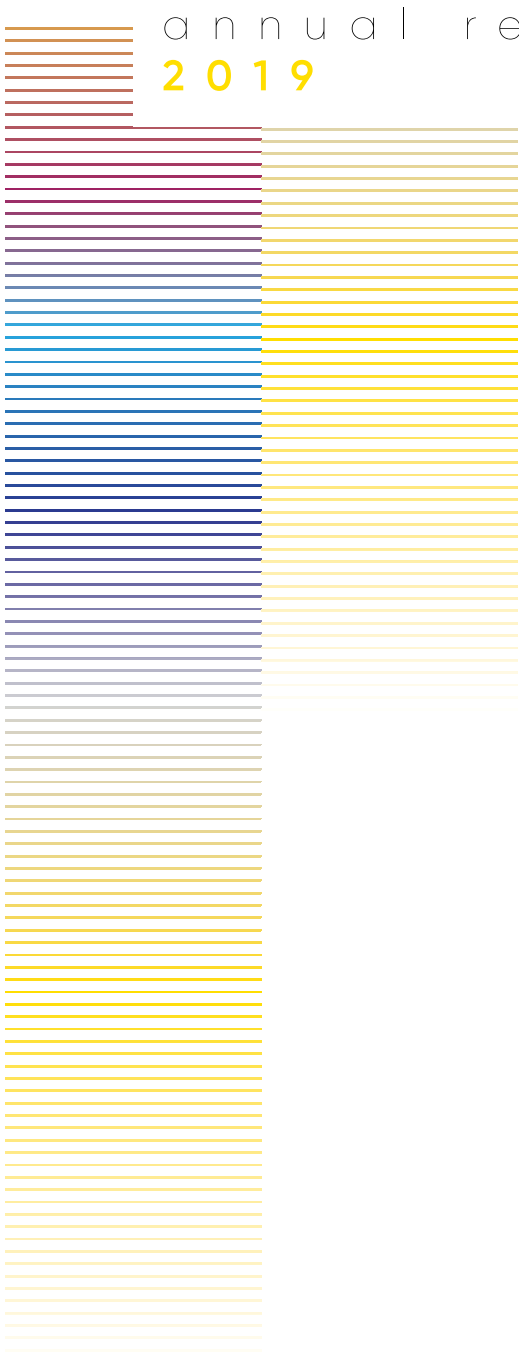


annual report
2019



RGB International Bhd.
Registration No. 200301001411 (603831-K)

WHAT'S INSIDE

17th

Annual General Meeting



WHERE

Sri Mas 2, Level 4,
Bayview Hotel
Georgetown Penang,
25A Farquhar Street,
10200 George Town,
Penang, Malaysia



WHEN

Tuesday,
8 September 2020



TIME

10.00 am

CORPORATE

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The softcopy version of RGB's Annual Report 2019 is available from our website. Go to <http://www.rbggames.com/home/annual-report.html> or scan the code on the left with your smartphone.

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 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

Dato' Seri Chuah Kim Seah
Managing Director

Datuk Steven Lim Tow Boon
Chief Operating Officer

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
Tan Sri Norazman Hamidun

Nomination & Remuneration Committee

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

Credit Review & Risk Assessment ("CRRR") Committee

Mr. Ganaser Kaliappen, *Chairman*
Dato' Seri Chuah Kim Seah
Mr. Chuah Eng Hwa
Mr. Liew Yung Kuan
Ms. Goh Kar Ling

Executive Committee

Dato' Seri Chuah Kim Seah,
Chairman
Datuk Steven Lim Tow Boon
Mr. Mazlan Ismail
Mr. Chuah Kim Chiew
Mr. Chuah Eng Hwa
Mr. Ganaser Kaliappen

Company Secretary

Ms. Ong Tze-En
(SSM PC No. 202008003397)
(MAICSA 7026537)

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

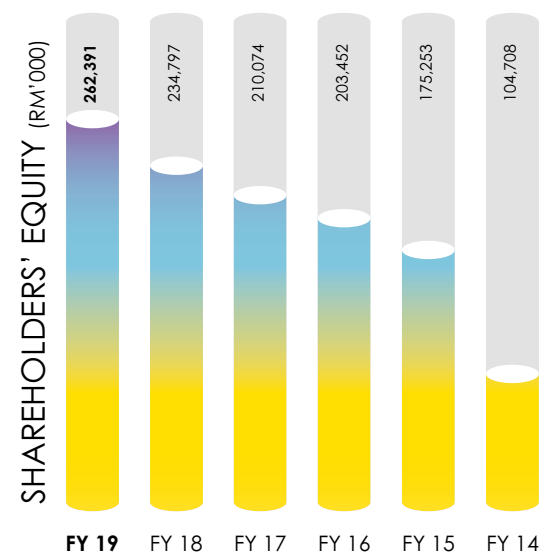
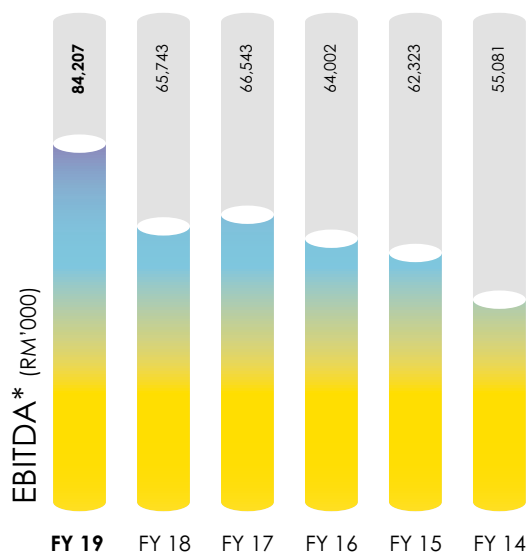
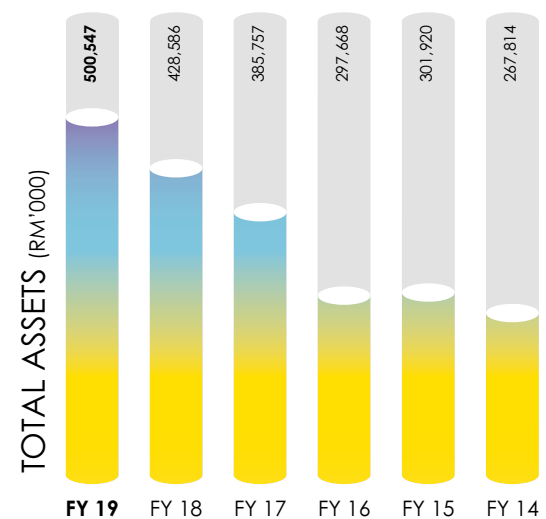
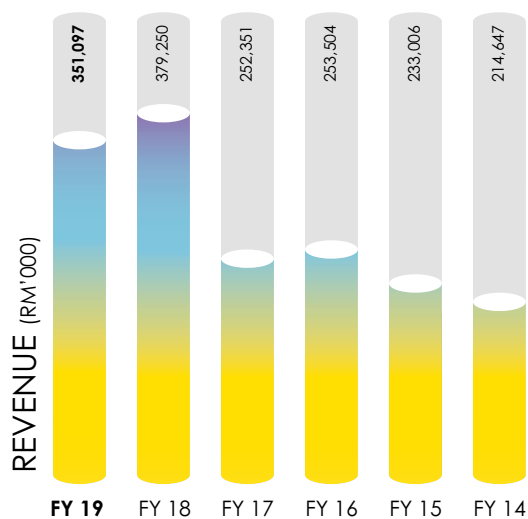
Principal Bankers

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

Group Financial Highlights

	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
Revenue	351,097	379,250	252,351	253,504	233,006	214,647
Profit Before Tax	44,196	35,166	40,374	30,993	25,111	19,696
EBITDA*	84,207	65,743	66,543	64,002	62,323	55,081
Net Profit	40,176	35,439	30,699	25,301	21,289	18,156
Cash and Bank Balances	40,074	56,412	82,932	69,840	75,528	44,793
Property, Plant and Equipment	184,746	136,262	105,159	107,862	118,578	108,075
Total Assets	500,547	428,586	385,757	297,668	301,920	267,814
Shareholders' Equity	262,391	234,797	210,074	203,452	175,253	104,708

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

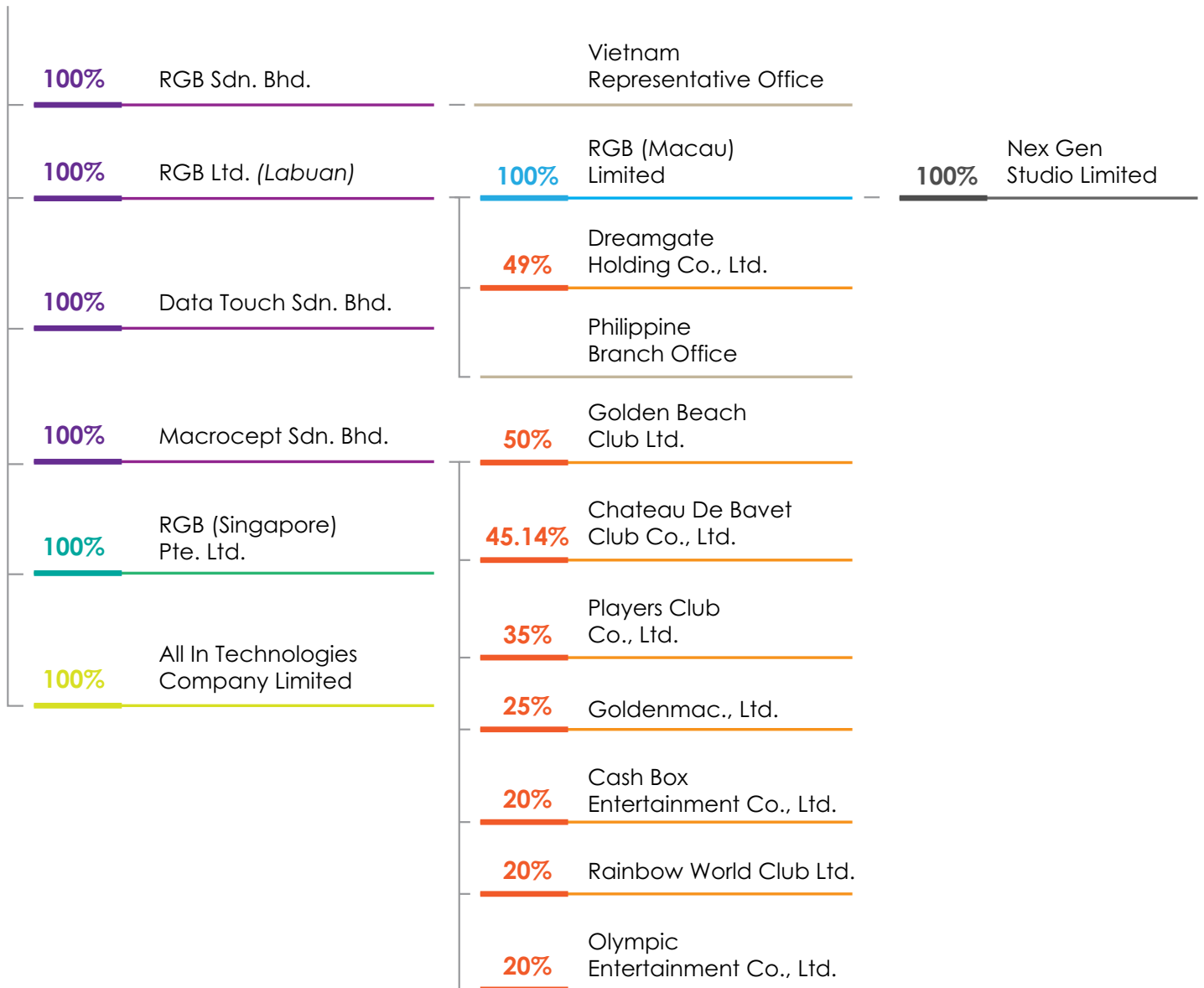


Corporate Structure



RGB International Bhd.

Registration No. 200301001411 (603831-K)
(Incorporated in Malaysia)



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

Profile of Directors



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

Age/Gender/Nationality

77/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

- Chairman of Nomination & Remuneration Committee
- Member of Audit 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

- 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



DATO' SERI CHUAH KIM SEAH,
DGPN, DMSM, DSDK, JP
Managing Director ("MD")

Age/Gender/Nationality

67/Male/Malaysian

Date of appointment

30 October 2003

No. of Board meetings attended

6/6

Qualification

- Fellow, Association of Chartered Certified Accountants
- Member, Malaysian Institute of Accountants ("MIA")
- Member, ASEAN Chartered Professional Accountants

Board Committee membership

- Chairman of Executive Committee
- Member of CRRR Committee

Working experience

Dato' Seri 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, Dato' Seri 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

- Director of several subsidiaries of RGB
- Director of several other private limited companies

Profile of Directors



DATUK STEVEN LIM TOW BOON, P.J.N, B.K.M
Chief Operating Officer ("COO")

Age/Gender/Nationality

59/Male/Malaysian

Date of appointment

30 October 2003

No. of Board meetings attended

6/6

Qualification

- Member, Australian Institute of Company Directors
- Bachelor of Arts, Brock University, Canada

Board Committee membership

- Member of Executive Committee

Working experience

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.

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.

Other information

- Director of several subsidiaries of RGB
- Director of several other private limited companies



MS. LAM VOON KEAN
Independent Non-Executive Director

Age/Gender/Nationality

67/Female/Malaysian

Date of appointment

31 March 2014

No. of Board meetings attended

6/6

Qualification

- Member, MIA
- Member, Malaysian Institute of Certified Public Accountants ("MICPA")

Board Committee membership

- Chairman of Audit Committee
- Member of Nomination & Remuneration Committee

Working experience

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.

She left KPMG Penang in 1994 and joined M&C Services Sdn. Bhd. (now known as Boardroom Corporate Services 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 multinational 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.

Other information

- 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

Profile of Directors



TAN SRI NORAZMAN HAMIDUN,
PSM, PJN, DGMK, DSDK, AMK, JP
Independent Non-Executive Director

Age/Gender/Nationality

55/Male/Malaysian

Date of appointment

1 April 2014

No. of Board meetings attended

6/6

Qualification

- Corporate Member, Malaysian Institute of Marketing
- MARA University of Technology majoring in Business Studies

Board Committee membership

- Member of Audit Committee
- Member of Nomination & Remuneration Committee

Working experience

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.

Other information

- 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

Dato' Seri Chuah Kim Seah is a substantial shareholder of RGB.

None of the 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. MAZLAN ISMAIL

Senior Vice President, Human Resources ("HR")

Age/Gender/Nationality

56/Male/Malaysian

Date first appointed to key senior management position

30 October 2003

Qualification

- Ordinary Member, Malaysian Institute of Management
- Diploma in Management, Malaysian Institute of Management

Working experience

Mr. Mazlan heads the HR division and oversees the implementation of policies and operational management for human resources and administrative functions for the Group.

He started his career as Senior Audit Assistant with Chuah & Associates in 1988 before leaving to pursue other career opportunities 3 years later.

Other information

- Member of Executive Committee of RGB
- Director of several subsidiaries of RGB
- Director of 1 other private limited company



MR. CHUAH KIM CHIEW

Deputy COO

Age/Gender/Nationality

56/Male/Malaysian

Date first appointed to key senior management position

30 October 2003

Qualification

Bachelor of Business Administration, University of Waseda, Japan

Working experience

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.

His ties to the Group began more than 30 years ago when he was appointed as a Director of RGBSB. Together with Dato' Seri Chuah, they began their ventures and challenges in the gaming and amusement industry.

Other information

- Member of Executive Committee of RGB
- Director of several subsidiaries and an associated company of RGB
- Director of several other private limited companies

Notes:

Family Relationship with Directors and/or Major Shareholders

Mr. Chuah Kim Chiew and Mr. Chuah Eng Hwa are the brother and the son of Dato' Seri Chuah Kim Seah respectively.

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. CHUAH ENG HWA

Vice President, New Investment and Treasury

Age/Gender/Nationality

34/Male/Malaysian

Date first appointed to key senior management position

1 January 2016

Qualification

- 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

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. Following the resignation of the Chief Financial Officer ("CFO") on 30 June 2019, Mr. Chuah has overseen the responsibilities of the CFO during the interim period. His responsibilities include accounting, financial management, treasury, credit control, new investment relations and investor relations for RGB Group.

He has almost 6 years of experience with Ernst & Young in transaction advisory and assurance services prior to joining the Group.

Other information

- Member of CRRA Committee of RGB
- Member of Executive Committee of RGB
- Director of several subsidiaries 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.

Other Directorships

None of the key senior management team holds any directorship in public companies.



MR. GANASER KALIAPPEN

Senior Vice President, Corporate and Regulatory Compliance

Age/Gender/Nationality

65/Male/Malaysian

Date first appointed to key senior management position

1 October 2004

Qualification

- 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

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 gaming-related legislations in the various countries where RGB Group operates.

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.

Other information

- Chairman of CRRA Committee of RGB
- Member of Executive Committee of RGB
- Director of a subsidiary of RGB
- Director of several other private limited companies

MANAGEMENT DISCUSSION AND ANALYSIS

Dear Shareholders,

The Group recorded a commendable performance for the financial year ended ("FYE") 31 December 2019, with our expansion overseas and improved economic environment leading us to achieve record profits for the year. Not only did we manage to sell approximately 1,600 gaming machine units during the year, but also installed a further approximately 1,100 machines at our operating outlets in the Philippines and Indochina.

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 FYE 31 December 2019.

OVERVIEW

RGB is among the leading suppliers of gaming products in Asia with over 30 years of experience in the gaming industry. Our products comprise electronic gaming machines, casino equipment and all kinds of gaming-related parts and components.

RGB has 3 principal business segments:

SSM Division

The SSM division comprises the sales of electronic gaming machines, casino equipment and all kinds of gaming-related parts and components. We market our proprietary products, and are also the authorised distributor of gaming products for many world-renowned brands in the industry. Our clients encompass a broad spectrum ranging from major casinos in the world's gaming industry to operators of VIP slot clubs in many Asian countries, who are well supported by our dedicated sales team to provide clients with unparalleled round the clock service.

TSM Division

The TSM division provides machine concession programmes to operators throughout Asia, as well as technical, management, marketing and advisory services to our customers. We have partnered with licensed operators throughout Asia, with approximately 5,700 machines stationed across 53 outlets. The revenue derived is on a profit-sharing basis with the operators of the gaming establishments.

Engineering Services Division

Our Engineering Services division supports the SSM division by carrying out end-to-end services as well as ongoing maintenance to ensure optimal operations. The team consists of engineers and technicians who are expertly trained by renowned gaming product manufacturers and are equipped with in-depth knowledge in the technical aspect of gaming product maintenance, systems and new technology. As the first line of contact with our customers on technical matters, our team aims to deliver top quality engineering support to customers.

The scope of RGB's Engineering Services division entails:

- (i) product installation, setup and relocation as well as game conversion and upgrade;
- (ii) product-based and scenario-based solution training;
- (iii) on-site or remote support for systems and game-related issues;
- (iv) consultancy on electronic gaming machines layouts, technical requirements, jackpot parameters, machines and systems matters for new venue setup;
- (v) preventive maintenance services and repairing of parts and components;
- (vi) gaming table equipment support and services; and
- (vii) turnkey solution for electronic gaming machines and gaming systems installations.

All in all, RGB is a full-service gaming solutions provider in the gaming industry.

Management Discussion and Analysis

FINANCIAL REVIEW

We are heartened to report that the Group's strategy of improving profitability by improving product mix bore fruit as RGB registered robust financial performance in the FYE 31 December 2019 with record net profit in the year under review.

The table below highlights the Group's financial performance for year 2019:

	2019 RM million	2018 RM million
Revenue	351.1	379.2
EBITDA*	84.2	65.7
Profit before tax	44.2	35.2
Profit after tax	40.2	35.4
Net profit attributable to shareholders	39.8	35.2
Shareholders' equity	262.4	234.8
Earnings per share (sen)	2.58	2.29

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

Revenue, Profit Before Tax ("PBT") and Net Profit

The Group recorded revenue of RM351.1 million in 2019, compared to RM379.2 million in the previous year, mainly due to a bulk sale to an Integrated Resort in Indochina in the previous year.

Despite the slight revenue dip, PBT increased 26% to RM44.2 million from RM35.2 million in 2018 due to the opening of additional outlets during the year for TSM division, a one-off bulk sale to an Integrated Resort in Indochina with a lower margin under SSM division in 2018, and unrealised forex translation gain of RM1.2 million in 2019, compared to the unrealised forex translation loss of RM3.7 million in the previous year.

The stronger PBT led to net profit attributable to shareholders rising by a healthy 13% to RM39.8 million, from RM35.2 million previously. Of note, the solid net profit was minimally impacted by higher tax expense in 2019 due to the abolishment of flat tax of RM20,000 under the Labuan Business Activity Tax Act 1990 as of 1 January 2019.

Liquidity and Capital Resources

As part of its overall liquidity management, the Group preserves sufficient levels of cash and cash equivalents to meet its working capital requirements. As at 31 December 2019, cash and cash equivalents stood at RM40.6 million, compared to RM57.2 million in the previous year.

In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. The Group borrowings was RM29.7 million as at 31 December 2019, rising from RM19.3 million previously to finance expansion plans.

Equity attributable to shareholders grew to RM262.4 million as at 31 December 2019, compared to RM234.8 million, resulting from increase in retained earnings. As a result, the Group remained in a net cash position, which enables us the freedom to pursue our future expansion plans.

The Group's capital expenditure ("CAPEX") incurred in 2019 amounted to RM88.0 million, of which RM85.5 million was allocated to purchase gaming machines for replacement and upgrading of machines in existing TSM outlets, as well as the placement of machines in new outlets to generate income for the Group. The CAPEX allocated in 2019 was slightly lower than RM94.3 million allocated in 2018, but was sufficient to meet the expansion requirements for the Group.

OPERATIONAL REVIEW

SSM Division

While still accounting for the lion's share of the Group's topline, revenue for the SSM division decreased to RM223.5 million in 2019, compared to RM265.1 million in the previous year due to a bulk sale to an Integrated Resort in Indochina in 2018.

Nonetheless, the higher margins from better sales mix resulted in a 17% increase in EBITDA to RM28.7 million, from RM24.6 million in 2018. In tandem, PBT grew 16% to RM27.9 million in 2019, from RM24.0 million previously.

TSM Division

In 2019, revenue for the TSM segment jumped 13% to RM125.3 million, versus RM110.7 million a year ago, mainly due to installation of new machines in an additional outlet, as well as improved performance in existing outlets.

EBITDA and pre-tax profit also rose in line with revenue to RM60.4 million and RM23.3 million in 2019 as compared to RM50.0 million and RM22.4 million respectively in the previous year.

Engineering Services Division

The Engineering Services division registered revenue of RM1.9 million in 2019, compared to RM3.4 million previously due to one-off installation services provided to customer in Vietnam in 2018. As a result of this, the division recorded lower EBITDA and pre-tax profit of RM1.0 million and RM0.98 million respectively in 2019, versus RM2.7 million and RM2.6 million previously.

Management Discussion and Analysis

DIVIDEND

The Group declared an interim single-tier dividend of RM0.003 per ordinary share for the FYE 31 December 2019, which was paid on 15 April 2020. This brings total dividend payout to RM4.6 million, representing 12% of 2019 net profit.

Due to the socio-economic uncertainties arising from the ongoing COVID-19 pandemic, the Board deliberated and determined not to declare a final dividend in respect of the FYE 31 December 2019, as we evaluate the full impact from the outbreak and reframe the Group's next course of action.

While the Group has maintained a regular dividend practice to reward loyal shareholders, the Board continues to explore, over the long term, the establishment of a formal dividend policy, keeping in mind the requisite investments needed to execute our expansion plans, especially in the anticipated tough environment. The priority for us is to build a sustainable growth path that will be beneficial to both the Group and shareholders.

BUSINESS RISKS

The Group's main business risks comprise intensifying competition, changes in regulations and policies, and fluctuation of forex rates.

The Group's business is in a competitive environment and faces competition from other gaming suppliers and operators. 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 minimum wages, restrictions on local residents entering gaming establishments and foreign exchange control.

The Group is also exposed to risk of fluctuation in foreign exchange rates as the Group's global operations necessitates dealings in foreign-denominated currency. Although the Group does not have a currency hedging policy at the moment, 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.

BUSINESS OUTLOOK AND PROSPECTS

With the outbreak of COVID-19 pandemic, the business climate for 2020 is challenging, not only for us, but for operations across various industries across the globe as well. The pandemic has led to widespread imposition of travel restrictions, movement control on people and suspension of business operations to curb the spread of the virus. The Group has temporarily suspended its operations gradually in the respective countries since mid of March 2020 in compliance with various restrictions implemented by the respective countries' governments. However, beginning from May 2020, the gaming industry in Vietnam has resumed operation and we expect other countries to follow suit in the near future.

In view of the requirement for social distancing measure in the respective countries, the Group is exploring the possibility of remote gaming solution as an alternative for land-based gaming operators. We are also distributing social distancing products such as machine partition and cashless payment solution for gaming outlets.

The situation will remain fluid as governments worldwide adapt to the evolving response to contain the COVID-19 pandemic. Despite the dampened outlook in first half of 2020, we at RGB are positioning ourselves to be ready for the gradual upturn once the uncertainties subside.

ACKNOWLEDGEMENT

On behalf of the Board, we would like to express our sincere gratitude to our valued shareholders, business partners and financial institutions for their unwavering trust, confidence and support all these years.

We also wish to take the opportunity to thank Mr. Mazlan Ismail and Mr. Chuah Kim Chiew, who stepped down as Executive Directors of the Company on 15 November 2019, for their valuable contributions to the Board during their tenure of office.

Last but not least, we would like to convey our deep appreciation to our fellow Directors, management team and employees for their dedication and commitment as we continue to grow the Group together.

DATO' MAHINDER SINGH DULKU

Independent Non-Executive Chairman

DATO' SERI CHUAH KIM SEAH

Managing Director

18 May 2020

INVESTOR RELATIONS

We at RGB continue to place importance on building strong relationships with our shareholders and the investing community by providing regular updates and remaining transparent. The Board is committed in following the guidelines set out in the established Investor Relations Policy, which can be found on the Company's website (<http://www.rgbgames.com/home/investor-policy.html>).

COMMUNICATION CHANNELS

We prioritise effective communication with all stakeholders by providing relevant, timely and accurate information. We disseminate the required information via annual reports, circulars, quarterly financial reports and corporate announcements through Bursa Malaysia Securities Berhad's ("Bursa Securities") website.

Additionally, we also actively respond to queries from the financial community, namely local and foreign analysts and fund managers, through one-on-one meetings, conference calls and electronic communications. We also engage the media through interviews or press releases, to inform the public of corporate and business developments.

While institutional shareholders, stock analysts, the media and financial communities may have 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.

Lastly, we encourage and provide the opportunity for shareholders to share their opinions and concerns to the Board and senior management during the question-and-answer session at general meetings.

ENHANCEMENT OF ACCESS VIA INTERNET

Besides the above channels, we also regularly provide updates through the Company's website (www.rgbgames.com). The website provides relevant corporate information, such as annual reports, quarterly financial reports, as well as announcements and presentations given to shareholders, analysts and media.

Besides this, we also provide a communication channel through our website, and encourage shareholders and members of the financial community to direct queries through the site, or email us directly to our dedicated Investor Relations address (ir@rgbgames.com).

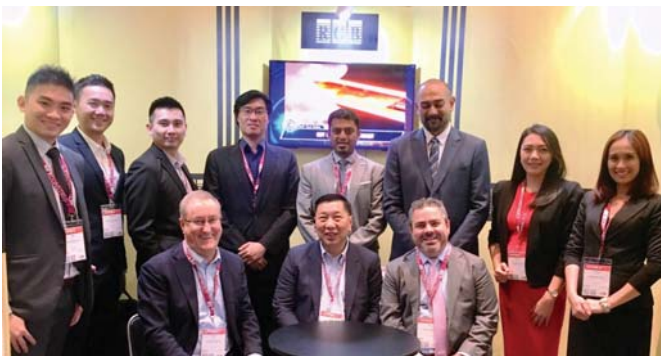
We will also continue to make effort to increase the user-friendliness of our site, as well as improve the efficiency of communications between all stakeholders and us in order to achieve common understanding of our operations progress and outlook.

Calendar of Events 2019

19-21 March

ASEAN 3rd Annual Gaming Summit, the Philippines

Participated in ASEAN 3rd Annual Gaming Summit held at Conrad Manila. This event was organised by Asia Gaming Brief which drawn over 300 industry participants from Asia's online and land-based gaming industries.



31 March and 04 December

RGB Career Day 2019, Cambodia and the Philippines

Career days were held at Ly Heng Chhay Hotel, Cambodia and AG New World Manila Bay Hotel, the Philippines to meet and engage with potential employees and to promote career opportunities.



Calendar of Events 2019

26 April

Bowling Competition, Penang

A team-building bowling competition was run by RGB Sports Club at Penang Bowl to build trust and improve communication among the employees.



21-23 May

Global Gaming Expo Asia ("G2E Asia") 2019, Macau SAR

Participated and showcased our latest range of electronic gaming machines and products at G2E Asia 2019, a major gaming exposition in Asia convened at The Venetian Macao.



30 May and 28 November

16th AGM and Extraordinary General Meeting ("EGM"), Penang

16th AGM and EGM of RGB were held at Bayview Hotel Georgetown Penang. All resolutions proposed at the meetings were duly approved by the shareholders.



Calendar of Events 2019

06 September

Zumba Dance Workout, Penang

A fun Zumba dance workout was hosted by RGB Sports Club at The Esplanade.



03-04 December

G2E Asia @ The Philippines

Joined G2E Asia @ The Philippines, the newest addition to the G2E Asia event series, held at Marriott Manila to display our latest range of electronic gaming machines and products.



12-14 November

MGS Entertainment Show 2019, 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.



Calendar of Events 2019

06-07 December

RGB Connect 2019, the Philippines

RGB Connect Workshop and Gala Dinner were held at Conrad Manila and invitation was extended to RGB's customers, partners and manufacturers. During this period of time, RGB has also organised golf tournaments at Wack Wack Golf & Country Club and Valley Golf & Country Club.



SUSTAINABILITY STATEMENT

Sustainability at RGB is a key enabler to drive business in creating long-term added values for the Group's economics, environmental and societal strategies. In enhancing on the sustainability journey, RGB is committed to adopt sustainability best practices and to conduct business in a responsible manner without compromising the interest of our internal and external stakeholders.

SCOPE AND BOUNDARIES OF SUSTAINABILITY STATEMENT

Our second Sustainability Statement is prepared in reference to the Bursa Securities 2nd Edition Sustainability Reporting Guide¹. All the data and activities covered in this statement were retrieved during the reporting period from 1 January 2019 to 31 December 2019, unless otherwise stated.

The scope of this Sustainability Statement remains unchanged from the previous year and covers RGB's key operating entities of RGBSB, RGB Ltd., RGB (Macau) Limited and RGB Ltd. (Philippine Branch). This Sustainability Statement continues to emphasise on the collective sustainability efforts from the economic, environmental and social ("EES") aspects within RGB's principal business segments, consisting of SSM, TSM and Engineering Services.

OUR SUSTAINABILITY APPROACH

From our humble operation in Penang since 1986 until today, RGB has successfully managed its business to become one of the leading suppliers of gaming machines and equipment and one of the major operators of concession programmes in Asia. It is important for RGB to maintain the value that lies within its core businesses - which is more than just profit and loss, and this is where sustainability comes in as one of the key drivers in our business strategy.

Rapid development of casino contributes to the exponential growth in Asia-Pacific's tourism sector, which translates into a high profitability of gaming industry. Although capitalisation and profitability drive the foundation of business strategy, there are various underlying factors that are equally crucial in shaping and structuring the future of commercial gambling businesses, such as market competition within the gaming casino industry, supply chain management as well as social and political factors.

Putting this into context, social factors affects the extent of gaming availability and the political force shapes how commercial gambling will be offered, largely based on government decision in relations to economic needs². RGB is mindful to mitigate any forms of violation against the stipulated and applicable legal requirements and regulations as this would impact our business as a whole in terms of our

distributorship, relationship with customers and supply chain.

In order to maintain long-term sustainable performance of the Group, we have identified our business capitals and integrated sustainability initiatives into our business model, aiming to create value for our stakeholders, to improve our operation efficiency, to drive innovation, to reduce business risks, to explore new opportunities, to enhance public trust, to attract talents and to retain our workforces. With respect to our Sustainability Policy, it helps to drive the implementation of EES aspects across the Group in achieving business longevity, whilst upholding our business's vision and mission. The Sustainability Policy is made available on our corporate website, <http://www.rbggames.com/home/about-us.html>.

We have incorporated environmental and social aspects into our business approaches, by relentlessly opt for machines refurbishment and mobilisation from tier-1 to tier-3 countries to lengthen the life of the machines in the market as well as to minimise waste generation and environmental impacts from our operations. From social perspective, we acknowledge our people as the most valuable assets, thus aspire to create constructive environment and bring positive changes to the communities staying close to where we operate. We regularly raise awareness among our employee on sustainability issues whilst ensuring the welfare and benefits of staff is on point, to create tangible value for our stakeholders; and to enhance longevity of our business across Asia Pacific.

In 2018, we have embarked on our sustainability journey with the release of our inaugural Sustainability Statement, in line with the Bursa Securities' Listing Requirements. For this reporting year, we are cognisant to stay committed in enhancing and improving our sustainability disclosures which show our responsibilities towards our stakeholders.

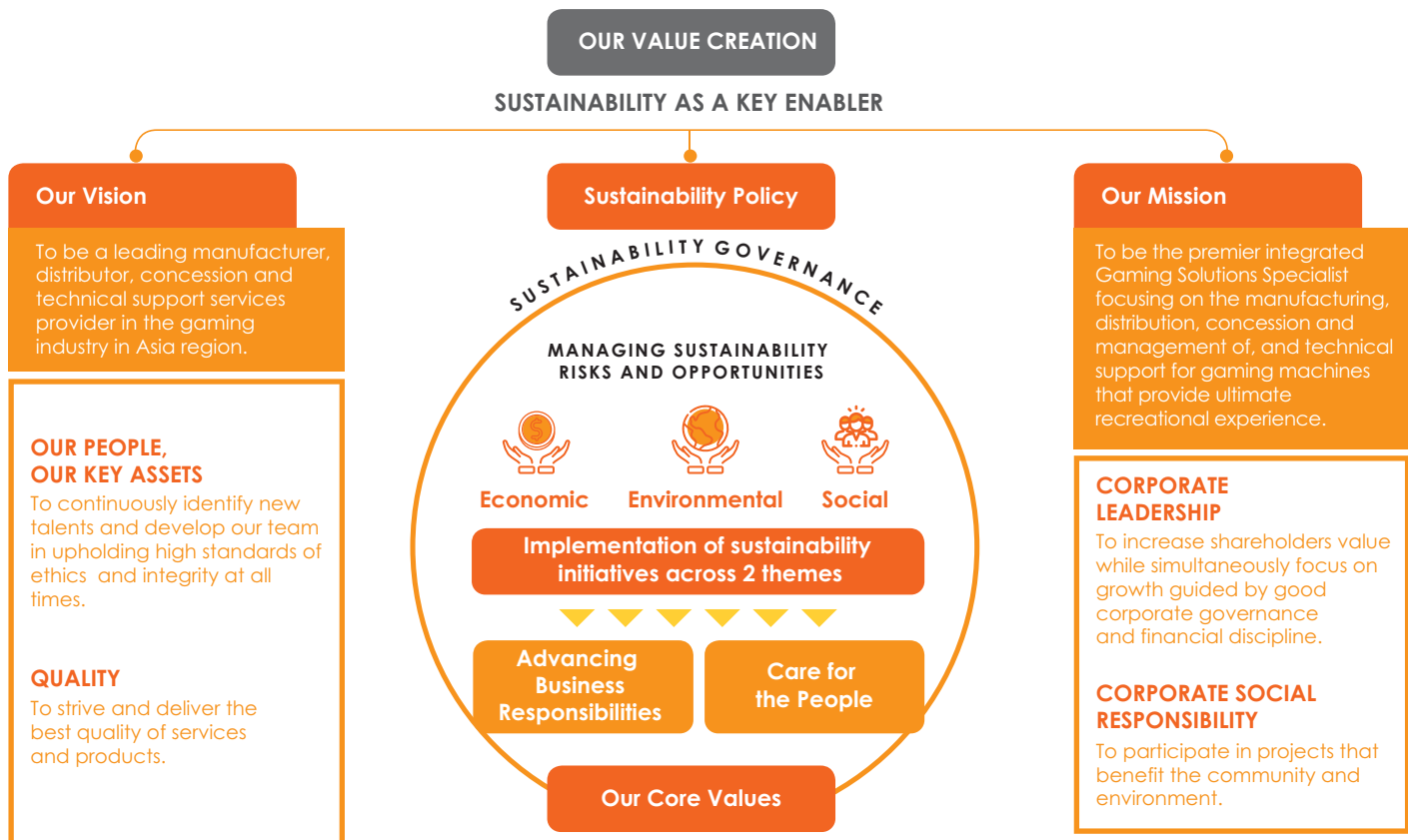
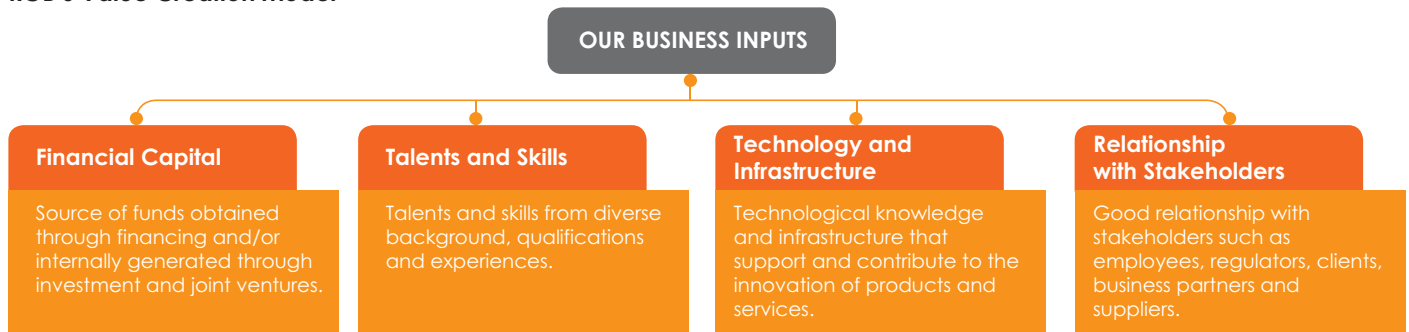
We have also reviewed our sustainability management and reporting processes in improving the reflection of our sustainability practices within the Group. This includes integration of our sustainability themes "Care for Our Business", "Care for the Environment" and "Care for the People" in driving our sustainability efforts forward by focusing on 2 main themes: "Advancing Business Responsibilities" and "Care for the People".

¹ The Sustainability Reporting Guide is issued by Bursa Securities to assist listed issuers in preparing the Sustainability Statement as required under the Listing Requirements of Bursa Securities [paragraph 9.45(2) and paragraph (29), Part A of Appendix 9C of the Main Market Listing Requirements ("MMLR") (supplemented by Practice Note 9) and paragraph (30) of Appendix 9C of the ACE Market Listing Requirements (supplemented by Guidance Note 11)].

² Abbott, M; Binde, P; Clark, L; Hodgins, D; Johnson, M; Manitowabi, D; Quilty, L; Spångberg, J; Volberg, R; Walker, D; Williams, R. (2018). *Conceptual Framework of Harmful Gambling: An International Collaboration, Third Edition*. Gambling Research Exchange Ontario (GREO), Guelph, Ontario, Canada.

Sustainability Statement

RGB's Value Creation Model



Sustainability Statement



THE BOARD

- Ensure the Group's strategies promote sustainability.
- Oversee the management of material sustainability issues.
- Seek regular updates and measures on the management of material sustainability issues.
- Oversee compliance with matters relating to EES.



EXECUTIVE COMMITTEE

- Assist the Board in overseeing the implementation of the Group's sustainability approach and ensuring key targets are being met.
- Lead the implementation of the sustainability strategy and policies within the divisions.
- Identify, assess, evaluate, manage and report to the Board the material sustainability risks and opportunities relevant to RGB Group's operations.
- Facilitate the sustainability disclosures as required by laws and regulations, and subsequently recommend it for approval.

SUSTAINABILITY GOVERNANCE

At RGB, the Board acts as the highest governance body, who is the key decision maker to determine the Group's overall sustainability strategy.







This year, we have conducted a review on our sustainability governance structure. Since the Sustainability Working Group and the MD are also members of the Executive Committee, their roles and responsibilities were integrated with the roles and responsibilities of the Executive Committee. Therefore, the Executive Committee plays a crucial role in assisting the Board to oversee the implementation of the Group's sustainability approach – including identification, monitoring and management of sustainability related matter, in line with the Group's sustainability strategy.

STAKEHOLDER ENGAGEMENT

Communication with our stakeholders is essential to address their key concerns, and how we could respond accordingly to meet the stakeholders' expectations. This is particularly important as all the stakeholder groups convey varying levels of influence and dependence to our business operations. Hence, RGB constantly engages with our internal and external stakeholders through various engagement activities and channels to prioritise and mitigate the issues raised by the respective key personnel or functional representatives in a timely manner.

Based on the Stakeholder Prioritisation Exercise conducted in financial year ("FY") 2018, with the facilitation of an external consultant, our key stakeholders whom influence a significant level of reliance and/or impact to our business remain unchanged.

A summary of our stakeholder groups, explaining our engagement activities, is presented below.

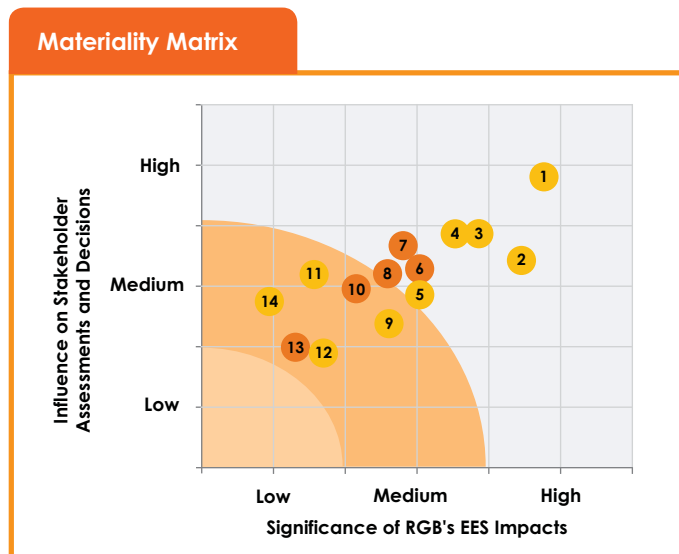
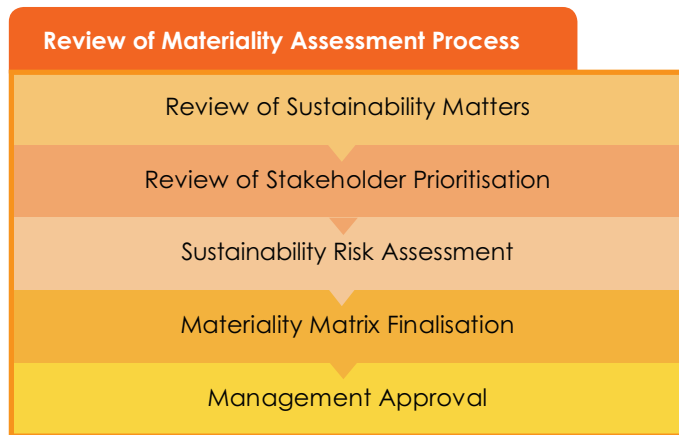
Stakeholder Group	Engagement Channel and Activities	Frequency
The Board, Investors/ Shareholders 	<ul style="list-style-type: none"> • General meetings • Corporate website, social media and media releases • Annual Report and Quarterly Reports 	<ul style="list-style-type: none"> • Annually • Quarterly • On-going
Customers/ Business Partners 	<ul style="list-style-type: none"> • Direct engagements • Events and activities (e.g. trade shows, expositions, workshops) • Corporate website and social media 	<ul style="list-style-type: none"> • On-going
Employees 	<ul style="list-style-type: none"> • Training programme • Other avenues for interactions such as meetings, activities • Employee performance review 	<ul style="list-style-type: none"> • Annually • Quarterly • On-going
Government/ Regulatory Authorities 	<ul style="list-style-type: none"> • Participation in programme/ conferences • Meetings and email correspondences • Seminar and workshops 	<ul style="list-style-type: none"> • On-going
Suppliers 	<ul style="list-style-type: none"> • One-to-one meetings • Events and activities (e.g. trade shows, expositions, workshops) • Site visits • Supplier assessment 	<ul style="list-style-type: none"> • On-going
Local Communities 	<ul style="list-style-type: none"> • Corporate volunteering programme • Community outreach programme • Corporate website and social media 	<ul style="list-style-type: none"> • On-going

Sustainability Statement

MATERIALITY ASSESSMENT AND KEY SUSTAINABILITY MATTERS

Considering the interest of both our business and our stakeholders, we have undertaken a structured materiality assessment facilitated by an external consultant last year to give precedence to the matters which are noteworthy for RGB to focus on. The assessment applied the GRI Reporting Principles of Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness.

This year, we have conducted an internal review to evaluate the key sustainability matters which were identified as material matters in FY2018. During the review of these material sustainability matters, the management of RGB has assessed the matters to better reflect RGB's significant EES impacts towards its business and stakeholders.



Note: For the list of sustainability matters in the graph, kindly refer to the "Sustainability Matters by Themes" diagram below.

For clarity and better coverage of the material matters, we have renamed or re-categorised the previous material matters as follows:

Previous Material Matter	Revised Material Matter
Impact from Growing Market	Market Competition
Sustainable Supply Chain Management	Supply Chain Management
Sustainable Design and Innovation	Product Responsibility and Innovation
End-of-Product Life and the Environment	<ul style="list-style-type: none"> End-of-Life Product Environmental Management

As discussed in our sustainability approach, we have further enhanced our sustainability reporting process by integrating our sustainability themes into the following 2 core sustainability themes to enhance the disclosure of the management of our material sustainability matters:

Sustainability Matters by Themes	
Theme 1: Advancing Business Responsibilities	Theme 2: Care for the People
1 Market Competition	6 People Attraction, Retention and Development
2 Socio-political Environment	7 Employee Inclusivity and Diversity
3 Data Protection and IT Infrastructure	8 Responsible Gaming
4 Ethical and Responsible Business	10 Occupational Health and Safety
5 Supply Chain Management	13 Supporting Our Communities
9 End-of-Life Product	
11 Product Responsibility and Innovation	
12 Environmental Management	
14 Natural Disasters	

Sustainability Statement

Theme 1 : Advancing Business Responsibilities



Create and share sustainable value for our stakeholders by operating in a responsible manner.



MARKET COMPETITION

Global casino gaming equipment market is growing rapidly and is expected to generate USD43.3 billion during 2020-2024³. Despite that, we remain vigilant to monitor the externalities which would impact our business, especially competition with our industry peers, as well as the upward trend of online gaming and adaptation to the younger generation's gaming behaviour and requirements.

In 2019, RGB has successfully secured the rights to sell 2 new branded gaming machines, namely KL Saberi and Atlas, and target to launch the new gaming machines regionally in the Philippines, Cambodia and Vietnam in 2019/2020. RGB has also installed 1,100 units of concession machines, of which 900 units are in the Philippines during the year under review. In addition, our TSM division is now operating at 53 concession venues across Asia with approximately 5,700 machines as of 2019.

The anticipated progressive growth of our business provides opportunities for RGB to penetrate new markets. Despite the market's growth, the emerging online gaming platform in current gaming industry has enabled players to gain access remotely. In response to the prevalence of offshore gambling trend at present, it is crucial for RGB to foster a sound relationship with our suppliers, distributors and customer base in fulfilling the market's demand and to sustain for a long period of time.

DISTRIBUTORSHIP MANAGEMENT

Considering that the provision of high-quality products to the customers is one of our utmost priorities, we recognise the importance in managing a mutual beneficial relationship with our suppliers in order to enhance our market presence and performance. At RGB, our distributorship management within the SSM business segment is directly overseen by the MD with the support from our COO. We endeavour to maintain a strong connection with our suppliers and/or business partners to ensure a long-lasting manufacturer-distributor relationship. We also conduct supplier screening from time-to-time and embrace diversified distributorship with a wide array of suppliers. Refer to "Supply Chain Management" sustainability matter on the supplier screening process and its management.

Key Achievements in FY2019

Diversified distributorship with global suppliers

- Prevent the dependence on single or small number of suppliers.
- Our major suppliers include Scientific Games, Aristocrat, SuzoHapp, Everi, DR Gaming Technology and Euro Games Technology.



Product Briefing by suppliers

- Updates from suppliers regarding new product on a regular basis.
- Engagement platform for interactive two-way communication regarding product improvement and enhancement such as seminar and exhibition.



Joint participation and exhibition of products with suppliers

- Participate in game shows and gaming seminars, i.e. the G2E Asia 2019 and the MGS Entertainment Show 2019 in Macau, the G2E Asia @ The Philippines and the ASEAN 3rd Annual Gaming Summit in the Philippines.
- Organise RGB Connect Seminar and Gala Dinner in the Philippines.
- Create awareness to customers about our distributorship management.



CUSTOMER MANAGEMENT

As reflected in our tagline: "Commitment to Quality Services and Customer Satisfaction", our business is customer-centric with an aim in providing best rendered services to our customers. We play an active role in building positive relationship with our existing and new customers and in aligning with their goals and customer expectations. In addition, we safeguard our customers' data privacy against any form of fraud by ensuring that our business transactions comply with the current and applicable Company's policies.

³ Technavio.com (2020). Casino Gaming Equipment Market by Type and Geography - Forecast and Analysis 2020-2024.

Sustainability Statement

Delivering Quality Services to Our Customers

At RGB, we ensure that our team is equipped with up-to-date technical knowledge and skills that are necessary to fulfil inquiries from our customers. Our SSM and Engineering Services teams are trained and qualified in providing the on-going technical assistance and after-sales services. In addition, our customers' grievances will be handled and resolved by the regional head. In the case where majority of the complaints are related to the technical issues, we will coordinate with the gaming machine suppliers to resolve the issues.





As part of our manifesto to provide positive customer experience, below are the services we offer to our customers:

				
Service Response Time	Preventive Maintenance	After Sales Service	Provisioning (i.e. installations, removals, relocations)	Product Quality Inspection by Manufacturers

Listening to Our Customers

Constructive feedbacks from customers enable us to assess the strengths and weaknesses of our products, and for us to continually innovate based on the trends of current market.

Below are examples of RGB's approach in relation to our grievance mechanism:

	<p>Assignment of personnel at each outlet</p> <p>We have designated personnel in each outlet to take charge of the routine issues or complaints that arise during the daily operations of our business. This is to ensure all gaming machines operate effectively at all time.</p>
	<p>Regular meetings</p> <p>We engage our business partners on a weekly or monthly basis to facilitate discussion on gaming machines' performance and to develop new and strategic business marketing plans.</p>
	<p>Site visits</p> <p>Depending on the market size and location, we conduct site visits (at least once a month) to observe the business operation and to maintain relationship with existing and potential customers and business partners.</p>
	<p>Trade show/Exposition</p> <p>Every year, we participate in international and regional gaming trade shows and/or expositions to engage with the gaming customers and to gather feedbacks on our gaming products.</p>



SOCIO-POLITICAL ENVIRONMENT

At RGB, we consistently assess and manage the socio-political risks that could significantly impact our business. The socio-political risks included but not limited to problem gambling, socio-economic inequality and increased regulatory costs.

To cope with the potential risks, we are guided by our own risk assessment framework and policies such as the Investment Policy and Anti-bribery and Corruption Policy, overseen by the CRRA Committee⁴ and the Compliance Committee respectively. Our Corporate Compliance Department administers the secretarial works, and the Legal Compliance Department is responsible in drafting and vetting agreements as well as the legal documents.

Policy



1. Investment Policy

- All new investment and capital expenditures will be assessed and evaluated by the CRRA Committee before circulated to the Executive Committee or the Board for approval.
- Close monitoring on the investment performance and payback period in provision of appropriate actions to be taken on a timely manner to improve the investment return and shortening the payback period.

2. Anti-bribery and Corruption Policy

- In compliance with the Anti Bribery Corruption Policy through the adoption of US Foreign Corrupt Practices Act ("FCPA") 1977 and UK Bribery Act 2010.
- In compliance with the Anti-Money Laundering Act ("AML").

A thorough due diligence process is conducted with all our potential business partners in compliance with the Anti-Bribery and Corruption Policy including reviewing the corporate information of our business associates. Regularly, we convey the updates of our business operations to the relevant business partners. In addition, we also initiate the action plans to manage potential risks in relation to non-compliances involving our business relationship management, research on new market and business risks and multinational socio-political issues' review and updates. As a result, we have achieved zero case of non-compliance in FY2019.

⁴ Responsibility of CRRA Committee, please refer to <http://www.rbggames.com/home/pdf/TOR-CRRA-frGKL-160418.pdf>

Sustainability Statement

The diagram below shows our initiatives in managing the socio-political risks and opportunities.

Choosing the Right Business Partner

We only venture into business with creditable and reputable customers or business partners who hold valid gaming and operation licenses. To achieve this, we observe the following:

- All new customers or business partners abide to our Anti-bribery and Corruption Policy where due diligence, background check and screening procedure are performed beforehand.
- Perform regular contact or active discussion with business partners on progress performance and projections.
- Our SSM, TSM and Engineering Services staff in our regional offices outside of Malaysia provide a one-stop service and continuous support to our business partners.

Addressing Risks and Opportunities for New and Potential Business Ventures or Markets

- We assess the feasibility of the proposal by visiting new investment sites with Board members and Senior Management.
- We conduct feasibility study and Return on Investment ("ROI") for all new ventures or capital acquisition and presenting to the CRRA Committee and the Board for deliberation.

Responding to Social and Political Instability

- We perform regular updates with the relevant parties such as local authorities and government staff, as well as local business partners, pertaining to political, social and economic issue of the country.
- We perform regular researches from websites, such as Gambling Compliance, the Asia Gaming Brief, Inside Asian Gaming and the GGRAsia in keeping ourselves updated on the Asia's casino industry.

Reviewing and Updating Political, Social and Economic Issues

- We conduct site visits of our overseas operations (minimum quarterly), led by our MD and COO.
- We held regular meetings and updates with local authorities and other stakeholders regarding the countries' political, social and economic stability and conditions.



DATA PROTECTION AND INFORMATION TECHNOLOGY ("IT") INFRASTRUCTURE

At RGB, we are guided by the IT Standard Operating Procedure ("SOP") to ensure that the controls and back-up procedures are in place for recovery of data and information in the event of system failure, data loss or corruption.

Our IT SOP details out the IT Department's scope of work as well as guidance in relation to IT-related subjects. The IT Department is responsible to provide the oversight, support and maintenance of RGB's IT infrastructure and data management of our internal stakeholders. The responsibility excludes our business-related IT services.

Data, Information and Intellectual Property Protection

At RGB, we have implemented precautionary initiatives to safeguard the data and information against malicious attacks and potential security breaches. The relevant data protection measures also enable us to manage the information more confidentially and securely. In the case where there are any cybersecurity issue and network problem, the relevant cases will be reported to management via channels such as messaging applications, email and face-to-face updates. To date, there were no records of actual intrusion reported.

Below are the initiatives in place to ensure proper management of data protection and IT infrastructure.



Firewalls Installation

Firewalls equipped with an enhanced intrusion prevention system to provide IT Department with additional capability to exercise proper access control over the internet contents.



Updates Monitoring

Monitor the updates of end-user computers to provide protection against malicious software and viruses.

Constant review of internal policy and procedures for enhancement and updates with the current best practices and market trends.




User Access Control

Regulate access to sensitive data on servers and key applications such as the Enterprise Resource Planning ("ERP").

Latest round of ERP user access control review was carried out in Quarter 4, 2019.


Sustainability Statement



Monitor and Track

Monitor and track installed software and its corresponding licenses for integrity and legal purposes.

Ensure that usage of the company's IT resources is in line with the business objectives.



Confidentiality Disclosure

Inclusion of confidentiality clauses and non-disclosure terms in Letter of Employment issued to employees.

At RGB, our new employees are equipped with IT training programme to promote awareness and compliance to the RGB's IT policies. We also conducted a separate briefing session on users' acceptable use and IT best practices. Other initiatives also include the implementation of automated backup system and IT general control audit.

Moving Forward to Ensure Data Privacy and Cybersecurity

Our IT Department is currently streamlining the existing and introducing updated policies or procedures concerning the general IT control and security. The applicable policies, procedures, implementations and measures are constantly being reviewed for enhancements to keep up with the current best practices and trends.



ETHICAL AND RESPONSIBLE BUSINESS

At RGB, we take EES aspects into consideration in our investments or expansion of operations into new market, to create significant and positive indirect economic impacts to the countries where we operate. We ensure proper regulatory oversight to warrant compliance with applicable local and international regulations imposed in connection with the entertainment and gaming activities.

Our Corporate, Regulatory and Legal Compliance Departments take the responsibility to manage compliance related matters including gaming licensing and regulatory compliance with the local authorities and legislators of various countries where the Group operates.

Internally, we have a Code of Ethics and Conduct that sets out basic principles to guide RGB's directors and employees to display the high levels of professionalism in all aspects of their work. Our Whistleblowing Policy is also in place to encourage our employees to report any form of misconduct such as unethical behaviour, malpractices, illegal acts or failure to comply with regulatory requirements.


In relation to the Whistleblowing Policy, a whistle-blower shall report cases of misconduct to the Chairman of the Board and/or the Chairman of the Audit Committee in writing and submitting via domestic mailing. The whistle-blower will be notified on the outcome of the investigations and remains protected under the Malaysia's Whistleblower Protection Act 2010. The Group has zero tolerance in any kind of bribery activity as stated in our Anti-bribery and Corruption Policy. For the year under review, zero case of misconduct was reported.

Awareness Training for Employees

We always ensure that our new employees are cultivated with proper knowledge in relation to code of ethics and conduct, anti-corruption, bribery as well as employee rights. As part of our fundamental Group-wide practice, the awareness on ethics and conduct is incorporated in the induction training programme. Other training programmes are also observed as and when necessary based on local and international regulatory movement. It is vitally important for the Group which is operating in a highly regulated industry.

Upholding Business Integrity


Policy alone is insufficient for us to safeguard the business itself from being involved in fraudulent activities. In addition to the internal company policies review, we put the following into actions into our daily operations:



Fraud Monitoring System

Installation of closed-circuit television ("CCTV") in outlets managed by RGB for optimal surveillance.

Installation of casino management system to monitor gaming operation and collection of system data.




Internal Control

Cash count, fixed assets sighting and controls check at various locations.

Monitoring of revenues remittance from business partners.

Proper SOP in place (i.e. responsibilities, limit of authorities and controls) for financial matters.



Declaration

All new employees sign a self-declaration during the orientation to uphold the core values and not to engage in any corrupt or unethical practices.

Business partners must sign a declaration that they are not involved in any corrupt, unethical, misconduct and illegal behaviour.

Sustainability Statement



SUPPLY CHAIN MANAGEMENT

Operating to a highly regulated industry, our key suppliers for gaming products have the highest standard in regulatory compliance, particularly anti-bribery and corruption laws, regulations and international conventions in countries where RGB Group operates. We are mindful in the selection of machine parts to reduce logistical cost and fuel consumption as well as in promoting local sourcing. We also remain vigilant to monitor the externalities, such as the unforeseen global circumstances – the recent global COVID-19 pandemic which may impact our supply chain management.

At RGB, we have policies in relation to procurement and logistics management. Both policies are updated regularly by the Product and Purchasing Department and Logistic Department.



Policy for Product and Purchasing

Provide guidelines for the end-to-end procurement activities and emphasise the acquisition of goods and services with the required quality at optimum prices.



Logistic Policies and Procedures

Ensure that the delivery and logistic processes are conducted in a timely manner and the goods arrive at the exact location, in good condition and at the reasonable cost.

Choosing the Right Suppliers

Prior to establishing any collaboration or enter into agreements with the suppliers, we always ensure the suppliers fulfil 3 major criteria which governs our supplier assessment process, including compliance to the FCPA, obedience to the International Gaming Standards and liability to deliver high quality products. During the year under review, our suppliers complied to the applicable local authority requirements, including but not limited to the Macau Gaming Inspection and Coordination Bureau ("DICJ"), the Philippines Amusement and Gaming Corporation ("PAGCOR"), the Malaysian Ministry of Finance and the Casino Regulatory Authority of Singapore ("CRA").

Supplier Assessment Criteria



The Footprint of Our Major Suppliers



Improving Logistical and Distributional Efficiency

Preparation for the unforeseen circumstances



Liaise with alternative suppliers to cater to urgent customer requests for key spare parts/components.
Keep buffer stocks for urgent customer requests.

Internal and external communications



Weekly meeting is conducted to track and monitor the progress of the respective department for better supply chain management.
Frequent dialogue session with the major suppliers.

Endeavour for local sourcing



Peripherals are sourced locally to minimise the cost and enhance fuel efficiency.

Utilisation of Microsoft Dynamics AX system



Coordinate and monitor supply chain processes.

Sustainability Statement



END-OF-LIFE PRODUCT

At RGB, we are mindful to ensure the unutilised machines and single-use products such as signages and packaging material are managed accordingly. Our plan in machines mobilisation from tier-1 to tier-3 countries is our main priority to lengthen the life of the machines in the market. Refurbishment of machines is carried out on a need-be basis and reallocated based on the respective local regulations.

Our TSM and Engineering Services teams keep records of the malfunctioned machines and those which had undergone repair and maintenance to track and observe the performance of the machines.

At RGB, we define the product's end-of-life for the gaming machines with no potential market value. We re-collect such machines and conduct inspection to decide whether the machines are to be refurbished or disposed. In FY2019, there were no refurbishment in Malaysia as all the machines are obsolete and had no potential market. However, scraping of these obsolete machines generated 9,500 kg of hazardous waste (metal parts and signages) which were sent for disposal through licensed third-party collectors. For machines to be disposed from Prai factory in Malaysia, we reuse certain parts of the machineries such as power supply, liquid crystal display ("LCD"), printed circuit board ("PCB"), buttons and bill validators. As for the non-hazardous waste like paper⁵ and plastic wraps, these wastes are either sold to the recycling contractor or collected by the general waste contractor and sent to the landfill.



PRODUCT RESPONSIBILITY AND INNOVATION

As the leading suppliers of gaming machines and casino related equipment, we strive to ensure delivery of high product and service quality as well as updated in-house innovation in our own product design and development. We have in place Game Design Procedures to guide for the development of land-based gaming products and supplemented with a checklist, game bugs tracking list and game release form, to ensure quality assurance and continuous improvements.

At RGB, our Creative Studio Department oversees the development of gaming and casino related products which are suited to the ever-evolving market and to ensure that the in-house developed products comply with relevant and applicable jurisdictional technical standards' requirements. During the year under review, we have undergone a restructuring plan for the department where the function of the department has been shifted from Penang to Macau in order to achieve our business strategy and to be in line with the market trends.



ENVIRONMENTAL MANAGEMENT

Acting in an environmentally responsible manner, we comply with the applicable legal and regulations regarding environmental protection and adopt effective measures in achieving effective use of resources, energy saving and waste reduction.

Due to our nature of business, the buildings, casino and outlets are mostly managed by the property owner or the casino operators. At RGB, our buildings are mainly used for administrative purposes, and storage of gaming machines and spare parts are at the warehouses available only in Malaysia, Cambodia and the Philippines. Refer to "End-of-Life Product" section for details on both hazardous and non-hazardous waste management at the warehouse.

We acknowledge that our business operations create impacts to the environment through the consumption of purchased electricity and other activities to support daily operations such as paper consumption, shipments of gaming machines and equipment, business air travel and waste disposal at the landfill. As part of our commitment in reducing these impacts, we have instilled green practices amongst the employees at the office building. For instance, installation of energy-efficient bulbs and LED lightings, reduced use of office machines and recycling programme. During the year under review, the management of RGB has put in place a policy to prohibit the usage of single-use plastics within the office operations effective from 1 January 2020, in line with the national roadmap towards zero single-use plastics.



NATURAL DISASTERS





Our TSM business operates in some countries that are prone to natural disasters. We have in place an Emergency Protocol to provide guidelines regarding evacuation routes within our premises in the event of a natural disaster. Due to our nature of business where the ownership belongs to the business partners, the Protocol is made available at all the buildings concerned and tie-in with the operators and building owners' evacuation plan. All the processes and internal controls enable us to prepare for and overcome unpredictable natural disasters that would expose risks to our operation and personnel health and safety issue.

Our Emergency Response team is responsible to monitor and manage the risk arises from natural disasters through coordination with the operators and property owners. The regional Head of Department ("HOD") is assigned to ensure the safety of the employees and the company assets during the evacuation, as well as obligation to report and provide updates to RGB headquarter in Penang.

⁵ Paper refers to office used paper and packaging waste (constitutes relatively small portion)

Sustainability Statement

Mitigating the Impacts from Natural Disasters

 <p>Evacuation Diagram</p> <p>All properties are equipped with evacuation plan and layout to ensure that the employees and/or customers are aware and well informed. Regular drills are carried out for all major disasters.</p>	 <p>Emergency Preparedness</p> <p>High-runner gaming machines are placed at higher level to prevent damage from floods, typhoons and earthquake. Staff are alerted for early preparation on forecasts and warnings of impending disasters. On top of that, our employees and machines are covered with Group insurance to minimise the potential lost in such eventualities.</p>	 <p>Automated Backup System</p> <p>Information and data are automatically backed-up on a daily basis. No major issues recorded to date.</p>	 <p>Annual Trainings</p> <p>Fire drills and first aid trainings are carried out in the building, casino and outlets by the property's owner and RGB's control operations. Earthquake drills are carried out at region with high occurrence of earthquake, i.e. the Philippines.</p>
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Theme2 : Care For The People



Enhance job satisfaction by emphasising the wellbeing of our workforce and consider social responsibility through delivering positive impacts to the communities.



PEOPLE ATTRACTION, RETENTION AND DEVELOPMENT

Talent management remains a challenge for RGB to attract and retain the right talent within the gaming industry. Under the purview of RGB's HR Department at the headquarter in Malaysia and the Philippines, our recruitment practices across the Group are guided by our Recruitment Process Guideline under HR Policies and Procedures.

We initiated referral programme for existing employees to recommend potential young candidates, whereby the employees will be rewarded for successful referrals. In addition, our HR Department regularly makes presence at career fairs to reach out for potential young talents.

We also have a Performance Management System for the conduct of the performance appraisal process of our employees. We promote fair performance-based remuneration to our employees and protect the rights of our labours. Matters related to salary increment and bonus shall be granted at the discretion of the Company based on the performance of the employee and the Company, as highlighted in the Group's Employment Policy.

Our recruitment process and employee awarding system are based on performance-based appraisal administration, founded on merit and qualification and in accordance with laws and regulations. Over the past 3 years, 100% of our employees have received performance and career development review to enhance their on-job performance.

Learning and Development

We strongly believe that learning and development is important for our employees to enrich their professions, thereby contribute to our business growth, ultimately to be on par with the market trends. In order to ensure our employees are well-trained, we provide continuous learning and development through internal and external employee training programmes. During the year under review, we have conducted a total of 28 technical training programmes such as Seminar Best Practices in Schedule Waste Management, Aristocrat Product Training, SG Slot Machine Training, DRGT Product Training and 1 soft skill training on adaptive leadership.

AVERAGE TRAINING HOURS

Technical Training

333 hours

Non-Technical Training

16 hours



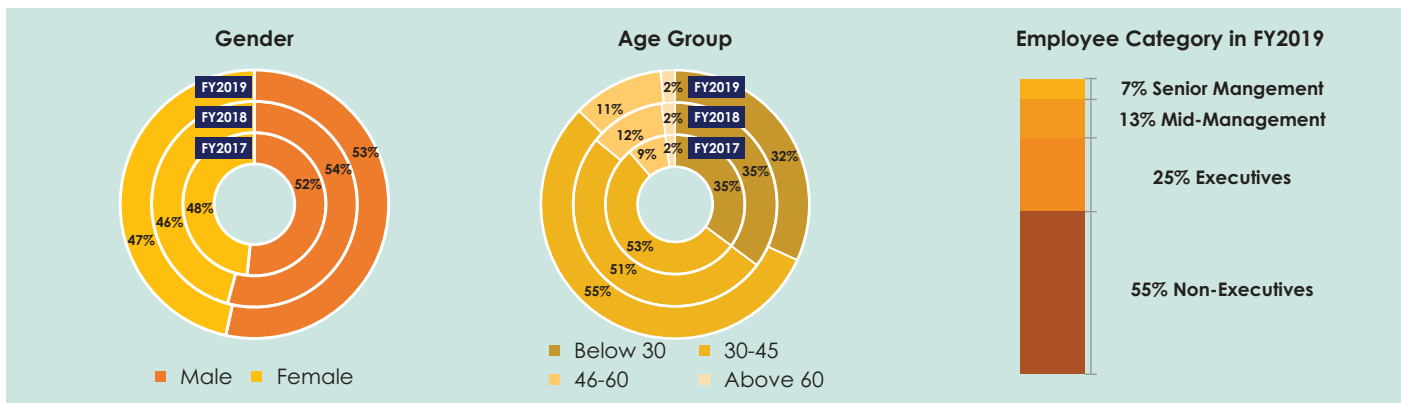
Sustainability Statement



EMPLOYEE INCLUSIVITY AND DIVERSITY

We continue to embrace workforce diversity and inclusivity within the Group. The ratio of male to female employees is near to 1:1. Our Employment Policies, which cover payroll, salary increment and bonus, benefits and welfares apply and adapted to the employees across the Group. At RGB, we provide benefits such as insurance, medical claims and allowance to our employees to instil motivation among employees. We also provide health-screening programmes and transportation services for employees who work overseas. Additionally, our employees are entitled to paternity leave for 2 days.

Employee Demographic



Note: The employee demographic data disclosed covers the following entities under the scope of reporting, namely RGB, RGBSB, RGB Ltd., RGB (Macau) Limited and RGB Ltd. (Philippine Branch).

We advocate equal opportunities and do not tolerate any form of discrimination in the workplace. We prohibit discrimination based on any characteristic, such as race or gender, or any legally protected status. Our employees are encouraged to lodge grievance such as harassment, bully and discrimination in the workplace to HR Department or direct supervisor and investigation will be carried out prior to execute appropriate action.

Listening to Our People

Employees' feedback is essential for us to identify problem arose and formulate appropriate mitigation measures to promote high-performing work culture. Hence, we have several methods in place to gather employee's feedback, concerns and issues prior to expedite the matters to the next stages.

<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>Organise sports activities for employees to gather and interact as physical wellbeing is key to productive and happy workforce (e.g. Bowling Competition and Zumba Dance Workout organised by RGB Sports Club).</p>
<p>CSR Events</p>	<p>Employees from various departments are encouraged to volunteer in Corporate Social Responsibility ("CSR") events/activities. Refer to "Supporting Our Communities" matter for more information.</p>	<p>Performance Appraisal</p>	<p>Based on a structured performance appraisal process and benchmark against market's fair wage practices on an annual basis.</p>
<p>Orientation</p>	<p>New joiner has been briefed by HR, IT, Administration and Finance Departments, in which HR has highlighted on the dos and don'ts in the Company.</p>	<p>Exit Interview</p>	<p>Exit Survey Form is to be filled by employee, followed by the conduct of exit interview by the HR prior to employee's last working day.</p>

Sustainability Statement



RESPONSIBLE GAMING

Responsible gaming is an initiative advocated by gambling industry which applies to gambling stakeholders, to ensure safe user experience and minimise incidents of problematic gambling. It is important for gambling industry to protect vulnerable players, prevent underage gambling, secure information privacy, undertake safety measures against criminal activities and ensure ethical and responsible marketing.

Within the TSM business, we assist our business partners to protect players under the jurisdiction of the PAGCOR in the Philippines, whilst other countries are governed based on the entrance policy. Despite our regional HOD and outlets-in-charge assist to oversee the matters related to responsible gaming, the execution of eradicating problematic players is still under the purview of casino operators, thus the number of problematic players is not monitored.

Player, Products and Processes Protection

As an advocate to responsible gaming, the Group ensures protection for the player, products and processes and adopts best practices to prevent the rise of adverse impact from gambling activities.

Compliance to the Gaming Laboratories International ("GLI") Standards

- Ensure all machines are installed and operated at the highest integrity, both from the technological and players' perspective.
- Observe proper procedure on jackpot setting for machines prior to installation and operation.

Seminar/Conference

- Seminar/conference conducted by PAGCOR to discuss on the current trends in the gaming industry, including issues related to responsible gaming and how problematic gaming is being managed by the casino operators.

Players Ban in line with approved agency

- Players with gaming related issue are handed over to the Government body that deals with "responsible gambling" matters.
- Players on the banned list are prevented from patronising the casino.

Awareness

- Indication of "Requirement for Entry" via digital boards or posters are put up at the entrance of all operating outlets.
- Aim to increase exposure and raise awareness of underage gambling and the prohibition of gambling by minors aged under 18.



OCCUPATIONAL HEALTH AND SAFETY

At RGB, we value the importance of providing a healthy and safe working environment for our employees. Overseen by the Administration Department, we are guided by the Health and Safety Procedures which provide guidelines on personal protective equipment ("PPE"), assessment on risk and effectiveness of controls at the workplace, emergency response plans and healthy and safe indoor environment. During the reporting year, there were no work-related fatality, injury or accident cases recorded Group-wide; and zero non-compliance cases in relation to the applicable Occupational Health & Safety ("OHS") legal and regulations requirements.

Managing Health and Safety Risks

Maintenance service

- Maintenance services of the Fire Alarm System and Hose Reel System at headquarter building and Prai factory at least once every quarter.
- Annual Maintenance of fire extinguishers.
- Conduct inspection of elevators at headquarter building as per the Department of Occupational Safety and Health ("DOSH") requirements.

Security

- Security personnel on duty for 24 hours at headquarter building and Prai factory.
- Manual recording system for external visitors or staff entering office after office hour.

Safety at factory/warehouse

- It is compulsory for employees at the factory and warehouse to wear safety shoes.
- First aid boxes are available at readily accessible locations, including office buildings, factory and warehouses.

Healthy indoor environment

- Filter cleaning services of air conditioners on a monthly basis to ensure a healthy indoor environment for the employees.

Moving forward, we are planning to organise OHS-related trainings or talk for our employees to increase their awareness on occupational health and safety during daily operations. Refer to "Natural Disasters" sustainability matter on the trainings on fire incidents.

Sustainability Statement



SUPPORTING OUR COMMUNITIES

The “RGB Cares”, a programme which RGB upholds for several decades, symbolises the Group’s commitment to operate its business responsibly and be accountable for decision that impacts our stakeholders. The Group has made various donations in cash or in kind to various charitable bodies in countries where RGB operates, primarily in Malaysia where the RGB headquarter is located, as part of our continuing efforts to benefit the communities at large.

Guided by our Sustainability Policy and CSR Policy, the CSR Department is responsible in leading, overseeing the planning and implementing the CSR initiatives and activities across the countries where RGB operates. In showcasing our commitments, we disclose our CSR activities via our RGB Cares website, <http://www.rbggames.com/home/rgb-cares.html> on a regular basis.



Sponsor of RM2,000 to the Penang 1st Autism Acceptance Charity Golf Day, a fund-raising program organised by The National Autism Society of Malaysia (“NASOM”) at Penang Golf Club



Deepavali celebration with presence of 8 RGB volunteers and 25 underprivileged children from Pusat Jagaan Sinar Ceria



A total of 35 RGB volunteers for Tanjung Tokong Beach Cleaning to educate employees on environmental awareness



Donation of RM5,000 to Penang Adventist Hospital Cancer Fund 2019



32 children from Pusat Jagaan Permata Kasih were treated to a “Ramadhan Iftar” dinner at Spoon Cafe, G Hotel Kelawai and presented with hampers



Chinese New Year celebration with 50 handicapped children from Y.R.J.S Handicapped Children’s Home and 9 RGB volunteers for 2 hours

Note: The CSR activities disclosed only covers the following entities: RGB and RGBSB.

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 2019. This statement is prepared in compliance with MMLR of Bursa Securities and it is to be read together with the Company's CG Report 2019 ("CG Report") which is available on the Company's website (<http://www.rgbgames.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, 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.rgbgames.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.rgbgames.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 formalised 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 the Company, RGBSB, RGB Ltd., RGB (Macau) Limited and RGB (Singapore) Pte. Ltd. to comply with in conducting business.

The Board has put in place a Whistleblowing Policy and has published it on the Company's website (<http://www.rgbgames.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.

Corporate Governance Overview Statement

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 & Remuneration Committee

The Nomination Committee and Remuneration Committee have been merged into a single committee on 15 November 2019 and renamed the Nomination & Remuneration Committee. The main roles of the Nomination & Remuneration Committee, amongst others, are 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, and 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 TOR of the Nomination & Remuneration 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 & Remuneration Committee's TOR can be found on the Company's website (<http://www.rbggames.com/home/about-us.html>).

During the financial year under review, the Nomination Committee met once 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.

Corporate Governance Overview Statement

- iii) The character, experience, integrity and competence of the Directors, MD and personnel primarily responsible for the management of the Group's financial affairs ("Head of Finance") 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.

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 2019.
- ii) Remuneration Policy for Directors and senior management.
- iii) proposed renewal of Directors and Officers Liability Insurance Policy.

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

The ESOS Committee, which was established on 19 October 2009 to administer the ESOS of the Company in accordance with the Bye-laws of the ESOS, has been dissolved upon the expiry of the ESOS on 20 October 2019.

d) CRRA Committee

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

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

e) 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 2 Executive Directors and 4 Subsidiary Directors.

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

Corporate Governance Overview Statement

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 2019, as set out in the table below.

Directors	Attendance
Dato' Mahinder Singh Dulku	6/6
Dato' Seri Chuah Kim Seah	6/6
Datuk Steven Lim Tow Boon	6/6
Ms. Lam Voon Kean	6/6
Tan Sri Norazman Hamidun	6/6
Mr. Mazlan Ismail (<i>resigned on 15 November 2019</i>)	4/5
Mr. Chuah Kim Chiew (<i>resigned on 15 November 2019</i>)	5/5
The late Mr. Ng Eng Tong (<i>demised on 17 April 2019</i>)	1/2

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

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

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

Qualified and competent Company Secretaries

The Board has appointed a new Company Secretary on 15 November 2019 in replacement of the resigning Company Secretary. The Board is satisfied with the performance and support rendered by the current Company Secretary. Both current and previous Company Secretaries are persons with professional qualifications and are qualified to act as company secretaries 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.

Corporate Governance Overview Statement

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

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

II. BOARD COMPOSITION

Composition of the Board and Board Balance

The Board is currently composed of 2 Executive Directors and 3 Independent Non-Executive Directors which complied with the MCCG and MMLR of Bursa Securities in respect of board composition.

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

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

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 & Remuneration 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;

Corporate Governance Overview Statement

- 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 17th AGM of the Company.

Appointment to the Board and Annual Assessment of Directors

The Nomination & Remuneration 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 & Remuneration Committee conducts annual performance evaluation of each Director, the Board, Board Committees and Head of Finance based on self and peer assessment approach for continuous improvement. The character, experience, integrity, competence and time commitment of each Director and Head of Finance 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 & Remuneration Committee had conducted on annual basis an evaluation of level of independence of all the Independent Non-Executive Directors of the Company on 27 February 2020 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.

Corporate Governance Overview Statement

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 & Remuneration Committee. The Board has, with the input from the Nomination & Remuneration 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.

Seminars, development and training programmes attended by all the current Directors in 2019 were as follows:

Director	Programmes	Date
Dato' Mahinder Singh Dulku	Microsoft Dynamics AX System Training	15 - 16 January 2019
	Navigating Corporate Liability	13 September 2019
	Anti-bribery Management complying with the MACC (Amendment) Act 2018	28 November 2019
Dato' Seri Chuah Kim Seah	Microsoft Dynamics AX System Training	15 - 16 January 2019
	Global Gaming Expo Asia 2019	20 - 21 May 2019
	IFRS Masterclass 2019	20 September 2019
	MFRS 13 Fair Value Measurements (Practical revision course with illustrative examples)	4 October 2019
	Global Gaming Expo Las Vegas 2019	15 - 17 October 2019
	National Tax Seminar 2019	23 October 2019
	Anti-bribery Management complying with the MACC (Amendment) Act 2018	28 November 2019
Datuk Steven Lim Tow Boon	Microsoft Dynamics AX System Training	15 - 16 January 2019
	ASEAN Gaming Summit 2019	19 - 21 March 2019
	Global Gaming Expo Asia 2019	20 - 21 May 2019
	Global Gaming Expo Las Vegas 2019	15 - 17 October 2019
	Macao Gaming Show 2019	12 - 14 November 2019
	Anti-bribery Management complying with the MACC (Amendment) Act 2018	28 November 2019
	Global Gaming Expo Asia @ The Philippines	3 - 4 December 2019

Corporate Governance Overview Statement

Director	Programmes	Date
Ms. Lam Voon Kean	Microsoft Dynamics AX System Training	15 - 16 January 2019
	Sustainability Reporting Workshop for Practitioners (Preparers of Sustainability Statement/Report)	4 - 5 March 2019
	MFRS Application and Implementation Committee Awareness Programme	23 September 2019
	MFRS 16 Leases Seminar	24 October 2019
	Anti-bribery Management complying with the MACC (Amendment) Act 2018	28 November 2019
Tan Sri Norazman Hamidun	Anti-bribery Management complying with the MACC (Amendment) Act 2018	28 November 2019

III. REMUNERATION

Remuneration of Directors and Senior Management

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

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

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

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

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.

Corporate Governance Overview Statement

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 2019, 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.

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.

Corporate Governance Overview Statement

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.

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 16th AGM of the Company held on 30 May 2019 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 16th 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 18 May 2020.

Audit Committee Report

MEMBERS

The current members of the Audit Committee are as follows:

- (i) Ms. Lam Voon Kean, Chairman - Independent Non-Executive Director
- (ii) Dato' Mahinder Singh Dulku - Independent Non-Executive Chairman
- (iii) Tan Sri Norazman Hamidun - Independent Non-Executive Director

COMPOSITION

During the FYE 31 December 2019, the Audit Committee comprised not less than 3 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 & Remuneration 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 & Remuneration 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 Head of Finance 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 2019. 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
Tan Sri Norazman Hamidun	5/5
The late Mr. Ng Eng Tong (demised on 17 April 2019)	1/2

Audit Committee Report

SUMMARY OF ACTIVITIES

The main activities undertaken by the Audit Committee for the FYE 31 December 2019 were as follows:

(1) Financial Reporting

- (a) Reviewed quarterly unaudited financial statements of the Group with Head of Finance 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 2019 together with Head of Finance 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 2019 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 2019 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 2019 subject to shareholders' approval.

- (c) Discussed with external auditors on their audit plan for the FYE 31 December 2019 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 2019 with external auditors in the absence of executive directors and management staff in order to provide an opportunity to the external auditors to candidly express any concerns they may have.

Audit Committee Report

(3) Internal Audit

- (a) Reviewed and approved the risk based internal audit plan for the FYE 31 December 2019 to ensure adequate scope and coverage over the Group's activities based on identified risk areas.
- (b) Reviewed the internal audit reports which highlighted the audit issues, recommendations and management's responses. Discussed with management the corrective actions taken to improve the system of internal control based on improvement opportunities identified in the internal audit reports. Reported the significant matters to the Board.

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

- (c) Assessed the adequacy and suitability of the resource requirements and professionalism of internal auditors and the performance of internal audit function.

The Audit Committee, having been satisfied with the performance of internal auditors, decided to continue outsourcing internal audit function for the FYE 31 December 2019.

- (d) Conducted 2 meetings in 2019 with internal auditors without the presence of executive directors and management staff in order to provide the internal auditors an avenue to convey any concerns they may have.

(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 CRRA 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 2019 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) Reviewed the report presented by the CRRA Committee on every quarter pertaining to post analysis of approved ROI and status update of approved new ROI.
- (c) Reviewed the revised TOR of Audit Committee.
- (d) Reviewed the proposed audit and tax fees for FYE 31 December 2019 and recommended them to the Board for approval.
- (e) Considered the whistleblowing reporting service from an external independent consultant prior to recommending it to the Board for consideration and 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 human resource management and sales support and marketing based on the internal audit plan which has been approved by the Audit Committee. The internal auditors have also carried out a gap analysis on TSM policies and procedures of the Group. 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 2019 is RM147,456.

This report is made pursuant to a resolution of the Board dated 18 May 2020.

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 2019.

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 effectiveness 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; and
- vi) Review the country risk and regulatory compliance where the Group operates.

Statement on Risk Management and Internal Control

INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function to an independent professional firm, which assists both the Board and the Audit Committee by conducting independent assessment of the adequacy and effectiveness of the Group's internal control system. To ensure independence from management, the internal auditors report directly to the Audit Committee through the execution of internal audit work based on a risk-based internal audit plan approved by the Audit Committee before the commencement of work. The internal audit work is carried out based on KPMG Internal Audit Methodology, which is closely aligned with the International Professional Practices Framework ("IPPF") of the Institute of Internal Auditors. 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.

During the financial year under review, 3 cycles of internal audit were carried out to assess the internal control systems:

Internal Audit	Audited Areas	Reporting Month
Cycle 1	Gap analysis on TSM policies and procedures	May 2019
Cycle 2	Human Resource Management	November 2019
Cycle 3	Sales Supporting and Marketing	November 2019

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 Head of Finance 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 2019.

The review of this Statement by the external auditors was performed in accordance with the scope set out in the Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement of Risk Management and Internal Control included in the Annual Report, issued by the MIA.

The external auditors have 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 18 May 2020.

FINANCIAL CALENDAR

2020

27 February

Announcement of the consolidated results for the 4th quarter and financial year ended 31 December 2019

2019

28 November

Announcement of the consolidated results for the 3rd quarter ended 30 September 2019

2019

30 August

Announcement of the consolidated results for the 2nd quarter ended 30 June 2019

2019

30 May

16th Annual General Meeting

Announcement of the consolidated results for the 1st quarter ended 31 March 2019

2019

30 April

Announcement of the audited consolidated results for the financial year ended 31 December 2018

2019

26 February

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



DIRECTORS' **REPORT** **AND FINANCIAL** **STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 2019.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. The principal activities and details of the subsidiaries are disclosed 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	40,175,837	14,362,691
Attributable to:		
Owners of the Company	39,766,196	14,362,691
Non-controlling interests	409,641	-
	40,175,837	14,362,691

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 2018:	
Final single-tier dividend of RM0.007 per ordinary share, paid on 15 August 2019	10,826,182
In respect of financial year ended 31 December 2019:	
Interim single-tier dividend of RM0.003 per ordinary share, paid on 15 April 2020	4,630,382

No final dividend has been recommended by the Directors for the financial year ended 31 December 2019.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in Note 27(b) 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 1,539,089,683 ordinary shares to 1,548,245,697 ordinary shares by way of issuance of 9,156,014 new ordinary shares for cash pursuant to the exercise of Employees' Share Option Scheme ("ESOS") at a weighted average issue price of RM0.108 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 ESOS had expired on 20 October 2019.

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

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

	← Number of options over ordinary shares →					
	Outstanding at 1 January 2019 '000	Exercised '000	Forfeited '000	Expired '000	Outstanding at 31 December 2019 '000	Exercisable at 31 December 2019 '000
2010 options:						
Grant 1	3,278	(2,948)	-	(330)	-	-
2012 options:						
Grant 2	141	(59)	-	(82)	-	-
Grant 3	701	(463)	(57)	(181)	-	-
2013 options:						
Grant 4	613	(222)	(176)	(215)	-	-
2014 options:						
Grant 5	3,289	(2,999)	-	(290)	-	-
2015 options:						
Grant 6	2,014	(1,174)	(215)	(625)	-	-
2017 options:						
Grant 7	3,985	(148)	(219)	(3,618)	-	-
Grant 8	7,868	-	(745)	(7,123)	-	-
2018 options:						
Grant 9	3,072	(1,143)	(199)	(1,730)	-	-
	24,961	(9,156)	(1,611)	(14,194)	-	-

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	
Dato' Seri Chuah Kim Seah	
Datuk Lim Tow Boon	
Lam Voon Kean	
Tan Sri Norazman Hamidun	
Mazlan Ismail	<i>(resigned on 15 November 2019)</i>
Chuah Kim Chiew	<i>(resigned on 15 November 2019)</i>
The late Ng Eng Tong	<i>(demised on 17 April 2019)</i>

Subsidiaries of RGB International Bhd.

Dato' Seri Chuah Kim Seah	
Datuk Lim Tow Boon	
Mazlan Ismail	
Chuah Kim Chiew	
Chuah Eng Hwa	
Ganaser Kaliappen	
Chuo Ah Ngau	
Ung Chi Fong	
Andrew Lim Chong Thye	
Lim Chin Teong	<i>(appointed on 4 January 2019)</i>
Teh Mun Hui	<i>(resigned on 8 July 2019)</i>
Tang Weng Cheong	<i>(resigned on 4 January 2019)</i>

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 of the Company and of its related corporations during the financial year ended 31 December 2019 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 →			
	1 January 2019	Acquired	Sold	
Shares in the Company				
<u>Direct interests:</u>				
Dato' Mahinder Singh Dulku	1,874,285	-	(500,000)	1,374,285
Dato' Seri Chuah Kim Seah	443,828,902	11,428,571	-	455,257,473
Datuk Lim Tow Boon	7,589,142	-	-	7,589,142
Lam Voon Kean	2,285,714	1,142,857	-	3,428,571
Tan Sri Norazman Hamidun	3,405,714	1,142,857	-	4,548,571
<u>Indirect interests:</u>				
Dato' Seri Chuah Kim Seah	2,805,141	-	-	2,805,141

Directors' Report

DIRECTORS' INTERESTS (continued)

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares and options over ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2019 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 (continued):

	← Number of options over ordinary shares →			
	1 January 2019	Exercised	Expired	31 December 2019
Share options in the Company				
Lam Voon Kean	1,142,857	(1,142,857)	-	-
Tan Sri Norazman Hamidun	1,142,857	(1,142,857)	-	-

By virtue of Dato' Seri Chuah Kim Seah's substantial 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 35 to the financial statements.

There were no arrangements made during and at the end of the financial year, to which the Company is a party, which had the object of enabling 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 9 to the financial statements.

Directors' Report

INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

The Group and the Company effected liability insurance of the Directors and officers during the financial year to protect the Directors and officers of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors and officers. During the financial year, the total amount of indemnity coverage and insurance premium paid were RM10,000,000 and RM21,500 respectively.

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

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 all known bad debts had been 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 have been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the 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 render the amounts written off for bad debts or the amount of the 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 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.

Directors' Report

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (continued)

(III) AS AT THE DATE OF THIS REPORT

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

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant events subsequent to the end of the reporting period are disclosed in Note 41 to the financial statements.

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 2019 amounted to RM57,000 and RM272,000 respectively.

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

Dato' Seri Chuah Kim Seah
Director

Penang
18 May 2020

Datuk Lim Tow Boon
Director

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 63 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 2019 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,

Dato' Seri Chuah Kim Seah
Director

Datuk Lim Tow Boon
Director

Penang
18 May 2020

Statutory Declaration

I, Chuah Eng Hwa, 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 63 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 18 May 2020

Chuah Eng Hwa

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 2019 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 63 to 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 2019, 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 2019 were RM168,182,819 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.

Independent Auditors' Report

To the Members of RGB International Bhd.

Key Audit Matters (continued)

Impairment of trade receivables (continued)

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 underlying 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.

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 the 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.

Independent Auditors' Report

To the Members of RGB International Bhd.

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.
- (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.

Independent Auditors' Report

To the Members of RGB International Bhd.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

Penang
18 May 2020

Koay Theam Hock
02141/04/2021 J
Chartered Accountant

Statements of Profit or Loss and Other Comprehensive Income

For the Financial Year Ended 31 December 2019

	Note	2019 RM	Group 2018 RM	2019 RM	Company 2018 RM
Revenue	5	351,096,631	379,249,636	18,936,500	16,484,139
Cost of sales		(261,646,782)	(298,966,417)	-	-
Gross profit		89,449,849	80,283,219	18,936,500	16,484,139
Other income	6	3,558,156	3,204,238	1,152	69,250
Administrative expenses		(43,675,038)	(36,846,576)	(4,253,264)	(4,827,504)
Selling and marketing expenses		(5,401,668)	(6,233,135)	-	-
Other gain/(expenses), net		1,727,194	(4,333,979)	(319,246)	(491,801)
Finance costs	7	(1,462,907)	(908,127)	(2,178)	(4,946)
Profit before tax		44,195,586	35,165,640	14,362,964	11,229,138
Taxation	10	(4,019,749)	273,443	(273)	(11,164)
Profit for the financial year		40,175,837	35,439,083	14,362,691	11,217,974
Other comprehensive (loss)/income, net of tax:					
Item that may be reclassified subsequently to profit or loss					
- Foreign currency translations, representing other comprehensive (loss)/income for the financial year		(2,568,131)	4,924,393	-	-
Total comprehensive income for the financial year		37,607,706	40,363,476	14,362,691	11,217,974
Profit attributable to:					
Owners of the Company		39,766,196	35,173,257	14,362,691	11,217,974
Non-controlling interests	15(d)	409,641	265,826	-	-
		40,175,837	35,439,083	14,362,691	11,217,974
Total comprehensive income attributable to:					
Owners of the Company		37,426,462	39,675,683	14,362,691	11,217,974
Non-controlling interests		181,244	687,793	-	-
		37,607,706	40,363,476	14,362,691	11,217,974
Earnings per ordinary share attributable to owners of the Company (sen):					
Basic	11(a)	2.58	2.29		
Diluted	11(b)	2.58	2.27		

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

Statements of Financial Position

As at 31 December 2019

	Note	2019 RM	Group 2018 RM	2019 RM	Company 2018 RM
Assets					
Non-current assets					
Property, plant and equipment	13	184,746,332	136,262,374	35,435	34,528
Investment property	14	34,262,075	35,448,473	-	-
Investments in subsidiaries	15	-	-	158,913,324	158,910,782
Investments in associates	16	163,597	165,373	-	-
Right-of-use assets	17	4,885,953	3,039,504	321,586	40,109
Intangible assets	18	1,941,226	2,294,475	-	-
Trade receivables	20	23,462,995	24,724	-	-
Other receivables	21	4,527,734	37,563	-	-
Lease receivables	22	7,944,995	8,286,215	-	-
Due from associates	24	2,849,300	2,866,787	-	-
		264,784,207	188,425,488	159,270,345	158,985,419
Current assets					
Inventories	19	4,231,691	4,725,154	-	-
Trade receivables	20	141,441,217	123,399,331	-	-
Other receivables	21	32,718,825	47,090,635	7,000	81,206
Lease receivables	22	3,322,981	2,245,715	-	-
Due from subsidiaries	23	-	-	16,467,423	10,014,654
Current tax assets		-	-	3,895	3,948
Cash and bank balances	25	54,048,064	62,699,669	1,095,450	2,667,990
		235,762,778	240,160,504	17,573,768	12,767,798
Total assets		500,546,985	428,585,992	176,844,113	171,753,217
Equity and liabilities					
Equity attributable to owners of the Company					
Share capital	26	158,484,726	157,052,573	158,484,726	157,052,573
Reserves	27	103,905,980	77,743,961	17,104,194	14,005,946
		262,390,706	234,796,534	175,588,920	171,058,519
Non-controlling interests	15(d)	21,169,724	20,988,480	-	-
Total equity		283,560,430	255,785,014	175,588,920	171,058,519

Statements of Financial Position

As at 31 December 2019

	Note	2019 RM	Group 2018 RM	2019 RM	Company 2018 RM
Non-current liabilities					
Borrowings	29	22,201,945	5,472,027	-	-
Lease liabilities	17	2,576,589	657,055	296,975	-
Trade payables	32	18,670,536	8,592,286	-	-
Deferred tax liabilities	31	128,661	134,307	-	-
		43,577,731	14,855,675	296,975	-
Current liabilities					
Borrowings	29	7,544,216	13,870,808	-	-
Lease liabilities	17	931,518	913,412	24,611	41,002
Trade payables	32	132,050,221	107,747,636	-	-
Other payables	33	24,816,163	23,053,716	933,607	653,696
Contract liabilities	34	6,874,728	11,561,036	-	-
Due to associates	24	87,792	88,744	-	-
Current tax liabilities		1,104,186	709,951	-	-
		173,408,824	157,945,303	958,218	694,698
Total liabilities		216,986,555	172,800,978	1,255,193	694,698
Total equity and liabilities		500,546,985	428,585,992	176,844,113	171,753,217

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

Statements of Changes in Equity

For the Financial Year Ended 31 December 2019

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 2019		157,052,573	-	17,507,434	2,176,431	58,060,096	234,796,534	20,988,480	255,785,014
Profit for the financial year		-	-	-	-	39,766,196	39,766,196	409,641	40,175,837
Foreign currency translations		-	-	(2,339,734)	-	-	(2,339,734)	(228,397)	(2,568,131)
Total comprehensive income for the financial year		-	-	(2,339,734)	-	39,766,196	37,426,462	181,244	37,607,706
Transactions with owners:									
Dividends paid	12	-	-	-	-	(10,826,182)	(10,826,182)	-	(10,826,182)
Issue of ordinary shares pursuant to ESOS	26	1,432,153	-	-	(441,134)	-	991,019	-	991,019
Share options vested under ESOS	8	-	-	-	2,873	-	2,873	-	2,873
Transfer of reserve upon expiry of ESOS	27	-	-	-	(1,738,170)	1,738,170	-	-	-
Total transactions with owners		1,432,153	-	-	(2,176,431)	(9,088,012)	(9,832,290)	-	(9,832,290)
At 31 December 2019		158,484,726	-	15,167,700	-	88,738,280	262,390,706	21,169,724	283,560,430
At 1 January 2018		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	12	-	-	-	-	(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	8	-	-	-	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

Statements of Changes in Equity

For the Financial Year Ended 31 December 2019

Company	Note	← Non-distributable →			Distributable	Total equity RM
		Share capital RM	Share premium RM	Share options reserve RM	Retained earnings RM	
At 1 January 2019		157,052,573	-	2,176,779	11,829,167	171,058,519
Profit for the financial year		-	-	-	14,362,691	14,362,691
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income for the financial year		-	-	-	14,362,691	14,362,691
Transactions with owners:						
Dividends paid	12	-	-	-	(10,826,182)	(10,826,182)
Issue of ordinary shares pursuant to ESOS	26	1,432,153	-	(441,134)	-	991,019
Share options vested under ESOS		-	-	2,873	-	2,873
Transfer of reserve upon expiry of ESOS	27	-	-	(1,738,518)	1,738,518	-
Total transactions with owners		1,432,153	-	(2,176,779)	(9,087,664)	(9,832,290)
At 31 December 2019		158,484,726	-	-	17,104,194	175,588,920
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	12	-	-	-	(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

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

Statements of Cash Flows

For the Financial Year Ended 31 December 2019

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Cash flows from operating activities					
Profit before tax		44,195,586	35,165,640	14,362,964	11,229,138
Adjustments for:					
Dividend income from subsidiaries	5	-	-	(18,936,500)	(16,484,139)
Interest income	6	(633,028)	(424,455)	-	(67,397)
Interest expense	7	1,167,804	653,016	998	2,785
Amortisation of intangible assets	18	341,304	402,245	-	-
Depreciation of an investment property	14	814,892	871,423	-	-
Depreciation of property, plant and equipment	13	36,737,854	26,540,826	19,109	15,989
Depreciation of right-of-use assets	17	949,360	1,302,864	40,109	40,108
Gain on disposal of property, plant and equipment		(4,090)	(11,487)	-	-
Impairment losses on:					
- Property, plant and equipment	13	-	807,144	-	-
- Trade receivables	20(h)	901,916	768,845	-	-
- Other receivables	21(d)	352,105	131,169	-	-
- Due from associates	24(d)	-	130,497	-	-
Impairment losses written back on:					
- Trade receivables	20(h)	(422,449)	(541,266)	-	-
- Other receivables	21(d)	-	(6,666)	-	-
- Due from subsidiaries	23(d)	-	-	-	(30,599)
Inventories written down/(back)	19(c)	293,404	(136,731)	-	-
Loss on lease modification		4,252	-	-	-
Share options vested under ESOS	8	2,873	809,803	331	344,428
Unrealised foreign exchange (gain)/loss		(1,238,178)	3,694,287	(398,773)	562,938
Written off on property, plant and equipment		17,618	35,656	-	6
Operating profit/(loss) before changes in working capital		83,481,223	70,192,810	(4,911,762)	(4,386,743)
Changes in working capital:					
Inventories		1,932,367	5,635,541	-	-
Trade receivables		(41,731,922)	(38,883,846)	-	-
Other receivables		4,576,129	4,877,100	74,206	(10,869)
Lease receivables		4,140,263	1,144,522	-	-
Due from subsidiaries		-	-	(6,054,004)	(2,355,707)
Due from associates		17,487	(49,270)	-	-
Trade payables		34,709,928	55,823,325	-	-
Other payables		1,676,811	(7,312,998)	279,911	(607)
Contract liabilities		(4,702,144)	(37,700,000)	-	-
Cash generated from/(used in) operations		84,100,142	53,727,184	(10,611,649)	(6,753,926)
Interest paid		(1,041,373)	(561,172)	-	-
Tax paid		(4,019,652)	(2,081,177)	(7,452)	(9,916)
Tax refunded		388,492	-	7,232	-
Net cash from/(used in) operating activities		79,427,609	51,084,835	(10,611,869)	(6,763,842)

Statements of Cash Flows

For the Financial Year Ended 31 December 2019

	Note	2019 RM	Group 2018 RM	2019 RM	Company 2018 RM
Cash flows from investing activities					
Purchase of property, plant and equipment	13	(87,972,158)	(94,266,591)	(20,016)	(16,920)
Proceeds from disposal of property, plant and equipment		4,090	11,500	-	-
Changes in bank balances and deposits pledged to licensed banks		(7,929,564)	4,213,248	2,108,907	(63,326)
Subscription of ordinary shares in a subsidiary	15(b)	-	-	-	(813,400)
Dividends received		-	-	18,936,500	16,484,139
Interest received		633,028	424,455	-	67,397
Net cash (used in)/from investing activities		(95,264,604)	(89,617,388)	21,025,391	15,657,890
Cash flows from financing activities					
Proceeds from issuance of ordinary shares		991,019	820,419	991,019	820,419
Drawdown of term loans		20,505,000	-	-	-
Repayments of term loans		(2,155,903)	(4,892,936)	-	-
Proceeds from onshore foreign currency loan		5,613,487	3,684,580	-	-
Repayments of onshore foreign currency loan		(8,476,172)	(1,310,467)	-	-
Proceeds from revolving credits		26,871,154	9,090,490	-	-
Repayments of revolving credits		(31,860,644)	-	-	-
Repayments of hire purchase creditors		(129,227)	(62,796)	-	-
Payments of lease liabilities		(1,003,441)	(1,363,903)	(42,000)	(42,000)
Dividends paid	12	(10,826,182)	(9,412,960)	(10,826,182)	(9,412,960)
Net cash used in financing activities		(470,909)	(3,447,573)	(9,877,163)	(8,634,541)
Net (decrease)/increase in cash and cash equivalents		(16,307,904)	(41,980,126)	536,359	259,507
Effects of foreign exchange rate changes		(273,265)	(4,629,663)	8	182
Cash and cash equivalents at beginning of financial year		57,230,975	103,840,764	559,083	299,394
Cash and cash equivalents at end of financial year	25	40,649,806	57,230,975	1,095,450	559,083

Statements of Cash Flows

For the Financial Year Ended 31 December 2019

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	Lease liabilities (Note 17) RM
At 1 January 2019	2,901,275	55,006	9,090,490	7,296,064	1,570,467
Cash flows	(2,862,685)	(129,227)	(4,989,490)	18,349,097	(1,003,441)
Non-cash flows:					
- Additions	-	-	-	-	3,201,029
- Effect of modification to lease term	-	-	-	-	(402,039)
- Unwinding of interest	-	-	-	-	126,431
- Effect of foreign exchange	(38,590)	74,221	-	-	15,660
At 31 December 2019	-	-	4,101,000	25,645,161	3,508,107
At 1 January 2018	471,634	118,402	-	12,189,000	-
Effects of adoption of MFRS 16	-	-	-	-	2,330,490
Cash flows	2,374,113	(62,796)	9,090,490	(4,892,936)	(1,363,903)
Non-cash flows:					
- Additions	-	-	-	-	475,588
- Unwinding of interest	-	-	-	-	91,844
- Effect of foreign exchange	55,528	(600)	-	-	36,448
At 31 December 2018	2,901,275	55,006	9,090,490	7,296,064	1,570,467
					Company Lease liabilities (Note 17) RM
At 1 January 2019					41,002
Cash flows					(42,000)
Non-cash flows:					
- Additions					321,586
- Unwinding of interest					998
At 31 December 2019					321,586
At 1 January 2018					-
Effects of adoption of MFRS 16					80,217
Cash flows					(42,000)
Non-cash flows:					
- Unwinding of interest					2,785
At 31 December 2018					41,002

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

Notes to the Financial Statements

31 December 2019

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 consolidated financial statements for the financial year ended 31 December 2019 comprise the Company and its subsidiaries and the interests of the Group in associates. These 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 18 May 2020.

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 63 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 42.1 to the financial statements.

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

4. OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on their products and services, and has four (4) 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 2019

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
2019					
Revenue					
Total revenue	223,475,411	125,300,131	1,902,908	778,181	351,456,631
Inter-segment sales	-	-	-	(360,000)	(360,000)
Revenue from external customers	223,475,411	125,300,131	1,902,908	418,181	351,096,631
Results					
Segment results	28,252,748	24,112,593	983,971	(1,583,293)	51,766,019
Finance costs	(319,367)	(827,148)	(134)	(61)	(1,146,710)
	27,933,381	23,285,445	983,837	(1,583,354)	50,619,309
Unallocated expenses					
- Unallocated finance costs					(316,197)
- Other unallocated expenses					(6,107,526)
Profit before tax					44,195,586
Taxation					(4,019,749)
Profit for the financial year					40,175,837

Notes to the Financial Statements

31 December 2019

4. OPERATING SEGMENTS (continued)

	Sales and marketing RM	Technical support and management RM	Engineering services RM	Others RM	Total RM
2019 (continued)					
Assets					
Segment assets	157,614,172	286,618,669	1,212,432	49,552,118	494,997,391
Investments in associates	-	-	-	163,597	163,597
Unallocated assets					5,385,997
Total assets					500,546,985
Liabilities					
Segment liabilities	122,912,972	89,240,142	101,863	2,038,213	214,293,190
Tax liabilities					1,232,847
Unallocated liabilities					1,460,518
Total liabilities					216,986,555
Other information					
Addition to non-current assets					
- Reportable segments	91,436	89,520,576	-	587,870	90,199,882
- Unallocated					973,305
					91,173,187
Interest income					
- Reportable segments	-	15,465	-	-	15,465
- Unallocated					617,563
					633,028
Depreciation and amortisation					
- Reportable segments	422,026	36,271,546	15,916	1,675,624	38,385,112
- Unallocated					458,298
					38,843,410
Other non-cash items					
- Reportable segments	480,200	592,084	-	66,188	1,138,472
- Unallocated					7,157
					1,145,629

Notes to the Financial Statements

31 December 2019

4. OPERATING SEGMENTS (continued)

	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
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

Notes to the Financial Statements

31 December 2019

4. OPERATING SEGMENTS (continued)

	Sales and marketing RM	Technical support and management RM	Engineering services RM	Others RM	Total RM
2018 (continued)					
Other information					
Addition to non-current assets					
- Reportable segments	30,816	94,507,923	-	12,100	94,550,839
- Unallocated					191,340
					<u>94,742,179</u>
Interest income					
- Reportable segments	-	14,432	-	-	14,432
- Unallocated					410,023
					<u>424,455</u>
Depreciation and amortisation					
- Reportable segments	465,195	26,211,620	174,035	1,944,030	28,794,880
- Unallocated					322,478
					<u>29,117,358</u>
Impairment of property, plant and equipment					
- Reportable segments	-	807,144	-	-	807,144
					<u>807,144</u>
Other non-cash items					
- Reportable segments	411,897	295,920	-	47,899	755,716
- Unallocated					424,104
					<u>1,179,820</u>

Notes to the Financial Statements

31 December 2019

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	
	2019 RM	2018 RM	2019 RM	2018 RM
Malaysia	23,258,433	15,154,114	10,071,754	8,600,002
Southeast Asia (excluding Malaysia)	326,641,889	362,807,261	212,666,760	165,051,910
South Asia	1,071,691	1,056,947	2,261,433	2,442,334
Other countries	124,618	231,314	999,236	1,115,953
	351,096,631	379,249,636	225,999,183	177,210,199

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

	Note	2019 RM	2018 RM
Property, plant and equipment	13	184,746,332	136,262,374
Investment property	14	34,262,075	35,448,473
Investments in associates	16	163,597	165,373
Right-of-use assets	17	4,885,953	3,039,504
Intangible assets	18	1,941,226	2,294,475
		225,999,183	177,210,199

Major customers

Revenue from major customers amounting to RM92,576,833 (2018: RM116,791,287) arose from sales and marketing segment.

Notes to the Financial Statements

31 December 2019

5. REVENUE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Revenue from contracts with customers:				
- Sales and marketing	223,475,411	265,124,309	-	-
- Technical support and management	122,349,767	109,380,265	-	-
- Engineering services	1,902,908	3,416,599	-	-
- Others	418,181	29,080	-	-
Other revenue:				
- Finance lease interest	2,950,364	1,299,383	-	-
- Dividend income from subsidiaries	-	-	18,936,500	16,484,139
	351,096,631	379,249,636	18,936,500	16,484,139

	Group	
	2019 RM	2018 RM
Timing of revenue recognition:		
- Services transferred over time	136,476,036	130,428,165
- Products transferred at a point in time	211,670,231	247,522,088
	348,146,267	377,950,253

(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 either made on the normal credit terms not exceeding twelve (12) months or the promised consideration and the cash selling price of the goods are not materially different.

(b) Services rendered

Revenue from services rendered 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 2019

5. REVENUE (continued)

(c) Finance lease interest

Finance lease interest is recognised over the lease term based on effective interest method.

(d) Dividend income

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

6. OTHER INCOME

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest income	633,028	424,455	-	67,397
Rental income from building	2,236,809	2,178,705	-	-
Sundry income	688,319	601,078	1,152	1,853
	3,558,156	3,204,238	1,152	69,250

(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 2019

7. FINANCE COSTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest on:				
- Bank overdrafts	6,277	3,108	-	-
- Hire purchase creditors	1,104	3,979	-	-
- Lease liabilities (Note 17)	126,431	91,844	998	2,785
- Onshore foreign currency loan	108,318	15,535	-	-
- Revolving credits	422,798	31,162	-	-
- Term loans	502,876	507,388	-	-
Total interest expense	1,167,804	653,016	998	2,785
Bank and other charges	295,103	255,111	1,180	2,161
	1,462,907	908,127	2,178	4,946

8. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Salaries, wages, bonuses and allowances	15,529,449	14,655,541	2,626,977	2,377,609
Defined contribution plans	1,656,625	1,488,549	301,806	275,754
Share options vested under ESOS	2,873	809,803	331	344,428
Other employee benefits	46,564	53,744	23,627	25,740
	17,235,511	17,007,637	2,952,741	3,023,531

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM5,031,474 (2018: RM4,798,379) and RM344,900 (2018: RM316,337) respectively as further disclosed in Note 9 to the financial statements.

Notes to the Financial Statements

31 December 2019

9. DIRECTORS' REMUNERATION

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Directors of the Company:				
Executive:				
Emoluments other than fees	3,106,544	3,004,615	344,900	316,337
Estimated monetary value of benefits-in-kind	32,612	33,850	8,663	9,900
	3,139,156	3,038,465	353,563	326,237
Non-executive:				
Fees	305,000	478,000	305,000	478,000
Other emoluments	36,000	46,000	36,000	46,000
	341,000	524,000	341,000	524,000
Directors of the Subsidiaries:				
Executive:				
Emoluments other than fees	1,919,931	1,622,235	-	-
Share options vested under ESOS	-	161,529	-	-
Fees	5,000	10,000	-	-
	1,924,931	1,793,764	-	-
Estimated monetary value of benefits-in-kind	5,715	-	-	-
	1,930,646	1,793,764	-	-
Non-executive:				
Fees	5,000	5,000	-	-
Total Directors' remuneration	5,415,802	5,361,229	694,563	850,237
Analysis:				
Total Executive Directors' remuneration excluding benefits-in-kind (Note 8)	5,031,475	4,798,379	344,900	316,337
Estimated monetary value of benefits-in-kind	38,327	33,850	8,663	9,900
Total Executive Directors' remuneration	5,069,802	4,832,229	353,563	326,237
Total Non-executive Directors' remuneration	346,000	529,000	341,000	524,000
	5,415,802	5,361,229	694,563	850,237

Notes to the Financial Statements

31 December 2019

9. 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
RM1 - RM50,000	-	1
RM50,001 - RM100,000	-	2
RM100,001 - RM150,000	-	1
RM350,001 - RM400,000	1	-
RM400,001 - RM450,000	1	-
RM1,150,001 - RM1,200,000	2	-
	4	4

10. TAXATION

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current tax expense based on profit for the financial year:				
Malaysian income tax	2,268,294	1,139,710	-	13,200
Foreign income tax	1,737,622	917,632	-	-
	4,005,916	2,057,342	-	13,200
Under/(Over)provision in prior years	19,479	(2,333,136)	273	(2,036)
	4,025,395	(275,794)	273	11,164
Deferred tax (Note 31):				
Relating to origination and reversal of temporary differences	(5,646)	(6,788)	-	-
Underprovision in prior years	-	9,139	-	-
	(5,646)	2,351	-	-
Taxation	4,019,749	(273,443)	273	11,164

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

Notes to the Financial Statements

31 December 2019

10. TAXATION (continued)

- (b) The tax expense of a subsidiary is fixed at three percent (3%) on its profit before tax as reflected in the audited financial statements under the Labuan Business Activity Tax Act 1990 Section 4. Any non-offshore business activity carried out by the subsidiary shall be subjected to the provisions of the Income Tax Act 1967. In the previous financial year, the tax expense of the subsidiary was fixed at RM20,000 per annum under the Labuan Business Activity Tax Act 1990 Section 7.
- (c) Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.
- (d) The reconciliation between the taxation and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	10,606,941	8,439,754	3,447,111	2,694,993
Tax effects in respect of:				
Different tax rates in other countries and for Labuan trading activities	(8,326,934)	(7,634,682)	-	-
Non-taxable income	(929,524)	(516,188)	(4,544,509)	(3,956,638)
Non-allowable expenses	2,558,837	1,707,440	1,097,398	1,274,845
Deferred tax asset not recognised in respect of current year's tax losses and unabsorbed capital allowances	90,950	54,230	-	-
	4,000,270	2,050,554	-	13,200
Under/(Over)provision of tax expense in prior years	19,479	(2,333,136)	273	(2,036)
Underprovision of deferred tax in prior years	-	9,139	-	-
	4,019,749	(273,443)	273	11,164

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

	← Before tax RM	Group Tax effect RM	→ After tax RM
2019			
Item that may be reclassified subsequently to profit or loss			
Foreign currency translations	(2,568,131)	-	(2,568,131)
2018			
Item that may be reclassified subsequently to profit or loss			
Foreign currency translations	4,924,393	-	4,924,393

Notes to the Financial Statements

31 December 2019

11. EARNINGS PER ORDINARY SHARE

(a) Basic

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

	2019	Group 2018
Profit for the financial year attributable to owners of the Company (RM)	39,766,196	35,173,257
Weighted average number of ordinary shares in issue	1,543,896,000	1,536,480,000
Basic earnings per ordinary share (sen)	2.58	2.29

(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.

	2019	Group 2018
Profit for the financial year attributable to owners of the Company (RM)	39,766,196	35,173,257
Weighted average number of ordinary shares in issue	1,543,896,000	1,536,480,000
Effect of dilution due to:		
- ESOS	-	14,209,000
Adjusted weighted average number of ordinary shares	1,543,896,000	1,550,689,000
Diluted earnings per ordinary share (sen)	2.58	2.27

Diluted earnings per ordinary share for the current financial year equals basic earnings per ordinary share because there are no potentially dilutive instruments in existence as at 31 December 2019.

Notes to the Financial Statements

31 December 2019

12. DIVIDENDS

	Group and Company			
	Dividend per share RM	2019 Amount of dividend RM	Dividend per share RM	2018 Amount of dividend RM
Dividends paid:				
In respect of financial year ended 31 December 2018: Final single-tier dividend	0.007	10,826,182	-	-
In respect of financial year ended 31 December 2017: Final single-tier dividend	-	-	0.007	9,412,960
	0.007	10,826,182	0.007	9,412,960

An interim single-tier dividend of RM0.003 per ordinary share amounting to RM4,630,382 in respect of the financial year ended 31 December 2019 was paid on 15 April 2020.

The financial statements for the financial year ended 31 December 2019 do not reflect this dividend. This dividend, when accrued for payment, will be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2020.

Notes to the Financial Statements

31 December 2019

13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold 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 2019									
Cost									
At 1 January 2019	1,610,000	5,792,227	4,040,441	79,138	2,454,313	526,379,375	869,285	23,308,915	564,533,694
Additions	-	-	1,184,829	-	8,166	85,465,397	25,530	1,288,236	87,972,158
Disposals/Written off	-	-	(9,045)	-	(3,172)	(27,338,182)	(63,343)	(406,304)	(27,820,046)
Transfer to inventories	-	-	-	-	-	(7,725,933)	-	-	(7,725,933)
Exchange differences	-	-	(36,347)	-	(19,644)	(5,101,894)	-	(168,015)	(5,325,900)
At 31 December 2019	1,610,000	5,792,227	5,179,878	79,138	2,439,663	571,678,763	831,472	24,022,832	611,633,973
Accumulated depreciation and impairment losses									
At 1 January 2019	-	1,105,692	1,754,184	73,143	2,253,530	401,337,250	744,765	21,002,756	428,271,320
Depreciation charge for the financial year	-	135,008	791,509	2,997	108,388	34,764,232	47,545	888,175	36,737,854
Disposals/Written off	-	-	(4,583)	-	(3,168)	(27,333,740)	(63,322)	(397,615)	(27,802,428)
Transfer to inventories	-	-	-	-	-	(5,993,625)	-	-	(5,993,625)
Exchange differences	-	-	(18,613)	-	(18,287)	(4,133,230)	-	(155,350)	(4,325,480)
At 31 December 2019	-	1,240,700	2,522,497	76,140	2,340,463	398,640,887	728,988	21,337,966	426,887,641
Analysed as:									
Accumulated depreciation	-	1,240,700	2,261,780	76,140	2,340,463	370,265,835	728,988	17,037,657	393,951,563
Accumulated impairment losses	-	-	260,717	-	-	28,375,052	-	4,300,309	32,936,078
At 31 December 2019	-	1,240,700	2,522,497	76,140	2,340,463	398,640,887	728,988	21,337,966	426,887,641
Net carrying amount									
At 31 December 2019	1,610,000	4,551,527	2,657,381	2,998	99,200	173,037,876	102,484	2,684,866	184,746,332

Notes to the Financial Statements

31 December 2019

13. 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 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
Reclassifications	-	(1,700,000)	(43,485,588)	-	-	-	-	-	-	(45,185,588)
Disposals/Written off	-	-	-	-	-	(42,103)	(51,658,839)	(149,649)	(285,051)	(52,135,642)
Transfer to inventories	-	-	-	-	-	-	(132,265)	-	-	(132,265)
Exchange differences	-	-	-	28,873	-	33,571	9,468,050	-	312,387	9,842,881
At 31 December 2018	1,610,000	-	5,792,227	4,040,441	79,138	2,454,313	526,379,375	869,285	23,308,915	564,533,694
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	-	-	135,007	421,897	1,798	110,282	24,619,718	69,392	1,182,732	26,540,826
Reclassifications	-	(185,939)	(7,865,030)	-	-	-	-	-	-	(8,050,969)
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	-	-	-	-	-	-	577,837	-	229,307	807,144
Exchange differences	-	-	-	22,773	-	32,520	8,102,673	-	285,003	8,442,969
At 31 December 2018	-	-	1,105,692	1,754,184	73,143	2,253,530	401,337,250	744,765	21,002,756	428,271,320
Analysed as:										
Accumulated depreciation	-	-	1,105,692	1,490,638	73,143	2,253,530	368,694,252	744,765	16,635,490	390,997,510
Accumulated impairment losses	-	-	-	263,546	-	-	32,642,998	-	4,367,266	37,273,810
At 31 December 2018	-	-	1,105,692	1,754,184	73,143	2,253,530	401,337,250	744,765	21,002,756	428,271,320
Net carrying amount										
At 31 December 2018	1,610,000	-	4,686,535	2,286,257	5,995	200,783	125,042,125	124,520	2,306,159	136,262,374

Notes to the Financial Statements

31 December 2019

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Furniture, fittings and office equipment RM
At 31 December 2019	
Cost	
At 1 January 2019	146,652
Additions	20,016
At 31 December 2019	166,668
Accumulated depreciation	
At 1 January 2019	112,124
Depreciation charge for the financial year	19,109
At 31 December 2019	131,233
Net carrying amount	
At 31 December 2019	35,435
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

(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

31 December 2019

13. 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% - 33%

Freehold land has unlimited useful life and is not depreciated.

- (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:

	2019 RM	Group	2018 RM
Freehold land	1,610,000		1,610,000
Buildings	3,778,999		3,881,818
	5,388,999		5,491,818

- (d) A motor vehicle of the Group with a net carrying amount of RM4 (2018: RM78,824) is held in trust for a subsidiary in the name of a Director. The motor vehicle was held under hire purchase agreement in the previous financial year.
- (e) The Group has carried out a review of the recoverable amount of its property, plant and equipment in the previous financial year. The review has led to the recognition of an impairment loss of RM807,144. 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) In the previous 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 in the previous financial year as a result of the change in accounting estimates, with RM116,574 and RM129,478 of decrease in depreciation expected to be incurred from the identified assets in the financial year ended 2019 and financial year ending 2020 respectively.

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14. INVESTMENT PROPERTY

	2019 RM	Group 2018 RM
Building, at cost		
At 1 January	44,368,571	-
Reclassifications	-	43,485,588
Exchange differences	(476,276)	882,983
At 31 December	43,892,295	44,368,571
Accumulated depreciation and impairment losses		
At 1 January	8,920,098	-
Depreciation charge for the financial year	814,892	871,423
Reclassifications	-	7,865,030
Exchange differences	(104,770)	183,645
At 31 December	9,630,220	8,920,098
Analysed as:		
Accumulated depreciation	9,119,559	8,403,896
Accumulated impairment losses	510,661	516,202
At 31 December	9,630,220	8,920,098
Net carrying amount		
At 31 December	34,262,075	35,448,473

- (a) Investment property is initially measured at cost, including transaction costs. After initial recognition, investment property is stated at cost less accumulated depreciation and accumulated impairment losses.
- (b) Depreciation is calculated to write down the cost of the investment property to its residual value on a straight-line basis over its estimated useful life. The principal depreciation rate is 2%.
- (c) Direct operating expenses arising from the investment property generating rental income during the financial year amounted to RM88,196 (2018: RM84,311).

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14. INVESTMENT PROPERTY (continued)

- (d) The Group has entered into a non-cancellable lease agreement on its investment property for terms of five (5) years and renewable at the end of the lease period subject to an increase clause. The monthly rental consists of a fixed base rent.

The Group has aggregate future minimum lease receivable as at the end of each reporting period as follows:

	2019 RM	Group 2018 RM
Less than one (1) year	2,214,540	2,238,570
One (1) to two (2) years	1,107,270	2,238,570
Two (2) to three (3) years	-	1,119,285
	3,321,810	5,596,425

- (e) The fair value of the investment property of the Group is categorised as follows:

	2019 (Level 3) RM	2018 (Level 3) RM
Building	34,916,190	35,242,993

There is no transfer between levels in the hierarchy during the financial years ended 31 December 2019 and 31 December 2018.

The fair value of the investment property is determined based on Directors' estimation by reference to the aggregate of the present value of estimated cash flows expected to be received if the property could be sold at a price determined by the Directors, after adjusted for market value information from a third party estate agent. The significant unobservable input into this valuation method is the market value information from the estate agent. The estimated fair value would increase if the market value information from the estate agent is more favourable and vice versa.

15. INVESTMENTS IN SUBSIDIARIES

	2019 RM	Company 2018 RM
Unquoted equity shares, at cost	152,827,820	152,827,820
Equity contributions in subsidiaries in respect of ESOS	6,085,504	6,082,962
	158,913,324	158,910,782

Notes to the Financial Statements

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15. INVESTMENTS IN SUBSIDIARIES (continued)

Details of the subsidiaries are as follows:

Name of company	Country of incorporation/ Principal place of business	Proportion of ownership interest		Principal activities
		2019 %	2018 %	
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, sales and maintenance of information technology hardware and software.
All In Technologies Company Limited ^	Vietnam	100	100	Repair and maintenance of machinery and equipment and management consulting services.
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 firm other than BDO member firms.

@ The financial statements of these subsidiaries are not required to be audited in their respective country of incorporation.

Notes to the Financial Statements

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15. INVESTMENTS IN SUBSIDIARIES (continued)

- (a) Investments in subsidiaries, which are eliminated on consolidation, are stated in the separate financial statements of the Company at cost less any accumulated impairment losses.

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) In the previous financial year, the Company 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 the total of three (3) members in the Board of Directors of CDBC.
- (d) The subsidiary in which the Group has material non-controlling interests ("NCI") is as follows:

	Chateau de Bavet Club Co., Ltd.	
	2019	2018
NCI percentage of ownership interest and voting interest	54.86%	54.86%
Carrying amount of NCI (RM)	21,169,724	20,988,480
Profit allocated to NCI (RM)	409,641	265,826

- (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.	
	2019 RM	2018 RM
Assets and liabilities		
Non-current assets	38,922,400	39,666,273
Current assets	1,184,590	902,341
Non-current liabilities	(258,382)	(263,159)
Current liabilities	(1,259,975)	(2,047,198)
Net assets	38,588,633	38,258,257

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15. INVESTMENTS IN SUBSIDIARIES (continued)

(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 (continued):

	Chateau de Bavet Club Co., Ltd.	
	2019 RM	2018 RM
Results		
Profit for the financial year	746,705	484,553
Total comprehensive income	330,376	1,253,725
Cash flows from/(used in) operating activities	26,257	(37,427)
Cash flows from investing activities	4,090	-
Cash flows (used in)/from financing activities	(4,712)	3,505
Net increase/(decrease) in cash and cash equivalents	25,635	(33,922)

16. INVESTMENTS IN ASSOCIATES

	2019 RM	Group 2018 RM
Unquoted equity shares, at cost	39,894	39,894
Share of post-acquisition reserves	82,537	82,537
Exchange differences	122,431	122,431
	41,166	42,942
	163,597	165,373

Details of the associates are as follows:

Name of company	Country of incorporation/ Principal place of business	Proportion of ownership interest		Principal activities
		2019 %	2018 %	
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.

Notes to the Financial Statements

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16. INVESTMENTS IN ASSOCIATES (continued)

Details of the associates are as follows (continued):

Name of company	Country of incorporation/ Principal place of business	Proportion of ownership interest		Principal activities
		2019 %	2018 %	
Held through subsidiaries (continued):				
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.

(b) Summarised financial information of a material associate is as follows:

	Dreamgate Holding Co., Ltd.	
	2019 RM	2018 RM
Assets		
Non-current assets	4,079,073	4,138,806
Current assets	197,009	273,292
Total assets	4,276,082	4,412,098
Liabilities		
Current liabilities	5,836,847	5,960,329
Total liabilities	5,836,847	5,960,329
Net liabilities	(1,560,765)	(1,548,231)
Results		
Revenue	12,494	12,517
Depreciation of property, plant and equipment	(15,456)	(15,483)
(Loss)/Profit for the financial year	(29,505)	21,204
Total comprehensive (loss)/income	(29,505)	21,204

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16. INVESTMENTS IN ASSOCIATES (continued)

(c) 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 2019			
Share of net assets	-	163,597	163,597
Carrying amount	-	163,597	163,597
Share of results for the financial year ended 31 December 2019			
Share of profit	-	-	-
Share of total comprehensive income	-	-	-
As at 31 December 2018			
Share of net assets	-	165,373	165,373
Carrying amount	-	165,373	165,373
Share of results for the financial year ended 31 December 2018			
Share of profit	-	-	-
Share of total comprehensive income	-	-	-

(d) The unrecognised share of loss of associates amounted to RM14,457 (2018: unrecognised share of profit amounted to RM10,389) in the current financial year. As a result, the accumulated unrecognised share of losses of associates amounted to RM1,889,128 (2018: RM1,874,671). 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.

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17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

Group	Leasehold land RM	Buildings RM	Equipment RM	Total RM
At 31 December 2019				
Cost				
At 1 January 2019	1,700,000	2,816,607	36,817	4,553,424
Additions	-	3,201,029	-	3,201,029
Effect of modification to lease term	-	(947,074)	-	(947,074)
Derecognition	-	(324,064)	-	(324,064)
Exchange differences	-	(14,637)	(178)	(14,815)
At 31 December 2019	1,700,000	4,731,861	36,639	6,468,500
Accumulated depreciation				
At 1 January 2019	212,501	1,292,756	8,663	1,513,920
Depreciation charge for the financial year	26,562	914,145	8,653	949,360
Effect of modification to lease term	-	(540,783)	-	(540,783)
Derecognition	-	(324,064)	-	(324,064)
Exchange differences	-	(15,812)	(74)	(15,886)
At 31 December 2019	239,063	1,326,242	17,242	1,582,547
Net carrying amount				
At 31 December 2019	1,460,937	3,405,619	19,397	4,885,953
At 31 December 2018				
Cost				
At 1 January 2018	-	-	-	-
Effects of adoption of MFRS 16	-	2,294,334	36,156	2,330,490
Additions	-	475,588	-	475,588
Reclassifications	1,700,000	-	-	1,700,000
Exchange differences	-	46,685	661	47,346
At 31 December 2018	1,700,000	2,816,607	36,817	4,553,424

Notes to the Financial Statements

31 December 2019

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

Right-of-use assets (continued)

Group	Leasehold land RM	Buildings RM	Equipment RM	Total RM
At 31 December 2018 (continued)				
Accumulated depreciation				
At 1 January 2018	-	-	-	-
Depreciation charge for the financial year	26,562	1,267,870	8,432	1,302,864
Reclassifications	185,939	-	-	185,939
Exchange differences	-	24,886	231	25,117
At 31 December 2018	212,501	1,292,756	8,663	1,513,920
Net carrying amount				
At 31 December 2018	1,487,499	1,523,851	28,154	3,039,504

Company	Building RM
At 31 December 2019	
Cost	
At 1 January 2019	80,217
Additions	321,586
At 31 December 2019	401,803
Accumulated depreciation	
At 1 January 2019	40,108
Depreciation charge for the financial year	40,109
At 31 December 2019	80,217
Net carrying amount	
At 31 December 2019	321,586

Notes to the Financial Statements

31 December 2019

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

Right-of-use assets (continued)

Company	Building RM
At 31 December 2018	
Cost	
At 1 January 2018	-
Effects of adoption of MFRS 16	80,217
At 31 December 2018	80,217
Accumulated depreciation	
At 1 January 2018	-
Depreciation charge for the financial year	40,108
At 31 December 2018	40,108
Net carrying amount	
At 31 December 2018	40,109

Lease liabilities

Group	Buildings RM	Equipment RM	Total RM
At 31 December 2019			
At 1 January 2019	1,541,696	28,771	1,570,467
Additions	3,201,029	-	3,201,029
Effect of modification to lease term	(402,039)	-	(402,039)
Interest charged (Note 7)	125,320	1,111	126,431
Lease payments	(993,941)	(9,500)	(1,003,441)
Exchange differences	15,783	(123)	15,660
At 31 December 2019	3,487,848	20,259	3,508,107
At 31 December 2018			
At 1 January 2018	-	-	-
Effects of adoption of MFRS 16	2,294,334	36,156	2,330,490
Additions	475,588	-	475,588
Interest charged (Note 7)	90,408	1,436	91,844
Lease payments	(1,354,499)	(9,404)	(1,363,903)
Exchange differences	35,865	583	36,448
At 31 December 2018	1,541,696	28,771	1,570,467

Notes to the Financial Statements

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

Lease liabilities (continued)

Group	2019 RM	2018 RM
Represented by:		
- Current	931,518	913,412
- Non-current	2,576,589	657,055
	3,508,107	1,570,467
Company		Building RM
At 31 December 2019		
At 1 January 2019		41,002
Additions		321,586
Interest charged (Note 7)		998
Lease payments		(42,000)
At 31 December 2019		321,586
At 31 December 2018		
At 1 January 2018		-
Effects of adoption of MFRS 16		80,217
Interest charged (Note 7)		2,785
Lease payments		(42,000)
At 31 December 2018		41,002
	2019 RM	2018 RM
Represented by:		
- Current	24,611	41,002
- Non-current	296,975	-
	321,586	41,002

Notes to the Financial Statements

31 December 2019

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

- (a) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

Leasehold land which was previously classified as property, plant and equipment are now classified as part of right-of-use assets.

After initial recognition, the right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liabilities.

The right-of-use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the estimated useful lives of the right-of-use assets or the end of the lease term. The lease terms of right-of-use assets are as follows:

Leasehold land	99 years
Buildings	2 - 6 years
Equipment	5 years

- (b) Included in right-of-use assets of the Group is leasehold land with a carrying amount of RM1,460,937 (2018: RM1,487,499), which has been charged to licensed banks as security for the secured borrowings of the Group as disclosed in Note 29 to the financial statements.
- (c) The Group has certain leases of premises and equipments with lease term of twelve (12) months or less, and low value leases of office equipment of USD5,000 (equivalent to RM20,500) and below. The Group applies the "short-term lease" and "lease of low-value assets" exemptions for these leases.
- (d) The following are the amounts recognised in profit or loss:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Depreciation charge of right-of-use assets	949,360	1,302,864	40,109	40,108
Interest expense on lease liabilities	126,431	91,844	998	2,785
Expense relating to short-term leases	1,576,640	958,693	-	-
Expense relating to leases of low-value assets	9,313	2,563	-	-
Variable lease payments	13,985,093	15,224,363	-	-
	16,646,837	17,580,327	41,107	42,893

- (e) The Group has lease contracts for certain system and equipment that contains variable payments based on the number of units used by customers or used in operations. Variable lease payments are recognised in profit or loss when the condition that triggers those payments occur.
- (f) Information on financial risks of lease liabilities is disclosed in Note 39 to the financial statements.

Notes to the Financial Statements

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18. INTANGIBLE ASSETS

Group	Goodwill RM	Development costs RM	Gaming licenses RM	Rights RM	Total RM
At 31 December 2019					
Cost					
At 1 January 2019	1,142,351	3,965,484	1,036,375	4,331,003	10,475,213
Exchange differences	-	(4,312)	(11,125)	(45,458)	(60,895)
At 31 December 2019	1,142,351	3,961,172	1,025,250	4,285,545	10,414,318
Accumulated amortisation and impairment					
At 1 January 2019	271,839	3,577,896	-	4,331,003	8,180,738
Amortisation	-	341,304	-	-	341,304
Exchange differences	-	(3,492)	-	(45,458)	(48,950)
At 31 December 2019	271,839	3,915,708	-	4,285,545	8,473,092
Net carrying amount					
At 31 December 2019	870,512	45,464	1,025,250	-	1,941,226
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

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18. INTANGIBLE ASSETS (continued)

- (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 are amortised on a straight-line basis over the commercial lives of the underlying products not exceeding five (5) years. The amortisation charges are included in the statement of profit or loss under administrative expenses.
- (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 amount may be impaired. The useful life of gaming licenses is also reviewed annually to determine whether the useful life assessment continues to be supportable.
- (d) Rights relate to the use of Manny Pacman's design and theme in the development of games and jackpot display for gaming machines. The rights acquired have finite useful lives and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the unit of production method to allocate the cost of rights over its estimated useful lives.
- (e) Impairment tests for goodwill and gaming licenses with indefinite useful lives

Allocation of goodwill and gaming licenses

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

Key assumptions used in value-in-use calculations

The recoverable amount of the CGU have been determined based on value-in-use calculations using cash flow projections based on financial forecasts approved by management covering a five (5)-year period. Cash flows beyond the five (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 are the estimated net collections from technical support and management operations in Vietnam (2018: 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.

Notes to the Financial Statements

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18. INTANGIBLE ASSETS (continued)

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

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

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

(iii) Discount rate

The pre-tax discount rate used was 10.3% (2018: 10.3%).

Based on the annual impairment testing undertaken by the Group, no impairment losses were required for the carrying amounts of the remaining goodwill and gaming licenses assessed as at 31 December 2019 as their recoverable amounts were in excess of their carrying amounts. Management believes that there is no reasonably possible change in the key assumptions on which management has based its determination of the CGU's recoverable amount, which would cause the CGU's carrying amount to materially exceed its recoverable amount.

19. INVENTORIES

	2019 RM	Group 2018 RM
At cost		
Spare parts, gaming and amusement accessories, table game equipment and accessories	31,745	-
Goods at third party premises	120,166	-
Goods in transit	170,095	1,530,575
	322,006	1,530,575
At net realisable value		
Gaming and amusement machines	846,547	765,153
Spare parts, gaming and amusement accessories, table game equipment and accessories	3,063,138	2,429,426
	3,909,685	3,194,579
	4,231,691	4,725,154

(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 RM173,306,399 (2018: RM190,857,184).

(c) Inventories where the net realisable value is expected to be below the carrying amount were written down. The amount written down during the financial year was RM293,404 (2018: amount written back of RM136,731) for the Group.

Notes to the Financial Statements

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20. TRADE RECEIVABLES

	2019 RM	Group 2018 RM
Trade receivables		
Third parties	165,362,313	120,203,866
Related parties	2,820,506	6,059,852
	168,182,819	126,263,718
Less: Impairment losses		
Third parties	(3,265,207)	(2,720,065)
Related parties	(13,400)	(119,598)
Trade receivables, net	164,904,212	123,424,055
Represented by:		
- Current	141,441,217	123,399,331
- Non-current	23,462,995	24,724
	164,904,212	123,424,055

(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. Nevertheless, the management of the Group may give longer credit terms by discretion. 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 which will be paid by monthly instalments and interest-free are payable as follows:

	2019 RM	Group 2018 RM
Current	31,316,846	15,445,504
Non-current	15,356,785	24,724
	46,673,631	15,470,228

Notes to the Financial Statements

31 December 2019

20. TRADE RECEIVABLES (continued)

- (d) "Trade receivables third parties" which will be paid by monthly instalments and borne interest at a rate of 6% per annum are payable as follows:

	2019 RM	Group	2018 RM
Current	8,233,628		-
Non-current	8,106,210		-
	16,339,838		-

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

	2019 RM	Group	2018 RM
United States Dollar	120,523,106		93,390,121
Philippine Peso	26,232,129		20,609,851
Ringgit Malaysia	10,738,536		5,638,775
Thai Baht	7,386,463		3,670,998
Others	23,978		114,310
	164,904,212		123,424,055

- (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 geographical 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 consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying amount 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.

Notes to the Financial Statements

31 December 2019

20. TRADE RECEIVABLES (continued)

(g) Lifetime expected loss provision for trade receivables is as follows:

Group	Less than 180 days past due	More than 180 days past due	Total
31 December 2019			
Expected loss rate	0.162%	10.210%	
Gross carrying amount (RM)	138,269,542	29,913,277	168,182,819
Impairment (RM)	224,371	3,054,236	3,278,607
31 December 2018			
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

(h) Movement in impairment accounts:

	Group	
	2019 RM	2018 RM
At 1 January	2,839,663	2,552,144
Charge for the financial year	901,916	768,845
Reversal of impairment losses	(422,449)	(541,266)
Written off	(6,794)	-
Exchange differences	(33,729)	59,940
At 31 December	3,278,607	2,839,663

(i) Information on financial risks of trade receivables is disclosed in Note 39 to the financial statements.

Notes to the Financial Statements

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21. OTHER RECEIVABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Deposits	25,491,098	33,602,184	7,000	13,797
Interest receivables	-	166,458	-	67,409
Sundry receivables	8,205,770	10,380,558	-	-
	33,696,868	44,149,200	7,000	81,206
Less: Impairment losses	(2,143,193)	(1,820,808)	-	-
	31,553,675	42,328,392	7,000	81,206
Prepayments	5,692,884	4,799,806	-	-
	37,246,559	47,128,198	7,000	81,206
Represented by:				
- Current	32,718,825	47,090,635	7,000	81,206
- Non-current	4,527,734	37,563	-	-
	37,246,559	47,128,198	7,000	81,206

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

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
United States Dollar	25,915,342	38,329,286	-	-
Philippine Peso	2,528,398	1,318,900	-	-
Ringgit Malaysia	1,875,988	1,417,026	7,000	81,206
Thai Baht	640,785	573,390	-	-
Hong Kong Dollar	389,562	494,848	-	-
Others	203,600	194,942	-	-
	31,553,675	42,328,392	7,000	81,206

Notes to the Financial Statements

31 December 2019

21. OTHER RECEIVABLES (continued)

(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 (12)-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.

The Group and the Company consider a financial asset to have experienced a significant increase in credit risk when one or more of the following criteria have been met:

- (i) Significant adverse changes in business, financial and/or economic conditions in which the financial asset operates;
 - (ii) The financial asset is experiencing notable financial distress and liquidity issues;
 - (iii) It is becoming probable that the financial asset will undergo a major financial reorganisation or enter bankruptcy;
 - (iv) Delay in payment for more than one (1) year and the financial asset request for renegotiation of the payment terms; or
 - (v) Significant change in the credit rating of the financial asset if the information is available.
- (d) Movement in Stage 2 impairment accounts:

	2019 RM	Group 2018 RM
At 1 January	1,820,808	1,663,615
Charge for the financial year	352,105	131,169
Reversal of impairment losses	-	(6,666)
Written off	(4,883)	-
Exchange differences	(24,837)	32,690
At 31 December	2,143,193	1,820,808

- (e) Included in non-current other receivables is an amount of RM23,030 (2018: RM37,563) 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 39 to the financial statements.

Notes to the Financial Statements

31 December 2019

22. LEASE RECEIVABLES

	2019 RM	Group 2018 RM
Future minimum lease receivables:		
- Not later than one (1) year	4,649,392	3,282,838
- One (1) to two (2) years	4,636,689	3,291,832
- Two (2) to three (3) years	4,458,843	3,282,838
- Three (3) to four (4) years	-	3,156,921
Total future minimum lease receivables	13,744,924	13,014,429
Less: Unearned finance income	(2,476,948)	(2,482,499)
Present value of finance lease receivables	11,267,976	10,531,930
Analysis of present value of finance lease receivables:		
Current		
- Not later than one (1) year	3,322,981	2,245,715
Non-current		
- Later than one (1) year and not later than five (5) years	7,944,995	8,286,215
	11,267,976	10,531,930

- (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) Movement in lease receivables are as follows:

	2019 RM	Group 2018 RM
At 1 January	10,531,930	11,475,996
Additions	5,015,730	-
Interest charged	2,950,364	1,299,383
Lease payments	(7,090,627)	(2,443,905)
Exchange differences	(139,421)	200,456
At 31 December	11,267,976	10,531,930

- (e) No expected credit loss is recognised arising from lease receivables as it is negligible.
- (f) Information on financial risks of lease receivables is disclosed in Note 39 to the financial statements.

Notes to the Financial Statements

31 December 2019

23. DUE FROM SUBSIDIARIES

	Company	
	2019 RM	2018 RM
Due from subsidiaries	16,467,423	10,014,654

- (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 the next twelve (12) months in cash and cash equivalents.
- (c) Foreign currency exposure of amounts due from subsidiaries are as follows:

	Company	
	2019 RM	2018 RM
United States Dollar	15,436,084	6,561,484
Ringgit Malaysia	1,031,339	3,453,170
	16,467,423	10,014,654

- (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	
	2019 RM	2018 RM
At 1 January	-	30,599
Reversal of impairment losses	-	(30,599)
At 31 December	-	-

- (e) Information on financial risks of amounts due from subsidiaries is disclosed in Note 39 to the financial statements.

24. DUE FROM/(TO) ASSOCIATES

	Group	
	2019 RM	2018 RM
Due from associates	6,342,312	6,390,375
Less: Impairment losses	(3,493,012)	(3,523,588)
	2,849,300	2,866,787

Notes to the Financial Statements

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

	2019 RM	Group 2018 RM
Due to associates	(87,792)	(88,744)

- (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 and unsecured. Amounts due from associates are not payable within the next twelve (12) months whereas amounts due to associates are repayable within the 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.

Movement in Stage 2 impairment accounts:

	2019 RM	Group 2018 RM
At 1 January	3,523,588	3,339,829
Charge for the financial year	-	130,497
Exchange differences	(30,576)	53,262
At 31 December	3,493,012	3,523,588

- (e) Information on financial risks of amounts due from/(to) associates is disclosed in Note 39 to the financial statements.

25. CASH AND BANK BALANCES

	2019 RM	Group 2018 RM	2019 RM	Company 2018 RM
Cash and bank balances	40,073,806	56,412,275	1,095,450	559,083
Deposits with licensed banks	13,974,258	6,287,394	-	2,108,907
As reported in the statements of financial position	54,048,064	62,699,669	1,095,450	2,667,990
Less: Deposits pledged to licensed banks	(13,398,258)	(5,468,694)	-	(2,108,907)
Cash and cash equivalents included in the statements of cash flows	40,649,806	57,230,975	1,095,450	559,083

Notes to the Financial Statements

31 December 2019

25. CASH AND BANK BALANCES (continued)

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
United States Dollar	26,642,206	24,310,228	-	-
Thai Baht	13,087,298	13,728,582	-	-
Ringgit Malaysia	10,039,209	10,030,792	1,095,450	2,667,608
Philippine Peso	2,942,621	12,433,693	-	-
Vietnamese Dong	597,601	10,690	-	-
Singapore Dollar	492,165	1,386,319	-	-
Hong Kong Dollar	61,942	567,968	-	382
Others	185,022	231,397	-	-
	54,048,064	62,699,669	1,095,450	2,667,990

(b) Included in deposits with licensed banks of the Group and of the Company are amounts of RM13,398,258 (2018: RM5,468,694) and RM Nil (2018: RM2,108,907) respectively pledged to licensed banks as security for the secured borrowings of the Group as disclosed in Note 29 to the financial statements.

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

(d) Information on financial risks of cash and bank balances is disclosed in Note 39 to the financial statements.

26. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2019	2018	2019 RM	2018 RM
Issued and fully paid:				
At 1 January	1,539,089,683	1,340,547,300	157,052,573	134,729,884
Issue of ordinary shares pursuant to ESOS	9,156,014	6,259,030	1,432,153	1,194,170
Issue of bonus shares	-	192,283,353	-	19,228,335
Transfer from share premium account pursuant to Companies Act 2016	-	-	-	1,900,184
At 31 December	1,548,245,697	1,539,089,683	158,484,726	157,052,573

(a) During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 1,539,089,683 ordinary shares to 1,548,245,697 ordinary shares by way of issuance of 9,156,014 new ordinary shares for cash pursuant to the exercise of ESOS at a weighted average issue price of RM0.108 per ordinary share.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

Notes to the Financial Statements

31 December 2019

26. SHARE CAPITAL (continued)

- (b) During the financial year ended 31 December 2018, 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) 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.
- (d) On 20 September 2018, the 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 the share capital account.

27. RESERVES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-distributable:				
Foreign currency translation reserve	15,167,700	17,507,434	-	-
Share options reserve	-	2,176,431	-	2,176,779
	15,167,700	19,683,865	-	2,176,779
Distributable:				
Retained earnings	88,738,280	58,060,096	17,104,194	11,829,167
	103,905,980	77,743,961	17,104,194	14,005,946

(a) Foreign currency translation reserve

Foreign currency 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. It is also used to record the exchange differences arising from monetary items which form part of the net investment in foreign operations of the Group, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(b) 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. The ESOS had expired on 20 October 2019. Share options reserve of the Group and of the Company in relation to the unexercised option as at 20 October 2019 amounting to RM1,738,170 and RM1,738,518 respectively were transferred to retained earnings.

Notes to the Financial Statements

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28. EMPLOYEES' SHARE OPTION SCHEME

The ESOS of the Company 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 option for another five (5) years until 20 October 2019. The ESOS had expired on 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 (5) 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

31 December 2019

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 31 December 2019 '000	Exercisable at 31 December 2019 '000
		Outstanding at 1 January 2019 '000	Exercised '000	Forfeited '000	Expired '000		
2010 options:							
Grant 1	0.088*	3,278	(2,948)	-	(330)	-	-
2012 options:							
Grant 2	0.088*	141	(59)	-	(82)	-	-
Grant 3	0.088*	701	(463)	(57)	(181)	-	-
2013 options:							
Grant 4	0.092*	613	(222)	(176)	(215)	-	-
2014 options:							
Grant 5	0.103*	3,289	(2,999)	-	(290)	-	-
2015 options:							
Grant 6	0.091*	2,014	(1,174)	(215)	(625)	-	-
2017 options:							
Grant 7	0.195*	3,985	(148)	(219)	(3,618)	-	-
Grant 8	0.215*	7,868	-	(745)	(7,123)	-	-
2018 options:							
Grant 9	0.193*	3,072	(1,143)	(199)	(1,730)	-	-
		24,961	(9,156)	(1,611)	(14,194)	-	-

* Adjusted exercise price pursuant to the bonus issue.

Share options exercised during the financial year resulted in the issuance of 9,156,014 (2018: 6,259,030) new ordinary shares at an average price of RM0.108 (2018: RM0.131) each. The related weighted average ordinary share price at the date of exercise was RM0.201 (2018: RM0.259).

In the previous financial year, 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. The fair value of the share options granted 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.

Notes to the Financial Statements

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28. EMPLOYEES' SHARE OPTION SCHEME (continued)

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

	2018
Fair value of share options (RM)	0.091
Average share price at grant date (RM)	0.295
Exercise price (RM)	0.220
Dividend yield (%)	2.61
Expected volatility (%)	60.44
Risk-free interest rate (% p.a.)	3.33
Option life (years)	1.17
Cliff vesting period (years)	0
Expected employee exit rate (%)	17.30
Expected early exercise price multiple (times)	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

	2019	Group	2018
	RM		RM
Short term borrowings (secured):			
Onshore foreign currency loan	-		2,901,275
Hire purchase creditors (Note 30)	-		55,006
Revolving credits	4,101,000		9,090,490
Term loans	3,443,216		1,824,037
	7,544,216		13,870,808
Long term borrowings (secured):			
Term loans	22,201,945		5,472,027
Total borrowings:			
Onshore foreign currency loan	-		2,901,275
Hire purchase creditors (Note 30)	-		55,006
Revolving credits	4,101,000		9,090,490
Term loans	25,645,161		7,296,064
	29,746,161		19,342,835

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

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29. BORROWINGS (continued)

(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 13(c) and Note 17(b) to the financial statements;
- (ii) certain deposits with licensed banks as disclosed in Note 25(b) to the financial statements; and
- (iii) corporate guarantees of RM64,876,260 (2018: RM38,723,850) by the Company.

(c) Foreign currency exposure of borrowings are as follows:

	2019 RM	Group 2018 RM
United States Dollar	29,746,161	19,287,829
Ringgit Malaysia	-	55,006
	29,746,161	19,342,835

(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.

(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
Hire purchase creditors	54,769	55,006

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 39 to the financial statements.

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30. HIRE PURCHASE CREDITORS

	Group 2018 RM
Minimum hire purchase payments:	
- Not later than one (1) year	56,110
Less: Future interest charges	(1,104)
Present value of hire purchase creditors	55,006
Repayable as follows:	
Current (Note 29)	
- Not later than one (1) year	55,006

31. DEFERRED TAX LIABILITIES

	2019 RM	Group 2018 RM
At 1 January	134,307	131,956
Recognised in profit or loss (Note 10)	(5,646)	2,351
At 31 December	128,661	134,307

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	Right-of-use assets RM	Total RM
At 1 January 2019	99,120	416,287	26,880	542,287
Recognised in profit or loss	(3,880)	7,314	(720)	2,714
At 31 December 2019	95,240	423,601	26,160	545,001
At 1 January 2018	125,990	480,946	-	606,936
Reclassifications	-	(26,880)	26,880	-
Recognised in profit or loss	(26,870)	(37,779)	-	(64,649)
At 31 December 2018	99,120	416,287	26,880	542,287

Notes to the Financial Statements

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31. DEFERRED TAX LIABILITIES (continued)

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 2019	(323,910)	(31,190)	(40,880)	(12,000)	(407,980)
Recognised in profit or loss	39,120	(15,400)	(33,280)	1,200	(8,360)
At 31 December 2019	(284,790)	(46,590)	(74,160)	(10,800)	(416,340)
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)

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	
	2019 RM	2018 RM	2019 RM	2018 RM
Unused tax losses	5,457,000	4,922,000	-	-
Unabsorbed capital allowances	39,000	39,000	39,000	39,000
	5,496,000	4,961,000	39,000	39,000

The unused tax losses of the Group amounting to RM5,457,000 (2018: RM4,922,000) 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.

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32. TRADE PAYABLES

	2019 RM	Group 2018 RM
Trade payables		
Third parties	148,660,210	115,940,308
Related parties	2,060,547	399,614
	150,720,757	116,339,922
Represented by:		
- Current	132,050,221	107,747,636
- Non-current	18,670,536	8,592,286
	150,720,757	116,339,922

- (a) Trade payables are classified as financial liabilities measured at amortised cost.
- (b) Trade payables are interest-free and the normal trade credit terms granted to the Group range from one (1) month to three (3) months.
- (c) Amounts owing to related parties are unsecured, interest-free and payable upon demand in cash and cash equivalents.
- (d) Trade payables which will be paid by monthly instalments are interest-free and payable as follows:

	2019 RM	Group 2018 RM
Current	42,179,128	24,314,187
Non-current	9,804,897	7,563,850
	51,984,025	31,878,037

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

	2019 RM	Group 2018 RM
Current	17,022,949	15,072,170
Non-current	8,865,639	1,028,436
	25,888,588	16,100,606

Notes to the Financial Statements

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32. TRADE PAYABLES (continued)

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

	Group	
	2019 RM	2018 RM
United States Dollar	145,696,222	116,206,264
Ringgit Malaysia	3,660,880	-
Euro	927,232	-
Philippine Peso	429,621	-
Others	6,802	133,658
	150,720,757	116,339,922

(g) Information on financial risks of trade payables is disclosed in Note 39 to the financial statements.

33. OTHER PAYABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Accruals	21,493,261	20,767,649	858,167	647,211
Deposits received	1,355,359	1,378,588	6,368	6,485
Sundry payables	1,967,543	907,479	69,072	-
	24,816,163	23,053,716	933,607	653,696

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

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
United States Dollar	19,656,211	15,046,521	-	-
Ringgit Malaysia	1,992,786	1,363,192	933,607	653,696
Philippine Peso	1,701,521	4,071,300	-	-
Thai Baht	1,263,268	2,124,357	-	-
Hong Kong Dollar	70,917	102,597	-	-
Singapore Dollar	57,652	284,993	-	-
Others	73,808	60,756	-	-
	24,816,163	23,053,716	933,607	653,696

(c) Information on financial risks of other payables is disclosed in Note 39 to the financial statements.

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34. CONTRACT LIABILITIES

	2019 RM	Group 2018 RM
Advances received from customers	6,732,805	11,560,591
Deferred income	141,923	445
	6,874,728	11,561,036

(a) Contract liabilities include advances received from customers and deferred income where the Group has billed or has collected the payment before the goods are delivered or services are provided to the customers. The contract liabilities will be recognised as revenue when the performance obligations are satisfied. These performance obligations are part of contracts that have original expected duration of one (1) year or less.

(b) Included in contract liabilities at the beginning of the financial year is an amount of RM10,970,546 (2018: RM Nil) being revenue recognised during the financial year.

(c) Movements in contract liabilities are as follows:

	2019 RM	Group 2018 RM
At 1 January	11,561,036	53,144,970
Advances received during the year	110,751,510	202,148,844
Revenue recognised during the year	(115,453,654)	(239,848,844)
Exchange differences	15,836	(3,883,934)
At 31 December	6,874,728	11,561,036

(d) Foreign currency exposure of contract liabilities are as follows:

	2019 RM	Group 2018 RM
United States Dollar	5,552,691	9,761,350
Ringgit Malaysia	1,320,524	1,759,815
Others	1,513	39,871
	6,874,728	11,561,036

Notes to the Financial Statements

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35. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

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

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

	2019 RM	2018 RM
Group		
Related parties*:		
- Sales of products	3,495,293	2,526,790
- Maintenance charges received	68,232	-
- Technical service fee received	7,840	15,705
- Technical support and management income	4,555,828	3,592,129
- Purchase of products	6,805,394	1,611,752
Associates:		
- Operating lease expense	13,669	13,314
Company		
Subsidiaries:		
- Dividend income	18,936,500	16,484,139
- 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 or indirectly. The key management personnel include any Director (whether executive or otherwise) of the Group and of the Company.

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35. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel (continued)

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Short-term employee benefits	5,199,947	5,007,920	1,231,178	1,267,069
Post-employment benefits:				
Defined contribution plans	491,709	451,260	88,794	73,448
Share-based payments	-	324,121	-	325,184
Estimated monetary value of benefits-in-kind	5,691,656 38,327	5,783,301 33,850	1,319,972 9,900	1,665,701 9,900
	5,729,983	5,817,151	1,329,872	1,675,601

Included in total remuneration of key management personnel of the Group and of the Company are Directors' remuneration amounting to RM5,415,802 (2018: RM5,361,229) and RM694,563 (2018: RM850,237) respectively as further disclosed in Note 9 to the financial statements.

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	
	2019	2018	2019	2018
At 1 January	9,028,568	10,468,800	9,028,568	10,400,000
Exercised	(3,885,713)	(2,500,000)	(3,885,713)	(2,500,000)
Forfeited	-	(68,800)	-	-
Bonus issue	-	1,128,568	-	1,128,568
Expired	(5,142,855)	-	(5,142,855)	-
At 31 December	-	9,028,568	-	9,028,568

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

Notes to the Financial Statements

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36. CAPITAL COMMITMENTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Capital expenditure				
Approved but not contracted for:				
Property, plant and equipment	69,000,000	83,800,000	370,000	590,000
Contracted but not provided for:				
Property, plant and equipment	-	1,050,000	-	-
	69,000,000	84,850,000	370,000	590,000

37. CONTINGENT LIABILITIES

- (a) The Group designates corporate guarantees given to financial institutions for banking facilities granted to subsidiaries and trade payables as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these corporate guarantees 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.
- (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 RM64,876,260 (2018: RM38,723,850) of which RM29,829,940 (2018: RM19,397,502) was utilised at the end of the reporting period.
- (ii) The Company has given unsecured corporate guarantees to certain trade payables of its subsidiaries for a limit of up to RM90,222,000 (2018: RM99,492,000) of which RM84,137,013 (2018: RM70,078,266) was utilised at the end of the reporting period.
- (iii) The Directors are of the view that the chances of the financial institutions and trade payables calling upon the corporate guarantees are unlikely. Accordingly, the fair values of the above corporate guarantees are negligible.

38. 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 or policies during the financial years ended 31 December 2019 and 31 December 2018.

The Group monitors capital utilisation on the basis of net debt-to-equity ratio, which is net debt divided by total capital. The Group includes within net debt, borrowings and lease liabilities less cash and bank balances. Capital represents equity attributable to the owners of the Company.

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38. CAPITAL MANAGEMENT (continued)

The net debt-to-equity ratios as at 31 December 2019 and 31 December 2018 are as follows:

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Borrowings (current and non-current)	29	29,746,161	19,342,835	-	-
Lease liabilities (current and non-current)	17	3,508,107	1,570,467	321,586	41,002
Less: Cash and bank balances	25	(54,048,064)	(62,699,669)	(1,095,450)	(2,667,990)
Net cash		(20,793,796)	(41,786,367)	(773,864)	(2,626,988)
Total capital		262,390,706	234,796,534	175,588,920	171,058,519
Net debt-to-equity ratio		*	*	*	*

* Net debt-to-equity ratio is not presented as the Group and the Company are in net cash position.

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital and such shareholders' equity is not less than RM40.0 million. The Company has complied with this requirement for the financial year ended 31 December 2019.

39. 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, which requires loss to be recognised if a counter party fails to perform as contracted. 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.

Notes to the Financial Statements

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39. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Credit risk concentration profile

As at 31 December 2019, other than the amounts owing by subsidiaries constituting 100% (2018: 99%) of the total receivables of the Company, the Group also has a significant concentration of credit risk that may arise from exposure to groups of receivables which contributed approximately 88% (2018: 88%) of the total trade receivables at the end of the reporting period. These customers contributed approximately 62% (2018: 66%) 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 exposure of the Group to liquidity and cash flow risk arises primarily from the mismatch of the maturities of financial assets and liabilities. 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.

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 (1) year RM	One (1) to five (5) years RM	Over five (5) years RM	Total RM
2019				
Group				
Financial liabilities:				
Trade and other payables	156,866,384	18,670,536	-	175,536,920
Borrowings	8,749,290	24,312,642	-	33,061,932
Lease liabilities	1,097,803	2,440,851	684,756	4,223,410
Due to associates	87,792	-	-	87,792
Total undiscounted financial liabilities	166,801,269	45,424,029	684,756	212,910,054
Company				
Financial liabilities:				
Trade and other payables	933,607	-	-	933,607
Lease liabilities	42,000	168,000	210,000	420,000
Total undiscounted financial liabilities	975,607	168,000	210,000	1,353,607

Notes to the Financial Statements

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39. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity and cash flow risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

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

	On demand or within one (1) year RM	One (1) to five (5) years RM	Over five (5) years RM	Total RM
2018				
Group				
Financial liabilities:				
Trade and other payables	130,801,352	8,592,286	-	139,393,638
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	146,092,031	14,973,320	546,066	161,611,417
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

(c) Interest rate risk

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

Notes to the Financial Statements

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39. FINANCIAL RISK MANAGEMENT (continued)

(c) Interest rate risk (continued)

The following table sets out the carrying amounts, the weighted average effective interest rates/incremental borrowing 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:

At 31 December 2019	Note	Weighted average effective interest rate/incremental borrowing rate (%)	Within one (1) year RM	One (1) to two (2) years RM	Two (2) to three (3) years RM	Three (3) to four (4) years RM	Four (4) to five (5) years RM	More than five (5) years RM	Total RM
Group									
Fixed rates									
Trade receivables	20(d)	6.0	8,233,628	8,106,210	-	-	-	-	16,339,838
Lease receivables	22	13.6	3,322,981	3,788,166	4,156,829	-	-	-	11,267,976
Deposits with licensed banks	25	1.5	13,974,258	-	-	-	-	-	13,974,258
Lease liabilities	17	5.5	(931,518)	(823,520)	(670,785)	(451,844)	(226,739)	(403,701)	(3,508,107)
Floating rates									
Revolving credits	29	4.4	(4,101,000)	-	-	-	-	-	(4,101,000)
Term loans	29	5.0	(3,443,216)	(4,539,823)	(5,490,354)	(12,171,768)	-	-	(25,645,161)
Company									
Fixed rate									
Lease liabilities	17	5.7	(24,611)	(26,042)	(27,556)	(29,158)	(30,854)	(183,365)	(321,586)
At 31 December 2018									
Group									
Fixed rates									
Lease receivables	22	10.9	2,245,715	2,512,523	2,790,173	2,983,519	-	-	10,531,930
Deposits with licensed banks	25	2.8	6,287,394	-	-	-	-	-	6,287,394
Hire purchase creditors	29	2.5	(55,006)	-	-	-	-	-	(55,006)
Lease liabilities	17	4.5	(913,412)	(281,465)	(87,817)	(30,807)	(2,256)	(254,710)	(1,570,467)
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 rates									
Deposits with licensed banks	25	3.2	2,108,907	-	-	-	-	-	2,108,907
Lease liabilities	17	4.5	(41,002)	-	-	-	-	-	(41,002)

Notes to the Financial Statements

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39. 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 fifty (50) basis points with all other variables held constant:

Group	Effect on profit after tax	
	2019 RM	2018 RM
Floating rates		
<u>Increase by 0.5%</u>		
Onshore foreign currency loan	-	(11,025)
Revolving credits	(19,890)	(45,454)
Term loans	(124,329)	(36,480)
<u>Decrease by 0.5%</u>		
Onshore foreign currency loan	-	11,025
Revolving credits	19,890	45,454
Term loans	124,329	36,480

(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	
	2019 RM	2018 RM	2019 RM	2018 RM
<u>Strengthen by 5%</u>				
USD/RM	(89,482)	374,536	771,804	328,074
USD/HKD	192,225	211,590	-	-
Peso/USD	1,431,463	1,494,971	-	-
THB/USD	986,458	792,068	-	-

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39. FINANCIAL RISK MANAGEMENT (continued)

(d) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk (continued)

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 (continued):

	Effect on profit after tax			
	← Group	Group	Company	→
	2019 RM	2018 RM	2019 RM	2018 RM
<u>Weaken by 5%</u>				
USD/RM	89,482	(374,536)	(771,804)	(328,074)
USD/HKD	(192,225)	(211,590)	-	-
Peso/USD	(1,431,463)	(1,494,971)	-	-
THB/USD	(986,458)	(792,068)	-	-

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

40. COMPARATIVE FIGURES

Certain comparative figures of the Group have been reclassified to conform with the current year's presentation so as to reflect appropriate presentation of the financial statements of the Group.

	As previously reported RM	Reclassi- fication RM	As reclassified RM
Consolidated statement of financial position			
Non-current assets			
Property, plant and equipment	173,198,346	(36,935,972)	136,262,374
Investment property	-	35,448,473	35,448,473
Right-of-use assets	1,552,005	1,487,499	3,039,504
Current liabilities			
Other payables	34,614,752	(11,561,036)	23,053,716
Contract liabilities	-	11,561,036	11,561,036

Notes to the Financial Statements

31 December 2019

40. COMPARATIVE FIGURES (continued)

	As previously reported RM	Reclassi- fication RM	As reclassified RM
Consolidated statement of cash flows			
Cash flows from operating activities			
Depreciation of an investment property	-	871,423	871,423
Depreciation of property, plant and equipment	27,438,811	(897,985)	26,540,826
Depreciation of right-of-use assets	1,276,302	26,562	1,302,864
Changes in working capital:			
Lease receivables	944,066	200,456	1,144,522
Other payables	(48,865,616)	41,552,618	(7,312,998)
Contract liabilities	-	(37,700,000)	(37,700,000)
Interest paid	(653,016)	91,844	(561,172)
Cash flows from financing activities			
Payments of lease liabilities	(1,235,228)	(128,675)	(1,363,903)
Effects of foreign exchange rate changes	(613,420)	(4,016,243)	(4,629,663)

41. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

- (a) During the period of January to March 2020, the Company repurchased a total of 4,784,800 ordinary shares from the open market for a total consideration of RM841,841 at an average cost of RM0.18 per share. The repurchased shares are held as treasury shares in accordance with the requirements of Section 127 of the Companies Act 2016.
- (b) The World Health Organisation declared the 2019 Novel Coronavirus infection ("COVID-19") a pandemic on 11 March 2020. This was followed by the Government of Malaysia issuing a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order ("MCO") effective from 18 March 2020 to 31 March 2020 arising from COVID-19. The MCO was subsequently extended until 12 May 2020, followed by a Conditional MCO until 9 June 2020.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with MFRS 110 *Events after the Reporting Period*. Consequently, the financial statements for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

The financial impact of the COVID-19 pandemic could be significant to the Group due to reduction in customer demand for goods and services of the Group.

The Group is in the process of assessing the financial impact of COVID-19 pandemic since ongoing developments remain uncertain and cannot be reasonably predicted as at the date of authorisation of the financial statements.

The Group anticipates that the potential financial impact of COVID-19 would be recognised in the financial statements of the Group during the financial year ending 31 December 2020.

Notes to the Financial Statements

31 December 2019

42. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

42.1 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
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</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 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019

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

42.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020

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
<i>Amendments to 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 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</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 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2022
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 2019

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	37	113	772,528	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	46	1,035.03	1,375,469	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	46	1,109.71	1,438,295	1 January 2011
Data Touch Sdn. Bhd.							
4. No. 8 Green Hall 10200 George Town Penang, Malaysia	Land & Building	Office	In Perpetuity	41	2,387.16	4,036,172	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	11	23,727	34,262,075	-
Total						41,884,539	

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

List of Associate's Properties

As At 31 December 2019

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	13	128	349,653	-
2. No. 1, National Road Bavet Commune Chantrea District Svay Rieng Province Kingdom of Cambodia	Land	Hotel & Casino	Freehold	-	-	3,713,866	-
Total						4,063,519	

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 RGSB, RGB Ltd. ("RGL") and RGB (Macau) Limited ("RGBML") [collectively referred to as "RGBI Group"] during the FYE 31 December 2019 pursuant to the shareholders' mandate obtained by the Company at the AGM held on 30 May 2019 are as follows:

Provider of goods and services	Purchaser/ Recipient of goods and services	Nature of Transaction	Actual value transacted ⁽ⁱ⁾ (RM)	Related Parties
RGSB	Channel Paradise Sdn. Bhd. ("CPSB")	Sale of products ⁽ⁱⁱ⁾ and maintenance charges	3,340,723	<p>Dato' Seri Chuah Kim Seah is a director and major shareholder of the Company. He is also a director of RGSB.</p> <p>Chuah Kim Chiew is a director of the Company and RGSB.</p> <p>Chuah Eng Hwa is an employee of the Company and director and major shareholder of CPSB. He is a person connected to Dato' Seri Chuah Kim Seah and Chuah Eng Meng.</p> <p>Datin Tok Moy is a director and major shareholder of CPSB. She is a person connected to Dato' Seri Chuah Kim Seah and Chuah Kim Chiew.</p> <p>Chuah Eng Meng is an employee of RGSB and a director of CPSB. He is also a person connected to Dato' Seri Chuah Kim Seah and Chuah Eng Hwa.</p> <p>Chuo Ah Ngau is a director of RGSB and a person connected to Datin Tok Moy.</p>
RGBI Group	Timor Holding, S.A. ("THSA")	Sale of products ⁽ⁱⁱⁱ⁾ , technical support management ⁽ⁱⁱⁱ⁾ , leasing of products ⁽ⁱⁱⁱ⁾ and management fee ^(iv)	4,555,828	<p>Dato' Seri 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 RGSB, RGL, RGBML and 1GL.</p> <p>Datuk Lim Tow Boon is a director of the Company, RGSB, RGL, RGBML, THSA and 1GL. He is also a major shareholder of THSA.</p>

Additional Compliance Information

Provider of goods and services	Purchaser/ Recipient of goods and services	Nature of Transaction	Actual value transacted ⁽ⁱ⁾ (RM)	Related Parties
RGBI Group	Prosper Dynasty (Macau) Holdings Company Limited ("PDM") Group ^(vi)	Sales of products ⁽ⁱⁱ⁾ , technical support management ⁽ⁱⁱⁱ⁾ , leasing of products ⁽ⁱⁱ⁾ and management fee ^(v)	Nil	<p>Dato' Seri 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> <p>Mazlan Ismail and Chuah Kim Chiew are the directors of the Company, RGBSB and RGBL and major shareholders of PDM.</p>
CPSB	RGBI Group	Sales of products ⁽ⁱⁱ⁾ , technical support management ⁽ⁱⁱⁱ⁾ and leasing of products ⁽ⁱⁱ⁾	2,973,998	<p>Dato' Seri Chuah Kim Seah is a director of RGBI, RGBSB, RGBL and RGBML. He is also a major shareholder of the Company.</p> <p>Chuah Kim Chiew is a director of the Company, RGBSB and RGBL.</p> <p>Chuah Eng Hwa is an employee of the Company and a director of RGBML. He is also a director and major shareholder of CPSB. He is a person connected to Dato' Seri Chuah Kim Seah and Chuah Eng Meng.</p> <p>Datin Tok Moy is a director and major shareholder of CPSB. She is a person connected to Dato' Seri Chuah Kim Seah and Chuah Kim Chiew.</p> <p>Chuah Eng Meng is an employee of RGBSB and a director of CPSB. He is also a person connected to Dato' Seri Chuah Kim Seah and Chuah Eng Hwa.</p> <p>Chuo Ah Ngau is a director of RGBSB and a person connected to Datin Tok Moy.</p>

Additional Compliance Information

Provider of goods and services	Purchaser/ Recipient of goods and services	Nature of Transaction	Actual value transacted ⁽ⁱ⁾ (RM)	Related Parties
Channel Paradise Pte. Ltd. ("CPPL")	RGBI Group	Sales of products ⁽ⁱⁱ⁾ , technical support management ⁽ⁱⁱⁱ⁾ and leasing of products ^(iv)	3,375,201	<p>Dato' Seri Chuah Kim Seah is a director of the Company, RGBSB, RGBL and RGBML. He is also a major shareholder of the Company and CPPL.</p> <p>Datuk Lim Tow Boon is a director of the Company, RGBSB, RGBL, RGBML and CPPL.</p> <p>Chuah Kim Chiew is a director of the Company, RGBSB, RGBL and CPPL. He is also a major shareholder of CPPL.</p> <p>Chuah Eng Hwa is an employee of the Company and a director of RGBML. He is also a person connected to Dato' Seri Chuah Kim Seah and Chuah Eng Meng.</p> <p>Chuah Eng Meng is an employee of RGBSB and a director of CPPL. He is also a person connected to Dato' Seri Chuah Kim Seah and Chuah Eng Hwa.</p>

Notes:

- (i) The actual value transacted of RRPT during the FYE 31 December 2019.
- (ii) Products include gaming and amusement machines, gaming system, spare parts, casino equipment and accessories, gaming equipment and accessories.
- (iii) Provision of technical support management comprise of technical support, maintenance and management of gaming and amusement machines and equipment.
- (iv) Provision of management services encompassing advisory works.
- (v) Provision of management services encompassing accounting and administrative work.
- (vi) PDM Group comprises PDM and any wholly owned subsidiary(ies) which are expected to be acquired or incorporated within the next 12 months.

Utilisation of Proceeds

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

Options, Warrants or Convertible Securities

There was no ESOS allocation during the financial year under review.

The ESOS allocations to directors and chief executive since the commencement of the ESOS up to 20 October 2019, being the expiry date of the ESOS, are as follows:

Aggregate options granted	Adjustment*	Aggregate options exercised	Aggregate options lapsed	Aggregate options outstanding
56,000,000	285,714	50,285,714	6,000,000	-

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

Additional Compliance Information

The aggregate maximum and actual allocation of the ESOS to directors and senior management since the commencement of the ESOS up to 20 October 2019, being the expiry date of the ESOS, are as follows:

Aggregate maximum allocation	Actual allocation
50.37%#	44.56%#

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 20 October 2019, being the expiry date of the ESOS, is as follows:

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

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

Audit and Non-audit Fees

The amount of audit and non-audit fees paid or payable to the external auditors and their affiliate corporation by the Company and the Group for the FYE 31 December 2019 were as follows:

Fees	Company (RM)	Group (RM)
Audit	53,000	225,868
Non-audit	8,800	29,813

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 15 May 2020

Issued shares of the Company

Total number of issued shares : 1,548,245,697 (including 4,784,800 treasury shares)
 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 ^(a)	% of Shares
1 - 99	717	6.78	32,494	0.00
100 - 1,000	360	3.40	151,545	0.01
1,001 - 10,000	2,333	22.06	12,168,785	0.79
10,001 -100,000	5,411	51.17	199,728,526	12.94
100,001 - 77,173,043 ^(b)	1,752	16.57	875,622,074	56.73
77,173,044 and above ^(c)	1	0.01	455,757,473	29.53
Total	10,574	100.00	1,543,460,897	100.00

^(a) Excluding 4,784,800 treasury shares

^(b) Less than 5% of issued shares

^(c) 5% and above of issued shares

Substantial Shareholders holding 5% or more in the share capital

Name	Direct Interest		Indirect Interest	
	No. of Shares	% of Shares ^(a)	No. of Shares	% of Shares ^(a)
Dato' Seri Chuah Kim Seah	455,757,473	29.53	2,404,342 ^(b)	0.16

^(a) After netting off 4,784,800 treasury shares.

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

Directors' interests in the ordinary shares of the Company

Name	Direct Interest		Indirect Interest	
	No. of Shares	% of Shares ^(a)	No. of Shares	% of Shares ^(a)
Dato' Mahinder Singh Dulku	1,374,285	0.09	-	-
Dato' Seri Chuah Kim Seah	455,757,473	29.53	2,805,141 ^(b)	0.18
Datuk Lim Tow Boon	7,589,142	0.49	-	-
Ms. Lam Voon Kean	3,428,571	0.22	-	-
Tan Sri Norazman Hamidun	4,548,571	0.29	-	-

^(a) After netting off 4,784,800 treasury shares.

^(b) 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 Seri Tan Soon Kim and 229,371 ordinary shares held by his son, Mr. Chuah Eng Meng.

By virtue of his interest in the shares of the Company, Dato' Seri 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 15 May 2020

NO.	NAME	HOLDINGS	%
1	CHUAH KIM SEAH	327,993,896	21.25
2	CHUAH KIM SEAH	127,263,577	8.25
3	MAZLAN BIN ISMAIL	57,142,857	3.70
4	WOON CHUAN KEONG	33,545,000	2.17
5	CHUAH KIM CHIEW	31,730,507	2.06
6	LEE WEI MING	20,000,000	1.30
7	LEE WAI YUEN	18,000,000	1.17
8	YEOH MEI MEI	13,000,000	0.84
9	ANG BOON GUAN	10,411,428	0.67
10	LAU KIM WAH	10,120,800	0.66
11	LIM TOW BOON	7,589,142	0.49
12	KHOR TENG TONG	7,571,428	0.49
13	RHB NOMINEES (TEMPATAN) SDN BHD FONG WOON YIN	7,120,000	0.46
14	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAU HOW SIONG	6,492,985	0.42
15	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	6,191,028	0.40
16	PUBLIC INVEST NOMINEES (ASING) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)	6,023,071	0.39
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD LEE LEP KIONG	5,051,428	0.33
18	FIRST GENESIS SDN BHD	5,028,571	0.33
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIA BOON HUAT	5,000,000	0.32
20	YAP KHONG	5,000,000	0.32
21	NORAZMAN BIN HAMIDUN	4,548,571	0.29
22	WONG KIM HAI	4,131,428	0.27
23	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR LIM SOON AIK	4,000,000	0.26
24	TAN YAW ING	4,000,000	0.26
25	GAN SIONG PIEU	3,703,900	0.24
26	LAM VOON KEAN	3,428,571	0.22
27	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEE GEOK POH (MY2016)	3,411,428	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
		747,242,473	48.41

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 17th 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 Tuesday, 8 September 2020 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 2019 and the Reports of Directors and Auditors thereon.
2. To approve the payment of Directors' fees of RM305,000 to the Non-Executive Directors for the financial year ended 31 December 2019. **Resolution 1**
3. To approve the payment of benefits payable to the Non-Executive Directors up to an amount of RM48,000 from 8 September 2020 until the next Annual General Meeting of the Company. **Resolution 2**
4. To re-elect the following Directors retiring in accordance with Clause 103 of the Company's Constitution.
 - (a) Ms. Lam Voon Kean **Resolution 3**
 - (b) Tan Sri Norazman Hamidun **Resolution 4**
5. To re-appoint BDO PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

As Special Business:

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

6. **Ordinary Resolution**
Continuation in office as an Independent Non-Executive Director **Resolution 6**

"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."
7. **Ordinary Resolution**
Authority under Sections 75 and 76 of the Companies Act 2016 for the Directors to allot and issue shares **Resolution 7**

"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."

Notice of Annual General Meeting

8. Ordinary Resolution

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

Resolution 8

"THAT approval be and is hereby given to the Company and its subsidiaries ("the Group") to enter into and to give effect to the recurrent related party transactions of a revenue or trading nature as specified in Section 2 of Part A of the Circular & Statement to Shareholders dated 12 June 2020, 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."

9. Ordinary Resolution

Proposed renewal of authority for the Company to purchase its own shares of up to 10% of the total number of issued shares of the Company ("Proposed Renewal of Authority for Share Buy-Back")

Resolution 9

"THAT, subject always to the Companies Act 2016, the provisions of the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised to purchase such amount of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad as the Directors may deem fit and expedient in the interest of the Company, provided that:

- (i) the aggregate number of shares purchased or held does not exceed ten per centum (10%) of the total number of issued shares of the Company;
- (ii) the maximum fund to be allocated by the Company for the purpose of purchasing its own shares shall not exceed the aggregate of the retained profits of the Company based on the latest Audited Financial Statements and/or the latest management accounts of the Company (where applicable) available at the time of the purchase(s); and
- (iii) the Directors of the Company may decide in their absolute discretion either to retain the shares purchased as treasury shares or cancel the shares or retain part of the shares so purchased as treasury shares and cancel the remainder or to resell the shares or distribute the shares as dividends and/or in such manner as may be permitted pursuant to Section 127 of the Companies Act 2016 and the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and any other relevant authorities.

Notice of Annual General Meeting

THAT the authority conferred by this Resolution shall commence immediately and shall continue to be in force until the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution, unless earlier revoked or varied by an ordinary resolution of the shareholders of the Company in a general meeting.

AND THAT authority be and is hereby given to the Directors of the Company to act and take all such steps and do all things as are necessary or expedient to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities and to do all such acts and things as the Directors may deem fit and expedient in the interests of the Company."

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

By Order of the Board

ONG TZE-EN

Company Secretary
(SSM PC No. 202008003397)
(MAICSA 7026537)

Penang
12 June 2020

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 1 September 2020 (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

Measures to minimise risk of COVID-19

- I. Your safety is the Company's top priority. The following precautionary measures will be taken at the Company's Annual General Meeting in order to minimise the risk of community spread of COVID-19 pandemic:
 - (a) All attendees will be required to wear face masks, undergo temperature check and make health declaration prior to entering the meeting venue.
 - (b) Any attendee who has fever (temperature of 37.5°C or higher) or exhibits flu-like symptoms will not be allowed to attend the Annual General Meeting.
 - (c) All attendees are to use the hand sanitisers as provided.
- II. If you are unwell with sore throat/fever/flu/cough/shortness of breath or showed symptoms of respiratory illness such as coughing and sneezing, you are strongly encouraged not to attend the Company's Annual General Meeting. In view of this, we encourage that you appoint a proxy and deposit the Form of Proxy as per Note 2 above in the event you are not able to attend and vote on the date of the meeting. The appointment of a proxy does not preclude you from attending the meeting should you wish to and are fit to attend.
- III. On the seating arrangements and number of individuals to be present at the meeting venue, the Company will observe and abide by the prevailing directives, safety and precautionary requirements as prescribed by the Government, the Ministry of Health, the Malaysian National Security Council and other relevant authorities to curb the spread of the COVID-19 pandemic. Shareholders are advised to arrive early at the Annual General Meeting venue given that the above-mentioned precautionary measures may cause delay in the registration process.

Explanatory Notes on Special Business:

Resolution 6 – Continuation in office as an Independent Non-Executive Director

The proposed Resolution 6, 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 Nomination & Remuneration 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 2019.

Resolution 7 – Authority to allot and issue shares

The proposed Resolution 7, 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 30 May 2019 and which will lapse at the conclusion of the 17th 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.

Notice of Annual General Meeting

Resolution 8 – Proposed Shareholders' Mandate

The proposed Resolution 8, 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 & Statement to Shareholders dated 12 June 2020.

Resolution 9 – Proposed Renewal of Authority for Share Buy-Back

The proposed Resolution 9, if passed, will allow the Company to purchase or hold its own shares of up to 10% of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the retained profits of the Company. Based on the Audited Financial Statements for the year ended 31 December 2019, the Company's retained profits is amounted to RM88.7 million. Please refer to the Circular & Statement to Shareholders dated 12 June 2020 for further information.

STATEMENT ACCOMPANYING NOTICE OF 17TH 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 17th Annual General Meeting of the Company.



RGB International Bhd.
 Registration No. 200301001411 (603831-K)
 (Incorporated in Malaysia)

FORM OF PROXY

No. of Shares held	
CDS Account No.	

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

of
 (FULL ADDRESS)

and *telephone no./email address

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

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

*and/or

Full Name, Address and Contact No. (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 17th 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 Tuesday, 8 September 2020 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, 2020

.....
 Signature of Member/Common Seal

**Strike out whichever is not desired.*

Notes:

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 1 September 2020 (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.

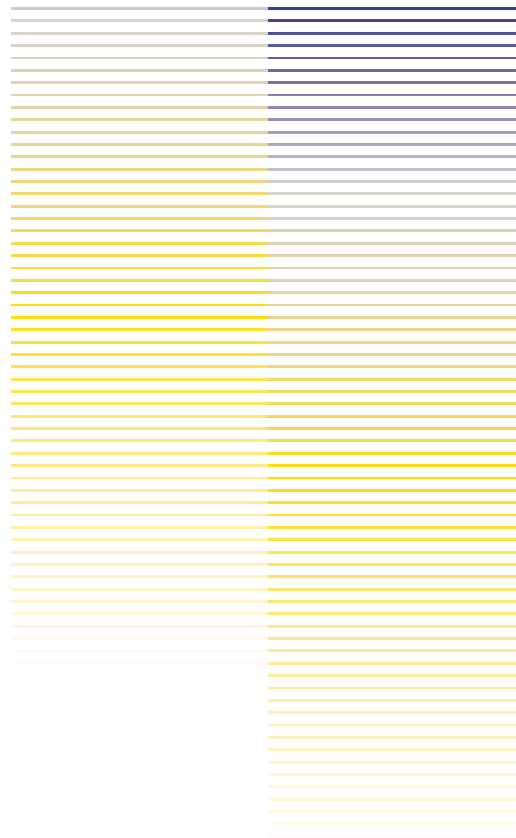
Fold this flap for sealing

2nd fold here

Affix
Stamp

The Company Secretary
RGB INTERNATIONAL BHD.
Registration No. 200301001411 (603831-K)
170-09-01 Livingston Tower, Jalan Argyll,
10050 George Town, Penang, Malaysia.

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www.rgbgames.com



RGB International Bhd.

Registration No. 200301001411 (603831-KJ)

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Penang, Malaysia

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Fax : +(60)4 263 1188