RGB International Bhd. (603831-K)

(Formerly known as Dreamgate Corporation Bhd.)

(Incorporated in Malaysia)

Interim Unaudited Financial Statements
30 September 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 SEPTEMBER 2010

	Note	3 MONTHS ENDED 30 SEPT 2010 RM'000	3 MONTHS ENDED 30 SEPT 2009 RM'000 (Restated)	9 MONTHS ENDED 30 SEPT 2010 RM'000	9 MONTHS ENDED 30 SEPT 2009 RM'000 (Restated)
Revenue	**10**	37,475	34,812	95,734	104,816
Cost of sales		(33,546)	(26,620)	(95,003)	(86,650)
- Depreciation		(16,158)	(11,167)	(52,849)	(35,098)
- Others		(17,388)	(15,453)	(42,154)	(51,552)
Gross profit		3,929	8,192	731	18,166
Other income		47	109	1,770	397
Administrative expenses		(10,524)	(11,498)	(33,765)	(35,329)
- Depreciation		(893)	(1,108)	(2,586)	(2,851)
- Others		(9,631)	(10,390)	(31,179)	(32,478)
Selling and marketing expenses		(542)	(816)	(1,286)	(2,421)
Other gain/ (expenses), net		1,908	(1,165)	1,483	(1,470)
Operating loss		(5,182)	(5,178)	(31,067)	(20,657)
Finance costs		(2,187)	(2,397)	(7,520)	(6,867)
Share of profit of jointly controlled entities		18	58	11	23
Share of (loss)/ profit of associates		(75)	825	243	661
Loss before tax		(7,426)	(6,692)	(38,333)	(26,840)
Income tax expense	**21**	(37)	(309)	(62)	(489)
Loss for the period		(7,463)	(7,001)	(38,395)	(27,329)
Other comprehensive income					
- Foreign currency translation, representing other comprehensive income for the period		(11,450)	(1,352)	(19,850)	1,022
Total comprehensive income		(18,913)	(8,353)	(58,245)	(26,307)
Loss attributable to:					
Owners of the parent		(3,341)	(5,346)	(31,715)	(25,126)
Minority interests		(4,122)	(1,655)	(6,680)	(2,203)
		(7,463)	(7,001)	(38,395)	(27,329)
Total comprehensive income attributable to:					
Owners of the parent		(15,205)	(6,704)	(52,264)	(24,179)
Minority interests		(3,708)	(1,649)	(5,981)	(2,128)
		(18,913)	(8,353)	(58,245)	(26,307)
Loss per share attributable to owners of the Parent:					
Basic, for loss for the period (sen)	**28**	(0.29)	(0.57)	(2.77)	(2.81)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2010

	Note	AS AT 30 SEPT 2010 RM'000	AS AT 31 DEC 2009 RM'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	11	211,963	279,853
Investments in jointly controlled entities		1,297	1,307
Investments in associates		2,181	2,051
Other investment		4	4
Development costs		313	559
Long term lease receivables		-	903
Other receivables		1,565	1,838
Gaming licenses		555	617
Goodwill		272	272
		218,150	287,404
Current assets			
Inventories		14,313	16,044
Trade Receivables		56,409	87,259
Short term lease receivables		553	1,921
Other Receivables		11,358	12,356
Tax Recoverable		291	257
Due from jointly controlled entities		313	168
Due from associates		4,590	11,341
Deposits with licensed banks		5,314	5,280
Cash and bank balances		19,016	21,556
		112,157	156,182
TOTAL ASSETS		330,307	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		(26,899)	(6,326)
Retained earnings		1,754	33,536
		104,332	140,199
Minority interests		8,275	2,273
Total equity		112,607	142,472
Non-current liabilities			
Borrowings	25	3,734	9,808
Deferred tax liabilities		786	786
		4,520	10,594
Current liabilities			
Borrowings	25	125,590	137,575
Trade payables		53,739	103,301
Other payables		25,815	25,573
Due to jointly controlled entities		3,738	3,674
Due to associates		3,223	2,841
Due to other shareholders		1,051	17,530
Tax payable		24	26
		213,180	290,520
Total liabilities		217,700	301,114
TOTAL EQUITY AND LIABILITIES		330,307	443,586
Net assets per share (sen)		9	13

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2009 AND 30 SEPTEMBER 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	-	-	947	(25,126)	(24,179)	(2,128)	(26,307)
Issue of ordinary shares pursuant to Share Placement	8,716	3,838	-	-	12,554	-	12,554
At 30 September 2009	**95,921**	**4,665**	**(4,261)**	**67,200**	**166,767**	**2,790**	**169,557**
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	-	-	(20,549)	(31,715)	(52,264)	(5,981)	(58,245)
Transaction with owners							
Issue of ordinary shares pursuant to Share Placement	10,954	5,534	-	-	16,488	-	16,488
Waiver of advances by the minority interests in subsidiaries	-	-	-	2,982	2,982	-	2,982
Subscription of share application monies by the minority interests in subsidiaries	-	-	-	-	-	11,983	11,983
At 30 September 2010	**115,105**	**14,372**	**(26,899)**	**1,754**	**104,332**	**8,275**	**112,607**

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

	9 MONTHS ENDED	
	30 SEPT 2010 RM'000	30 SEPT 2009 RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(38,333)	(26,840)
Adjustments for:		
Amortisation of development costs	420	420
Deposits written off	(32)	517
Depreciation	55,435	37,949
Impairment of property, plant and equipment	-	717
Impairment of property, plant and equipment written back	(908)	(3,532)
Impairment of lease receivables	236	-
(Gain)/ Loss on disposal of equipment	(156)	3
Property, plant and equipment written off	432	3,242
Provision for doubtful debts	414	1,895
Provision for doubtful debts (non-trade)	252	217
Receivables written off	234	302
Reversal of provision for doubtful debts	(112)	(1,483)
Reversal of provision for doubtful debts (non-trade)	(530)	(3)
Write down of inventories	341	899
Share of profit of jointly controlled entities	(11)	(23)
Share of profit of associates	(243)	(661)
Interest expense	7,017	6,695
Interest income	(512)	(138)
Operating profit before working capital changes	23,944	20,176
Net changes in receivables, amount due from associates, jointly controlled entities and inventories	38,908	1,630
Net changes in payables, amount due to jointly controlled entities, associate companies and other shareholders	(62,329)	76,465
Interest paid	(1,761)	(1,734)
Taxes paid	(98)	(201)
Net cash flow (used in)/ generated from operating activities	(1,336)	96,336

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2010

	9 MONTHS ENDED	
	30 SEPT 2010 RM'000	30 SEPT 2009 RM'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(14,272)	(128,340)
Proceeds from disposal of property, plant and equipment	2,421	192
Expenditure on development costs	(173)	-
Interest received	512	138
Net cash flow used in investing activities	(11,512)	(128,010)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (repayment)/ drawdown of bankers' acceptance and onshore foreign currency loan	(1,446)	3,937
Net repayment of term loan and commercial papers	(19,104)	(14,416)
Net repayment of hire purchase	-	(63)
Proceeds from issuance of ordinary shares	16,488	12,554
Proceeds from subcription of ordinary shares by minority interests	11,983	-
Net cash flow generated from financing activities	7,921	2,012
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,927)	(29,662)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	5,186	2,299
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	21,131	34,127
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	21,390	6,764

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

Cash and bank balances	19,016	7,820
Deposits with licensed banks	5,314	5,281
Less: Bank Overdrafts	(2,940)	(6,337)
	21,390	6,764

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 September 2010 arising from the above change in accounting policy:

	30 SEPT 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 September 2009			
Depreciation	37,934	15	37,949
Amortisation of prepaid land lease payments	15	(15)	-

<u>FRS 139 *Financial Instruments: Recognition and Measurement*</u>

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:

- <u>Impairment of receivables</u>
  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.

- <u>Amortised cost of other receivables and advances</u>
  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 September/ 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 September 2010.

10. Segmental Information

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

	3 MONTHS ENDED 30 SEPT 2010 RM'000	3 MONTHS ENDED 30 SEPT 2009 RM'000	9 MONTHS ENDED 30 SEPT 2010 RM'000	9 MONTHS ENDED 30 SEPT 2009 RM'000
Segment Revenue				
Sales and Marketing	15,482	10,193	29,321	47,038
Technical Support and Management	17,917	20,260	53,575	52,134
Leisure and Entertainment (1)	3,695	3,400	10,342	3,794
Others (2)	456	1,049	2,751	2,120
	37,550	34,902	95,989	105,086
Eliminations	(75)	(90)	(255)	(270)
Revenue	37,475	34,812	95,734	104,816
EBITDA* before impairment				
Sales and Marketing	687	414	(342)	1,912
Technical Support and Management	12,770	13,716	37,039	24,716
Leisure and Entertainment	(1,291)	(3,927)	(11,502)	(7,476)
Others	(620)	86	214	1,458
Unallocated	361	(2,643)	(1,203)	(4,832)
	11,907	7,646	24,206	15,778
Segment Results				
Sales and Marketing	607	583	(595)	1,496
Technical Support and Management	(3,537)	2,512	(15,705)	(8,039)
Leisure and Entertainment	(1,692)	(4,529)	(12,617)	(9,129)
Others	(895)	(1,125)	(1,000)	(214)
	(5,517)	(2,559)	(29,917)	(15,886)
Unallocated Income/ (Expenses)	335	(2,619)	(1,150)	(4,771)
- Foreign exchange gain/ (loss)	1,862	(1,594)	853	(1,050)
- Sundry income	4	18	1,187	92
- Other expenses	(1,531)	(1,043)	(3,190)	(3,813)
Operating loss	(5,182)	(5,178)	(31,067)	(20,657)

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

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, except for that on 25 November 2010, the Company granted options over ordinary shares amounting to 66,580,000 to eligible Directors and employees of the Group at an exercise price of RM0.10 per share under the Company' Employees Share Option Scheme. The said options would be exercisable for a period from 25 November 2010 through to 20 October 2014.

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 SEPT 2010 RM'000
Gaming machines, equipment and renovation	6,300

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			9 MONTHS ENDED		
	30 SEPT 2010 RM'000	30 SEPT 2009 RM'000	% +/(-)	30 SEPT 2010 RM'000	30 SEPT 2009 RM'000	% +/(-)
Revenue						
Sales and Marketing	15,482	10,193	+52%	29,321	47,038	-38%
Technical Support and Management	17,917	20,260	-12%	53,575	52,134	+3%
Leisure and Entertainment (1)	3,695	3,400	+9%	10,342	3,794	+173%
Others (2)	381	959	-60%	2,496	1,850	+35%
Total	37,475	34,812	+8%	95,734	104,816	-9%
EBITDA* before impairment						
Sales and Marketing	687	414	+66%	(342)	1,912	-118%
Technical Support and Management	12,770	13,716	-7%	37,039	24,716	+50%
Leisure and Entertainment (1)	(1,291)	(3,927)	-67%	(11,502)	(7,476)	+54%
Others (2)	(620)	86	-821%	214	1,458	-85%
Unallocated	361	(2,643)	+114%	(1,203)	(4,832)	-75%
Total	11,907	7,646	+56%	24,206	15,778	+53%
Profit/ (Loss) before tax						
Sales and Marketing	607	583	+4%	(595)	1,497	-140%
Technical Support and Management	(3,537)	2,512	-241%	(15,705)	(8,039)	+95%
Leisure and Entertainment	(1,692)	(4,529)	-63%	(12,617)	(9,129)	+38%
Others	(952)	(242)	+293%	(746)	469	-259%
	(5,574)	(1,676)	+233%	(29,663)	(15,202)	+95%
Unallocated Expenses	(1,852)	(5,016)	-63%	(8,670)	(11,638)	-26%
- Finance cost	(2,187)	(2,397)	-9%	(7,520)	(6,867)	+10%
- Foreign exchange gain/ (loss)	1,862	(1,594)	+217%	853	(1,050)	+181%
- Sundry Income	4	18	-78%	1,187	92	+1190%
- Other expenses	(1,531)	(1,043)	+47%	(3,190)	(3,813)	-16%
Loss before tax	(7,426)	(6,692)	+11%	(38,333)	(26,840)	+43%

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

17. Performance Review (Continued)

i) Comparison with previous year's corresponding quarter

The increase in revenue and EBITDA before impairment by 52% and 66% respectively for quarter ended 30 September 2010 as compared to previous year's corresponding quarter for Sales and Marketing ("SSM") division is mainly due to increase in number of machine sold in Philippines and Singapore.

The summary of machines sold is as follows:-

Country	Number of machines sold 3 months ended 30 Sept 2010 (Unit/ Station)	3 months ended 30 Sept 2009 (Unit/ Station)
Cambodia	16	-
Macau	17	-
Malaysia	18	7
Philippines	70	24
Singapore	61	-
Vietnam	27	16
Laos	-	100
Others	4	9
Grand Total:	213	156

The revenue and EBITDA before impairment for Technical Support and Management ("TSM") division decreased by 12% and 7% respectively for the quarter ended 30 September 2010 as compared to previous year's corresponding quarter. The decrease in sales is mainly due to new competitions at certain areas, less machines and outlets in operations as follows:-

Country	Number of outlets as at 30 Sept 2010	30 Sept 2009
Cambodia	12	11
Philippines	15	18
Vietnam	1	3
Macau	5	6
Laos	3	1
Others	-	1
Grand Total:	36	40

17. Performance Review (Continued)

i) Comparison with previous year's corresponding quarter

Country	Number of machines placed as at 30 Sept 2010 (Unit/ Station)	30 Sept 2009 (Unit/ Station)
Cambodia	2,034	1,889
Philippines	1,791	1,954
Vietnam	58	224
Macau	641	968
Laos	189	59
Others	-	135
Grand Total:	4,713	5,229

Included above are 100 units (2009: 166 units) which are owned by 3rd parties under profit sharing agreements with the Group.

The revenue for Leisure and Entertainment ("L&E") division was derived solely from 60% owned Chateau de Bavet Hotel and Casino ("Chateau"). The reduced loss is because of reduction in operating expenses.

The revenue of "Others" division was mainly contributed by sales of RGBGames machine. The loss before tax for 'Others' division increased as compared to previous year's corresponding quarter is mainly due to share of losses from associated companies.

ii) Comparison with previous year's corresponding period

The decrease in revenue from SSM division by 38% for 9 months period ended 30 September 2010 as compared to preceding year is mainly due to:

- soft replacement market; and
- absence of new casinos project in the region.

17. Performance Review (Continued)

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

The summary of number of machines sold for 9 months ended 30 September 2010 and 2009 are as follow:-

Country	Number of machines sold 30 Sept 2010 (Unit/ Station)		30 Sept 2009 (Unit/ Station)	
3rd Parties				
Cambodia	16		-	
Macau	61		41	#
Malaysia	24	#	87	#
Philippines	146		426	
Singapore	61		20	
Vietnam	85	#	16	
Laos	-		100	
Others	9		9	
Grand Total:	402		699	
TSM ^				
Cambodia	56		-	
Macau	-		140	
Philippines	28		92	
Grand Total:	84		232	

Inclusive is the sales of RGBGames machine of 11 units (2009: 20 units) which the turnover is captured under "Others" division.

^ Placement of 84 units of RGBGames machine for TSM (2009: 142 units for RGBGames machine and 90 unit/stations of other own manufactured machines)

The revenue and EBITDA before impairment from TSM division increased by 3% and 50% respectively for the 9 month period ended 30 September 2010 as compared to the preceding year is mainly due to:

- lower mobilisation cost; and
- effective cost control measures.

However, the division recorded a loss before tax of RM15 million. This is mainly due to higher depreciation expenses and strengthening of Ringgit against US Dollar.

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	15,482	2,700	+473%
Technical Support and Management	17,917	18,216	-2%
Leisure and Entertainment (1)	3,695	4,354	-15%
Others (2)	381	1,770	-78%
Revenue	37,475	27,040	+39%
EBITDA* before impairment			
Sales and Marketing	688	(805)	+185%
Technical Support and Management	12,770	13,041	-2%
Leisure and Entertainment	(1,291)	(3,048)	-58%
Others	(620)	1,527	-141%
Unallocated	360	239	+51%
	11,907	10,954	+9%
Profit/ (Loss) before tax			
Sales and Marketing	608	(893)	+168%
Technical Support and Management	(3,536)	(4,923)	-28%
Leisure and Entertainment	(1,692)	(3,501)	-52%
Others	(952)	1,214	-178%
	(5,572)	(8,103)	-31%
Unallocated Expenses	(1,854)	(2,534)	-27%
- Finance cost	2,187	(2,795)	+178%
- Foreign exchange gain	1,862	767	+143%
- Sundry income	3	6	-50%
- Other income/ expenses	(5,906)	(512)	+1054%
Loss before tax	(7,426)	(10,637)	-30%

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

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

The increase in revenue for Sales and Marketing ("SSM") division in this quarter is due to increase in the number of machines sold as tabulated below.

Country	Number of machines sold 30 Sept 2010 (Unit/ Station)	 30 June 2010 (Unit/ Station)
Cambodia	16	-
Macau	17	-
Malaysia	18	-
Philippines	70	52
Singapore	61	-
Vietnam	27	-
Others	4	-
Grand Total:	213	52

The EBITDA for SSM turn positive in this quarter is due to increase in sales and reduction in operational cost.

The revenue and EBITDA from TSM decreased slightly due to less machines in operations during the quarter as tabulated below:-

Country	Number of machines placed as at 30 Sept 2010 (Unit/ Station)	 30 June 2010 (Unit/ Station)
Cambodia	2,034	2,230
Philippines	1,791	1,987
Vietnam	58	152
Macau	641	803
Laos	189	200
Grand Total:	4,713	5,372

The decrease in loss before tax is due to lower depreciation cost for current quarter.

The revenue of L&E decreased by 15% is due to lower win per table as a result of focus on mass market and less reliance on junket market. However, the loss before tax decreased by 52% due to lower operating expenses including junket commissions.

19. Commentary on Prospects

The Group expects the sales in 2010 to match quantities sold in 2009 and to sell or place 270 machines under the mobilisation plan by the end of 2010.

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

Chateau has changed its operational strategies to place less reliance on junket operating, more cash tables, reduce non-core gaming activities as well as leasing of floor space to 3rd parties to generate fixed monthly income.

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		9 MONTHS ENDED	
	30 SEPT 2010 RM'000	30 SEPT 2009 RM'000	30 SEPT 2010 RM'000	30 SEPT 2009 RM'000
Income Tax				
- Current period	37	309	62	489

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:

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 September 2010, the Company has outstanding CPs of RM97 million with tenure of 1 month.

On 11 November 2010, the limit of CP/MTN had been reduced to RM97 million subsequent to written consent obtained from Noteholders for the CP/MTN.

On 15 November 2010, RM10 million of the outstanding CPs was converted to 3 years MTN. As such, total outstanding CPs is RM87 million.

The Noteholders for the CP/MTN have given their written consent to the Group to the proposed disposal of up to 40% equity interest in Chateau subject to a 3rd Party Debenture covering fixed and floating assets on all present and future assets of RGB Ltd., a wholly owned subsidiary of the Company. The negotiations for the proposed disposal are still in progress.

25. Borrowings

	AS AT 30 SEPT 2010 RM'000	AS AT 31 DEC 2009 RM'000
Short Term Borrowings:		
<u>Secured</u>		
Bank overdrafts	2,940	5,705
Bankers' acceptances	6,036	1,369
Onshore foreign currency loan	11,092	17,205
Term loans	8,721	14,632
<u>Unsecured</u>		
Commercial Papers	96,801	98,664
	125,590	137,575
Long Term Borrowings:		
<u>Secured</u>		
Term loans	3,734	9,808
Total borrowings	129,324	147,383

Borrowings denominated in foreign currency as at 30 Sept 2010:

	USD'000	RM'000
Borrowings	6,267	19,590

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		9 MONTHS ENDED	
	30 SEPT 2010	30 SEPT 2009	30 SEPT 2010	30 SEPT 2009
Loss attributable to owners of the parent (RM'000)	(3,341)	(5,346)	(31,715)	(25,126)
Weighted average number of ordinary shares in issue ('000)	1,151,050	936,349	1,145,224	893,719
Basic loss per share (sen)	(0.29)	(0.57)	(2.77)	(2.81)

29. Authorisation For Issue

On 26 November 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
26 November 2010