RGB International Bhd. (603831-K)

(Formerly known as Dreamgate Corporation Bhd.)

(Incorporated in Malaysia)

Interim Unaudited Financial Statements
30 June 2010

RGB International Bhd. (603831-K)
(Formerly known as Dreamgate Corporation Bhd.)

CONTENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2010

	Note	3 MONTHS ENDED		6 MONTHS ENDED	
		30 JUNE 2010 RM'000	30 JUNE 2009 RM'000 (Restated)	30 JUNE 2010 RM'000	30 JUNE 2009 RM'000 (Restated)
Revenue	**10**	27,040	37,943	58,259	70,004
Cost of sales		(25,177)	(33,296)	(61,457)	(60,030)
- Depreciation		(17,965)	(10,453)	(36,691)	(23,931)
- Others		(7,212)	(22,843)	(24,766)	(36,099)
Gross income/ (loss)		1,863	4,647	(3,198)	9,974
Other income		493	182	1,723	288
Administrative expenses		(11,045)	(12,161)	(23,241)	(23,831)
- Depreciation		(934)	(897)	(1,693)	(1,743)
- Others		(10,111)	(11,264)	(21,548)	(22,088)
Selling and marketing expenses		(379)	(1,105)	(744)	(1,605)
Other gain/ (expenses), net		643	(7,295)	(425)	(305)
Operating loss		(8,425)	(15,732)	(25,885)	(15,479)
Finance costs		(2,795)	(2,122)	(5,333)	(4,470)
Share of (loss)/ profit of jointly controlled entities		(96)	32	(7)	(35)
Share of profit/ (loss) of associates		679	31	318	(164)
Loss before tax		(10,637)	(17,791)	(30,907)	(20,148)
Income tax expense	**21**	(12)	(12)	(25)	(180)
Loss for the period		(10,649)	(17,803)	(30,932)	(20,328)
Other comprehensive income					
- Foreign currency translation, representing other comprehensive income for the period		104	(4,425)	(8,399)	2,374
Total comprehensive income		(10,545)	(22,228)	(39,331)	(17,954)
Loss attributable to:					
Owners of the parent		(10,649)	(17,573)	(28,374)	(19,780)
Minority interests		-	(230)	(2,558)	(548)
		(10,649)	(17,803)	(30,932)	(20,328)
Total comprehensive income attributable to:					
Owners of the parent		(10,545)	(21,768)	(37,058)	(17,475)
Minority interests		-	(460)	(2,273)	(479)
		(10,545)	(22,228)	(39,331)	(17,954)
Loss per share attributable to owners of the Parent:					
Basic, for loss for the period (sen)	**28**	(0.93)	(2.02)	(2.48)	(2.27)

RGB International Bhd. (603831-K)
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	AS AT 30 JUNE 2010 RM'000	AS AT 31 DEC 2009 RM'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	11	238,939	279,853
Investments in jointly controlled entities		1,279	1,307
Investments in associates		2,200	2,051
Other investment		4	4
Development costs		385	559
Long term lease receivables		-	903
Other receivables		1,411	1,838
Gaming licenses		589	617
Goodwill		272	272
		245,079	287,404
Current assets			
Inventories		12,667	16,044
Trade Receivables		61,496	87,259
Short term lease receivables		1,056	1,921
Other Receivables		13,797	12,356
Tax Recoverable		540	257
Due from jointly controlled entities		514	168
Due from associates		4,788	11,341
Deposits with licensed banks		5,419	5,280
Cash and bank balances		24,724	21,556
		125,001	156,182
TOTAL ASSETS		370,080	443,586
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	8	115,105	104,151
Share premium		14,372	8,838
Foreign exchange translation reserve		(15,034)	(6,326)
Retained earnings		2,113	33,536
		116,556	140,199
Minority interests		-	2,273
Total equity		116,556	142,472
Non-current liabilities			
Borrowings	25	5,820	9,808
Deferred tax liabilities		786	786
		6,606	10,594
Current liabilities			
Borrowings	25	133,216	137,575
Trade payables		65,466	103,301
Other payables		27,399	25,573
Due to jointly controlled entities		2,599	3,674
Due to associates		1,012	2,841
Due to other shareholders		16,919	17,530
Tax payable		307	26
		246,918	290,520
Total liabilities		253,524	301,114
TOTAL EQUITY AND LIABILITIES		370,080	443,586
Net assets per share (sen)		10	13

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2009 AND 30 JUNE 2010

	Attributable to owners of the parent						
	Non-Distributable			Distributable			
	Share Capital	Share Premium	Foreign Exchange Translation Reserve	Retained Earnings	Total	Minority Interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2009	87,205	827	(5,208)	92,326	178,392	4,918	183,310
Total comprehensive income for the period	-	-	2,304	(19,779)	(17,475)	(479)	(17,954)
At 30 June 2009	**87,205**	**827**	**(2,904)**	**72,547**	**160,917**	**4,439**	**165,356**
At 1 January 2010	104,151	8,838	(6,326)	33,536	140,199	2,273	142,472
Effect of adopting FRS 139	-	-	(24)	(3,049)	(3,073)	-	(3,073)
At 1 January 2010 (As restated)	104,151	8,838	(6,350)	30,487	137,126	2,273	139,399
Total comprehensive income for the period	-	-	(8,684)	(28,374)	(37,058)	(2,273)	(39,331)
Transaction with owners							
Issue of ordinary shares pursuant to Share Placement	10,954	5,534	-	-	16,488	-	16,488
At 30 June 2010	**115,105**	**14,372**	**(15,034)**	**2,113**	**116,556**	**-**	**116,556**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2010

	6 MONTHS ENDED 30 JUNE 2010 RM'000	30 JUNE 2009 RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(30,907)	(20,148)
Adjustments for:		
Amortisation of development costs	174	280
Amortisation of deferred expenditure	-	302
Deposits written off	(33)	484
Depreciation	38,384	25,674
Impairment of property, plant and equipment	-	980
Impairment of property, plant and equipment written back	(839)	(3,378)
Impairment of lease receivables	329	-
(Gain)/ Loss on disposal of equipment	(165)	5
Property, plant and equipment written off	419	3,241
Provision for doubtful debts	414	1,902
Provision for doubtful debts (non-trade)	-	209
Reversal of provision for doubtful debts	(115)	(766)
Reversal of provision for doubtful debts (non-trade)	(531)	(3)
Write down of inventories	-	899
Share of loss of jointly controlled entities	7	35
Share of (profit)/ loss of associates	(318)	164
Interest expense	4,862	4,356
Interest income	(477)	(97)
Operating profit before working capital changes	11,204	14,139
Net changes in receivables, amount due from associates, jointly controlled entities and inventories	32,899	11,509
Net changes in payables, amount due to jointly controlled entities, associate companies and other shareholders	(39,422)	40,664
Interest paid	(1,362)	(1,162)
Taxes paid	(26)	(46)
Net cash flow generated from operating activities	3,293	65,104

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE PERIOD ENDED 31 MARCH 2010

	6 MONTHS ENDED	
	30 JUNE 2010 RM'000	**30 JUNE 2009 RM'000 (Restated)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(10,926)	(79,377)
Proceeds from disposal of property, plant and equipment	1,729	175
Interest received	477	97
Net cash flow generated from investing activities	(8,720)	(79,105)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (repayment)/ drawdown of bankers' acceptance and onshore foreign currency loan	(1,145)	6,232
Net repayment of term loan and commercial papers	(11,468)	(13,085)
Net repayment of hire purchase	-	(63)
Proceeds from issuance of ordinary shares	16,488	-
Net cash flow generated from/(used in) financing activities	3,875	(6,916)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,552)	(20,917)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	4,092	299
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	21,131	54,075
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	23,671	33,457

* Cash and cash equivalents at end of the financial period comprise the following:

Cash and bank balances	24,724	26,051
Deposits with licensed banks	5,419	12,019
Less: Bank Overdrafts	(6,472)	(4,613)
	23,671	33,457

PART A - EXPLANATORY NOTES PERSUANT TO FINANCIAL REPORTING STANDARD (FRS) NO. 134

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared under the historical cost convention and in accordance with the requirements of FRS 134 “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2009. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2009.

2. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2010, the Group adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2010.

- FRS 7 *Financial Instruments: Disclosures*
- FRS 8 *Operating Segments*
- FRS 101 *Presentation of Financial Statements* (Revised)
- FRS 123 *Borrowing Costs*
- FRS 139 *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards* and FRS 127 *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
- Amendments to FRS 132 *Financial Instruments: Presentation*
- Amendments to FRS 139 *Financial Instruments: Recognition and Measurement,* FRS 7 *Financial Instruments: Disclosures* and IC Interpretation 9 *Reassessment of Embedded Derivatives*
- Improvements to FRS issued in 2009
- IC Interpretation 9 *Reassessment of Embedded Derivatives*
- IC Interpretation 10 *Interim Financial Reporting and Impairment*
- IC Interpretation 11 *FRS 2 – Group and Treasury Share Transactions*
- IC Interpretation 13 *Customer Loyalty Programmes*
- IC Interpretation 14 *FRS119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

FRS 4 *Insurance Contracts* and TR *i*-3 *Presentation of Financial Statements of Islamic Financial Institutions* will also be effective for annual periods beginning on or after 1 January 2010. These FRS are, however, not applicable to the Group.

2. Changes in Accounting Policies (Continued)

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group except for those discussed below:

FRS 8 *Operating Segments*

FRS 8, which replaces FRS 114 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively.

FRS 101 *Presentation of Financial Statements (*Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present this statement as one single statement.

The revised FRS 101 was adopted retrospectively by the Group.

Amendments to FRS 117 *Leases*

The amendments to FRS 117 clarify that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. They are also clarify that the present value of the residual value of property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee. Hence, the adoption of the amendments to FRS 117 has resulted in certain unexpired land leases to be reclassified as finance leases. The Group has applied this change in accounting policy retrospectively and certain comparatives have been restated. The following are effects to the consolidated statement of financial position as at 30 June 2010 arising from the above change in accounting policy:

	30 JUNE 2010 RM'000
Increase in property, plant and equipment	1,370
Decrease in prepaid land lease payments	(1,370)

2. Changes in Accounting Policies (Continued)

The following comparatives have been restated:

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
Consolidated statement of financial position 31 December 2009			
Property, plant and equipment	278,473	1,380	279,853
Prepaid land lease payments	1,380	(1,380)	-
For the period ended 30 June 2009			
Depreciation	25,664	10	25,674
Amortisation of prepaid land lease payments	10	(10)	-

FRS 139 *Financial Instruments: Recognition and Measurement*

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group has adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

- Impairment of receivables
  Prior to 1 January 2010, provision for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate.

- Amortised cost of other receivables and advances
  During the current and prior years, the Group granted interest-free or low-interest loans and advances to third parties and its associates. Prior to 1 January 2010, these loans and advances were recorded at cost in the Group's financial statements. Upon the adoption of FRS 139, the interest-free or low-interest loans or advances are recorded initially at a fair value that is lower than cost. The difference between the fair value and cost of the loan or advance is recognised as an expense or as an increase in the investment in associates. Subsequent to initial recognition, the loans and advances are measured at amortised cost.

As at 1 January 2010, the Group has remeasured the allowance for impairment losses for receivables as at that date. The Group has also remeasured interest-free or low interest loans and advances at their amortised cost. The adjustments to their previous carrying amounts are recognised as adjustments to the opening balance of retained earnings as at that date.

2. Changes in Accounting Policies (Continued)

	1 JAN 2010 RM'000
Decrease in other receivables (long term)	228
Decrease in trade receivables	119
Decrease in other receivables	1,515
Decrease in amount due from jointly controlled entities	6
Decrease in amount due from associates	1,205
Decrease in foreign exchange translation reserve	(24)
Decrease in retained earnings	(3,049)

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2009 was not qualified.

4. Significant Event

During the quarter under review, there were no events that have not been reflected in the financial statements.

5. Comments about Seasonal or Cyclical Factors

The overall business of the Group was not affected by any significant seasonal factors except for the sales of machines are subject to seasonal fluctuation.

6. Unusual Items due to their Nature, Size or Incidence

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

7. Changes in Estimates

There were no changes in the nature and amount of estimates reported that will have a material effect in the current quarter.

8. Changes in Debts and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities except for the following:

- **Share Capital**

	Number of Ordinary Shares ('000) of RM0.10 each	
	2010	**2009**
As at 1 January	1,041,510	872,050
Issue of ordinary shares pursuant to Share Placement	109,540	169,460
As at 30 June/December	1,151,050	1,041,510

Via private placements on 13 January 2010, 15 January 2010 and 19 January 2010, the Company issued total of 109,540,000 new ordinary shares of RM0.10 each fully paid up to increase the Share Capital by RM10.9 million and Share Premium Account by RM5.5 million.

9. Dividend

No dividend was paid for the financial period ended 30 June 2010.

10. Segmental Information

Segment information is presented in respect of the Group's business segments:

	3 MONTHS ENDED 30 JUNE 2010 RM'000	3 MONTHS ENDED 30 JUNE 2009 RM'000	6 MONTHS ENDED 30 JUNE 2010 RM'000	6 MONTHS ENDED 30 JUNE 2009 RM'000
Segment Revenue				
Sales and Marketing	2,700	22,146	13,839	36,845
Technical Support and Management	18,216	15,203	35,658	31,874
Leisure and Entertainment (1)	4,354	265	6,647	394
Others (2)	1,860	419	2,295	1,071
	27,130	38,033	58,439	70,184
Eliminations	(90)	(90)	(180)	(180)
Revenue	27,040	37,943	58,259	70,004
EBITDA* before impairment				
Sales and Marketing	(805)	200	(1,029)	1,498
Technical Support and Management	13,041	2,535	24,269	11,000
Leisure and Entertainment	(3,048)	(1,081)	(10,211)	(3,549)
Others	1,527	(186)	834	1,372
Unallocated	239	(7,993)	(1,564)	(2,189)
	10,954	(6,525)	12,299	8,132
Segment Results				
Sales and Marketing	(893)	(208)	(1,202)	914
Technical Support and Management	(4,923)	(5,300)	(12,168)	(10,551)
Leisure and Entertainment	(3,501)	(1,656)	(10,925)	(4,600)
Others	631	(579)	(105)	910
	(8,686)	(7,743)	(24,400)	(13,327)
Unallocated Income/ (Expenses)	261	(7,989)	(1,485)	(2,152)
- Foreign exchange (gain)/ loss	(767)	6,696	1,009	(544)
- Non-trade receivables written off	-	(18)	-	209
- Sundry income	(6)	(62)	(1,183)	(74)
- Other expenses	512	1,373	1,659	2,561
Operating loss	(8,425)	(15,732)	(25,885)	(15,479)

Note

(1) "Leisure and Entertainment" consist of revenue from companies involved in gaming and leisure activities.

(2) "Others" consist of revenue from manufacturing activities, research & development activities and inter-segment transaction.

* Earnings before interest, taxation, depreciation & amortization

11. Valuation of Property, Plant and Equipment

The Group did not revalue any of its property, plant and equipment during the current quarter under review.

12. Subsequent Events

There were no material events subsequent to the end of the current quarter.

13. Changes in the Composition of the Group

There were no material changes in the composition of the Group.

14. Changes in Contingent Liabilities and Contingent Assets

There were no material changes in contingent liabilities and assets in the reporting quarter.

15. Capital Commitments

The amount of capital commitments approved but not provided for in the interim financial statements is as follows:

	AS AT 30 JUNE 2010 RM'000
Gaming machines, equipment and renovation	8,700

16. Significant Related Party Transactions

There were no significant related party transactions entered into during the current quarter.

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE LISTING REQUIREMENTS OF BURSA SECURITIES

17. Performance Review

	3 MONTHS ENDED			6 MONTHS ENDED		
	30 JUNE 2010 RM'000	30 JUNE 2009 RM'000	% +/(-)	30 JUNE 2010 RM'000	30 JUNE 2009 RM'000	% +/(-)
Revenue						
Sales and Marketing	2,700	22,146	-88%	13,839	36,845	-62%
Technical Support and Management	18,216	15,203	+20%	35,658	31,874	+12%
Leisure and Entertainment (1)	4,354	265	+1543%	6,647	394	+1587%
Others (2)	1,770	329	+438%	2,115	891	+137%
Total	27,040	37,943	-29%	58,259	70,004	-17%
EBITDA* before impairment						
Sales and Marketing	(805)	200	-503%	(1,029)	1,498	-169%
Technical Support and Management	13,041	2,535	+414%	24,269	11,000	+121%
Leisure and Entertainment (1)	(3,048)	(1,081)	+182%	(10,211)	(3,549)	+188%
Others (2)	1,527	(186)	+921%	834	1,372	-39%
Unallocated	239	(7,993)	+103%	(1,564)	(2,189)	-29%
Total	10,954	(6,525)	+268%	12,299	8,132	+51%
(Loss)/ Profit before tax						
Sales and Marketing	(893)	(208)	+329%	(1,202)	914	-232%
Technical Support and Management	(4,923)	(5,300)	-7%	(12,168)	(10,551)	+15%
Leisure and Entertainment	(3,501)	(1,656)	+111%	(10,925)	(4,600)	+138%
Others	1,214	(516)	+335%	206	711	-71%
	(8,103)	(7,680)	+6%	(24,089)	(13,526)	+78%
Unallocated Expenses	(2,534)	(10,111)	-75%	(6,818)	(6,622)	+3%
- Finance cost	2,795	2,122	+32%	5,333	4,470	+19%
- Foreign exchange (gain)/ loss	(767)	6,696	-111%	1,009	(544)	+285%
- Non-trade receivable written off	-	(18)	-100%	-	209	-100%
- Sundry Income	(6)	(62)	-90%	(1,183)	(74)	+1499%
- Other expenses	512	1,373	-63%	1,659	2,561	-35%
Loss before tax	(10,637)	(17,791)	-40%	(30,907)	(20,148)	+53%

Note

(1) "Leisure and Entertainment" consist of revenue from companies involved in gaming and leisure activities.

(2) "Others" consist of revenue from manufacturing activities, research & development activities and inter-segment transaction.

* Earnings before interest, taxation, depreciation & amortisation

17. Performance Review (Continued)

i) Comparison with previous year's corresponding quarter

The decrease in revenue by 88% for quarter ended 30 June 2010 as compared to previous year's corresponding quarter for Sales and Marketing ("SSM") division is mainly due to :-

- absence of new casinos project in the region.
- soft replacement market; and
- deferment of projects/capital expenditure for casino and club operators in Philippines owing to the general election.

The summary of machines sold is as follows:-

Country	Number of machines sold 3 months ended 30 June 2010 (Unit/ Station)	3 months ended 30 June 2009 (Unit/ Station)
Macau	-	22
Malaysia	-	9
Philippines	52	270
Singapore	-	20
Grand Total:	52	321

The negative EBITDA before impairment and loss before tax for SSM is mainly due to a decreased in turnover.

The revenue for Technical Support and Management ("TSM") division increased by 20% for the quarter ended 30 June 2010 as compared to previous year's corresponding quarter. The increase in sales is mainly due to more machines in operations (new and mobilization plan), opening of 13 new outlets and closure of 5 non-performing outlets throughout period from July 2009 to June 2010.

The continuing emphasis to improve the yield per machine and effective cost reduction plan enabled TSM division to achieve a positive EBITDA before impairment of RM13 million, reflecting an increase of 414% as compared to previous years' corresponding quarter. The loss before tax was due to high depreciation expenses.

The revenue for Leisure and Entertainment ("L&E") division was derived solely from 60% owned Chateau de Bavet Hotel and Casino ("Chateau"). Chateau was not able to contribute positive results due to high junket and promotion expenses. The loss in corresponding quarter in year 2009 was due to the closure of slot clubs in Cambodia owned by certain subsidiaries in the Group and pre-operating expenses for Chateau.

17. Performance Review (Continued)

i) Comparison with previous year's corresponding quarter (Continued)

The increase in revenue of "Others" division was mainly contributed by sales of 7 RGBGames and 24 stations of other machines assembled in our factory in Malaysia.

ii) Comparison with previous year's corresponding period

The decrease in revenue from SSM division by 62% for 6 months period ended 30 June 2010 as compared to proceeding year is mainly due to reasons stated above.

The summary of number of machines sold for 6 months ended 30 June 2010 and 2009 are as follow:-

	Number of machines sold	
Country	**30 June 2010 (Unit/ Station)**	**30 June 2009 (Unit/ Station)**
Macau	44	30
Malaysia	-	63
Philippines	76	402
Singapore	-	20
Vietnam	29	-
Others	5	-
Grand Total:	154	515

The revenue from TSM division increased by 12% for 6 months period ended 30 June 2010 as compared to the preceding year due to reasons stated above.

The summary of outlets in operations and the number of machines placed as at 30 June 2010 and 2009 are as follows:-

	Number of outlets as at	
Country	**30 June 2010**	**30 June 2009**
Cambodia	12	11
Philippines	18	15
Vietnam	2	3
Macau	6	3
Laos	3	1
Grand Total:	41	33

17. Performance Review (Continued)

ii) Comparison with previous year's corresponding period (Continued)

Country	**Number of machines placed as at 30 June 2010 (Unit/ Station)**	**30 June 2009 (Unit/ Station)**
Cambodia	2,230	1,805
Philippines	1,987	1,720
Vietnam	152	194
Macau	803	245
Laos	200	59
Grand Total:	5,372	4,023

Included above are 194 units (2009: 136 units) which are owned by 3rd parties under profit sharing agreements with the Group.

The summary of number of machines sold under Others division for 6 months ended 30 June 2010 and 2009 are as follow:-

Country	**Number of machines sold 30 June 2010 (Unit/ Station)**	**30 June 2009 (Unit/ Station)**
TSM		
RGB Games	76	72
Other Machines	-	68
3rd Parties		
RGB Games	7	4
Other Machines	24	8
Grand Total:	107	152

The increase in revenue of the L&E division is due to reasons stated above.

18. Comparison with previous quarter's results

	CURRENT QUARTER RM'000	PREVIOUS QUARTER RM'000	% +/(-)
Revenue			
Sales and Marketing	2,700	11,139	-76%
Technical Support and Management	18,216	17,442	+4%
Leisure and Entertainment (1)	4,354	2,293	+90%
Others (2)	1,770	345	+413%
Revenue	27,040	31,219	-13%
EBITDA* before impairment			
Sales and Marketing	(805)	(224)	+259%
Technical Support and Management	13,041	11,228	+16%
Leisure and Entertainment	(3,048)	(7,163)	-57%
Others	1,527	(693)	+320%
Unallocated	239	(1,803)	+113%
	10,954	1,345	+714%
(Loss)/ Profit before tax			
Sales and Marketing	(893)	(309)	+189%
Technical Support and Management	(4,923)	(7,245)	-32%
Leisure and Entertainment	(3,501)	(7,424)	-53%
Others	1,214	(1,008)	+220%
	(8,103)	(15,986)	-49%
Unallocated Expenses	(2,534)	(4,284)	-41%
- Finance cost	2,795	2,538	+10%
- Foreign exchange (gain)/ loss	(767)	1,776	-143%
- Sundry Income	(6)	(1,177)	-99%
- Other expenses	512	1,147	-55%
Loss before tax	(10,637)	(20,270)	-48%

Note

(1) "Leisure and Entertainment" consists of revenue from Chateau.

(2) "Others" consists of revenue from manufacturing activities, research & development activities and inter-segment transaction.

* Earnings before interest, taxation, depreciation & amortisation

17. Comparison with previous quarter's results (Continued)

The decrease in revenue and profit before tax for Sales and Marketing ("SSM") division in this quarter was due to a decrease in the number of machines sold as tabulated below.

	Number of machines sold	
	30 June 2010	**31 Mar 2010**
Country	**(Unit/ Station)**	**(Unit/ Station)**
Macau	-	44
Philippines	52	24
Vietnam	-	29
Others	-	5
Grand Total:	52	102

The increase in revenue from TSM was due to better income from existing outlets as a result of marketing and promotional activities and review of layout and machines mix.

The EBITDA before impairment for TSM division improved by 16% to RM13 million primarily due to higher revenue driven by a higher average daily income per machine. The division recorded a loss before tax of RM5 million. This was mainly due to higher depreciation expenses.

The revenue of L&E increased by 90% as compared to previous quarter. This was due to higher win per table. The loss before tax is due to high junket expenses, commission and promotion expenses.

19. Commentary on Prospects

Although the number of machines sold in the 1st half was low, the Group still expects the sales till the end of 2010 to match quantities sold in 2009 as the demand for machines will pick up in the 2nd half.

The Group expects to place 350 machines under a concession or sales under the mobilization plan by the end of 2010.

The Group continues to intensify efforts to improve the yield per machine for all concessions and outlets which continue to underperform will be closed.

As announced in June 2010, the Group is in midst of negotiating to sell 40% of the share capital of Chateau. Meanwhile, Chateau is reviewing its operation strategies to improve the daily win per table by changing the mix of chips, cash and leased tables. It is also trimming all non-core business activities with a view to reduce overheads.

In view of the foregoing, the Group expects to perform better than last year.

20. Profit Forecast

No profit forecast was announced hence there was no comparison between actual results and forecast.

21. Income Tax Expense

	3 MONTHS ENDED		6 MONTHS ENDED	
	30 JUNE 2010 RM'000	30 JUNE 2009 RM'000	30 JUNE 2010 RM'000	30 JUNE 2009 RM'000
Income Tax				
- Current period	12	12	25	180

Domestic income tax is calculated at the Malaysian statutory rate of 25% (2009: 25%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

22. Profit on sale of Investments and/or Properties

There was no disposal of investment or properties during the quarter under review.

23. Purchase and Disposal of Quoted Securities

There was no purchase or disposal of quoted securities during the quarter under review.

24. Corporate Proposals

Save as disclosed below and Note 8, there were no corporate proposals announced but not completed as at the date of this announcement:

(a) Status of utilization of listing proceeds

All proceeds from the listing of the company in 2004 have been fully utilized during the quarter.

(b) Issuance of Commercial Paper ("CP") and/ or Medium Term Notes ("MTN") with an aggregate nominal value of RM200 million ("CP/ MTN" Programme)

As at 30 June 2010, the Company has outstanding CPs of RM99 million with tenure of 1 month.

25. Borrowings

	AS AT 30 JUNE 2010 RM'000	AS AT 31 DEC 2009 RM'000
Short Term Borrowings:		
Secured		
Bank overdrafts	6,472	5,705
Bankers' acceptances	6,036	1,369
Onshore foreign currency loan	11,393	17,205
Term loans	10,489	14,632
Unsecured		
Commercial Papers	98,826	98,664
	133,216	137,575
Long Term Borrowings:		
Secured		
Term loans	5,820	9,808
Total borrowings	139,036	147,383

Borrowings denominated in foreign currency as at 30 June 2010:

	USD'000	RM'000
Borrowings	5,981	21,739

26. Derivative Financial Instruments

The Group does not have any derivative financial instruments as at the date of this report.

27. Material Litigation

The Group does not have any material litigation, which in the opinion of the Directors, would have a material impact on the financial results of the Group.

28. Loss Per Share

(a) Basic

Basic loss per share amounts are calculated by dividing the loss for the period attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period.

	3 MONTHS ENDED		6 MONTHS ENDED	
	30 JUNE 2010	30 JUNE 2009	30 JUNE 2010	30 JUNE 2009
Loss attributable to owners of the parent (RM'000)	(10,649)	(17,573)	(28,374)	(19,780)
Weighted average number of ordinary shares in issue ('000)	1,151,050	872,050	1,142,262	872,050
Basic loss per share (sen)	(0.93)	(2.02)	(2.48)	(2.27)

29. Authorisation For Issue

On 25 August 2010, the Board of Directors authorised the issue of these interim financial statements.

By Order of the Board
RGB International Bhd. (603831-K)

Datuk Chuah Kim Seah, JP
Group Managing Director
25 August 2010