 1, National Road Bavet Commune Chantrea District Svay Rieng Province Kingdom of Cambodia	Building	Hotel & Casino	Freehold	10	23,727	35,448,473	-
Total						43,232,507	

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

LIST OF ASSOCIATE'S PROPERTIES

AS AT 31 DECEMBER 2018

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
Dreamgate Holding Co., Ltd.							
1. No. 13 & 14, Block C E0, E1, Chantrea Bavet Sway Rieng Kingdom of Cambodia	Shoplot	Office	Freehold	12	128	363,065	-
2. No. 1, National Road Bavet Commune Chantrea District Svay Rieng Province Kingdom of Cambodia	Land	Hotel & Casino	Freehold	-	-	3,754,165	-
Total						4,117,230	

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 2018 pursuant to the shareholders' mandate obtained by the Company at the AGM held on 28 May 2018 are as follows:

Provider of goods and services	Recipient of goods and services	Nature of Transaction	Actual value transacted ⁽ⁱ⁾ (RM)	Related Parties
RGBSB	Channel Paradise Sdn. Bhd. ("CPSB")	Sale of products ⁽ⁱⁱ⁾	2,475,723	<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>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 and major shareholder of CPSB. She is 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 Datin Tok Moy.</p>
RGBSB	Manju Sdn. Bhd. ("MSB")	Sale of products ⁽ⁱⁱ⁾ and technical fee ⁽ⁱⁱⁱ⁾	7,660	<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 ⁽ⁱ⁾ (RM)	Related Parties
RGBSB	Suneka Sdn. Bhd. ("SSB")	Sale of products ⁽ⁱⁱ⁾	6,733	<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 ⁽ⁱⁱⁱ⁾ , technical support management ^(iv) , leasing of products ⁽ⁱⁱ⁾ and management fee ^(v)	3,592,129	<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	Prosper Dynasty (Macau) Holdings Company Limited ("PDM") Group ^(vii)	Sales of products ⁽ⁱⁱ⁾ , technical support management ^(iv) , leasing of products ⁽ⁱⁱ⁾ and management fee ^(vi)	Nil	<p>Datuk Chuah Kim Seah is a director of the Company, RGBSB, RGBL, RGBML and PDM. He is also a major shareholder of the Company and PDM.</p> <p>Datuk Lim Tow Boon is a director of the Company, RGBSB, RGBL, RGBML and PDM. He is also a major shareholder of PDM.</p>

Notes:

- (i) The actual value transacted of RRPT during the FYE 31 December 2018.
- (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) PDM Group comprises PDM and any wholly owned subsidiary(ies) which are expected to be acquired or incorporated within the next 12 months.

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 2018 and since the commencement of the ESOS as at 31 December 2018 are as follows:

Directors and Chief Executive	Aggregate options granted	Adjustment*	Aggregate options exercised	Aggregate options lapsed	Aggregate options outstanding
During the financial year 2018	-	285,714	-	-	285,714
Since the commencement of the ESOS	56,000,000	285,714	48,000,000	6,000,000	2,285,714

* Adjustment of the number of options granted pursuant to the bonus issue.

As at 31 December 2018, the aggregate maximum and actual allocation of the ESOS to directors and senior management during the financial year 2018 and since the commencement of the ESOS are as follows:

Directors and senior management	Aggregate maximum allocation	Actual allocation
During the financial year 2018	1.54%#	1.54%#
Since the commencement of the ESOS	50.66%#	44.81%#

Includes adjustment of the number of options granted pursuant to the bonus issue.

A breakdown of the options granted to and exercised by non-executive directors as at 31 December 2018 is as follows:

Non-Executive Directors	Amount of options granted	Amount of options exercised
Dato' Mahinder Singh Dulku	4,000,000	4,000,000
The late Mr. Ng Eng Tong (<i>demised on 17 April 2019</i>)	4,000,000	4,000,000
Ms. Lam Voon Kean	4,142,857#	3,000,000
Tan Sri Norazman Hamidun	4,142,857#	3,000,000
Total	16,285,714	14,000,000

Includes adjustment of the number of options granted pursuant to the bonus issue.

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 2018 were as follows:

Fees	Company (RM)	Group (RM)
Audit	51,000	214,571
Non-audit	8,800	65,353

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 29 March 2019

Issued shares of the Company

Total number of issued shares : 1,540,575,766
 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	309	3.04	13,530	0.00
100 - 1,000	255	2.51	95,036	0.01
1,001 - 10,000	2,284	22.49	11,674,497	0.76
10,001 - 100,000	5,529	54.44	193,098,457	12.53
100,001 - less than 5% of issued shares	1,778	17.51	891,865,344	57.89
77,028,788 and 5% and above of issued shares	1	0.01	443,828,902	28.81
Total	10,156	100.00	1,540,575,766	100.00

Substantial Shareholders holding 5% or more in the share capital

Name	Direct Interest		Indirect Interest	
	No. of Shares	% of Shares	No. of Shares	% of Shares
Datuk Chuah Kim Seah	443,828,902	28.81	2,404,342 ^(a)	0.16

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

STATISTICS OF SHAREHOLDINGS

as at 29 March 2019

Directors' interests in the ordinary shares of the Company

Name	Direct Interest		Indirect Interest		No of unexercised ESOS options
	No. of Shares	% of Shares	No. of Shares	% of Shares	
Dato' Mahinder Singh Dulku	1,874,285	0.12	-	-	-
Datuk Chuah Kim Seah	443,828,902	28.81	2,805,141 ^(a)	0.18	-
Datuk Lim Tow Boon	7,589,142	0.49	-	-	-
Mr. Mazlan Ismail	57,142,857	3.71	11,428,571 ^(b)	0.74	-
Mr. Chuah Kim Chiew	31,730,507	2.06	2,475,884 ^(c)	0.16	-
Ms. Lam Voon Kean	2,285,714	0.15	-	-	1,142,857 ^(d)
Tan Sri Norazman Hamidun	3,405,714	0.22	-	-	1,142,857 ^(d)

^(a) Deemed interested by virtue of holding more than 20% in the shares of Manju Sdn. Bhd., 171,428 ordinary shares held by his spouse, Datin Tan Soon Kim, and 229,371 ordinary shares held by his son, Mr. Chuah Eng Meng.

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

^(c) Deemed interested by virtue of holding more than 20% in the shares of Manju Sdn. Bhd. and 71,542 ordinary shares held by his daughter, Ms. Chuah Tong Yi.

^(d) Includes adjustment of the number of options granted pursuant to the bonus issue. 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 29 March 2019

NO.	NAME	HOLDINGS	%
1	CHUAH KIM SEAH	316,565,325	20.55
2	CHUAH KIM SEAH	127,263,577	8.26
3	MAZLAN BIN ISMAIL	57,142,857	3.71
4	CHUAH KIM CHIEW	31,730,507	2.06
5	LEE WEI MING	20,000,000	1.30
6	LEE WAI YUEN	17,200,000	1.12
7	WOON CHUAN KEONG	13,500,000	0.88
8	YEOH MEI MEI	13,000,000	0.84
9	GERAK JUARA SDN BHD	11,428,571	0.74
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAU HOW SIONG	10,911,885	0.71
11	ANG BOON GUAN	10,411,428	0.68
12	LAU KIM WAH	10,120,800	0.66
13	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHAMMED AZLAN BIN HASHIM	8,000,000	0.52
14	LIM TOW BOON	7,589,142	0.49
15	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	7,248,228	0.47
16	RHB NOMINEES (TEMPATAN) SDN BHD FONG WOON YIN	7,120,000	0.46
17	PUBLIC INVEST NOMINEES (ASING) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)	6,880,171	0.45
18	UNG CHI FONG	6,127,314	0.40
19	UNG YOKE HONG	5,862,857	0.38
20	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)	5,767,126	0.37
21	FIRST GENESIS SDN BHD	5,028,571	0.33
22	YAP KHONG	5,000,000	0.32
23	KHOR TENG TONG	4,571,428	0.30
24	WONG KIM HAI	4,131,428	0.27
25	TAN YAW ING	4,000,000	0.26
26	MAYBANK NOMINEES (TEMPATAN) SDN BHD LEE LEP KIONG	3,951,428	0.26
27	NORAZMAN BIN HAMIDUN	3,405,714	0.22
28	LIM LAY HONG	3,342,857	0.22
29	NG POH LAI	3,200,000	0.21
30	PATRICK SOH KONG HUI	3,200,000	0.21
		733,701,214	47.63

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 16th Annual General Meeting of the Company will be held at Sri Mas 2, Level 4, Bayview Hotel Georgetown Penang, 25A Farquhar Street, 10200 George Town, Penang, Malaysia on Thursday, 30 May 2019 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 2018 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 2018 as recommended by the Board of Directors. | Resolution 1 |
| 3. To approve the payment of Directors' fees of RM478,000 to the Non-Executive Directors for the financial year ended 31 December 2018. | Resolution 2 |
| 4. To approve the payment of benefits payable to the Non-Executive Directors up to an amount of RM64,000 from 30 May 2019 until the next Annual General Meeting of the Company. | Resolution 3 |
| 5. To re-elect the following Directors retiring in accordance with Clause 103 of the Company's Constitution.
(a) Dato' Mahinder Singh Dulku
(b) Datuk Lim Tow Boon | Resolution 4
Resolution 5 |
| 6. To re-appoint BDO PLT (converted from conventional partnership, BDO, on 2 January 2019) as Auditors of the Company and to authorise the Directors to fix their remuneration. | Resolution 6 |

As Special Business:

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

- | | |
|---|---------------------|
| 7. Ordinary Resolution
Continuation in office as an Independent Non-Executive Director | Resolution 7 |
|---|---------------------|

"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."

NOTICE OF ANNUAL GENERAL MEETING

8. Ordinary Resolution

Authority under Sections 75 and 76 of the Companies Act 2016 for the Directors to allot and issue shares

Resolution 8

"THAT subject always to the Companies Act 2016, the 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 Sections 75 and 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."

9. Ordinary Resolution

Proposed additional and renewal of Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature ("Proposed Shareholders' Mandate")

Resolution 9

"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 the Circular to Shareholders dated 30 April 2019, 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. 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 16th 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 2018 will be paid to the shareholders on 15 August 2019. The entitlement date for the said dividend shall be 31 July 2019.

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 31 July 2019 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 2019

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, 170-09-01 Livingston Tower, Jalan Argyll, 10050 George Town, Penang, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting PROVIDED that in the event the member(s) duly executes the Form of Proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, Provided Always that the rest of the Form of Proxy, other than the particulars of the proxy have been duly completed by the member(s).
3. A member entitled to attend, participate, speak and vote is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote instead of him. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a member 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.
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. In respect of deposited securities, only members whose names appear on the Record of Depositors on 23 May 2019 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Special Business:

Resolution 7 – Continuation in office as an Independent Non-Executive Director

The proposed Resolution 7, 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 has served as Independent Non-Executive Chairman of the Company for a cumulative term of more than twelve (12) years, and recommended for 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 2018.

Resolution 8 – Authority to allot and issue shares

The proposed Resolution 8, if passed, will give the Directors of the Company authority to allot and issue shares in the Company up to a maximum of ten percent (10%) of the total number of issued shares 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 28 May 2018 and which will lapse at the conclusion of the 16th 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 acquisitions.

Resolution 9 – Proposed Shareholders' Mandate

The proposed Resolution 9, 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 the Circular to Shareholders dated 30 April 2019.

STATEMENT ACCOMPANYING NOTICE OF 16TH ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.27(2) OF BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS

No individual is standing for election as a Director at the forthcoming 16th Annual General Meeting of the Company.



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)

and *telephone no./email address

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

Full Name and Address (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholding

*and/or

Full Name and Address (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholding

or failing *him/her, THE CHAIRMAN OF THE MEETING as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the 16th Annual General Meeting of the Company, to be held at Sri Mas 2, Level 4, Bayview Hotel Georgetown Penang, 25A Farquhar Street, 10200 George Town, Penang, Malaysia on Thursday, 30 May 2019 at 10.00 am, or at any adjournment thereof.

Please indicate with an "X" in the appropriate space(s) 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
FOR									
AGAINST									

Signed this day of, 2019

.....
Signature of Member/Common Seal

* Strike out whichever is not desired.

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, 170-09-01 Livingston Tower, Jalan Argyll, 10050 George Town, Penang, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting PROVIDED that in the event the member(s) duly executes the Form of Proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, Provided Always that the rest of the Form of Proxy, other than the particulars of the proxy have been duly completed by the member(s).
3. A member entitled to attend, participate, speak and vote is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote instead of him. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a member 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.
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. In respect of deposited securities, only members whose names appear on the Record of Depositors on 23 May 2019 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.
7. 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.

Fold this flap for sealing

2nd fold here

Affix
Stamp

The Company Secretary

RGB INTERNATIONAL BHD. (603831-K)
170-09-01 Livingston Tower, Jalan Argyll,
10050 George Town, Penang, Malaysia

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