



RGB International Bhd. (603831-K)

(Formerly known as Dreamgate Corporation Bhd.)

(Incorporated in Malaysia)

Interim Unaudited Financial Statements
31 December 2010



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

CONTENTS

	PAGE
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	1
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	3
CONSOLIDATED STATEMENT OF CASH FLOWS	4 – 5
EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134	6 – 13
EXPLANATORY NOTES PURSUANT TO APPENDIX 9B (RULE 9.22(2)) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”)	14 – 25



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 DECEMBER 2010**

	Note	3 MONTHS ENDED		12 MONTHS ENDED	
		31 DEC	31 DEC	31 DEC	31 DEC
		2010	2009	2010	2009
		RM'000	RM'000	RM'000	RM'000
			(Restated)		(Restated)
Revenue	10	62,880	65,386	158,614	170,202
Cost of sales		(58,225)	(55,775)	(153,228)	(142,425)
- Depreciation		(15,494)	(12,702)	(68,343)	(47,800)
- Others		(42,731)	(43,073)	(84,885)	(94,625)
Gross profit		4,655	9,611	5,386	27,777
Other income		144	894	1,914	1,291
Administrative expenses		(13,605)	(15,476)	(47,370)	(50,804)
- Depreciation		(851)	(1,220)	(3,437)	(4,071)
- Others		(12,754)	(14,256)	(43,933)	(46,733)
Selling and marketing expenses		(829)	(660)	(2,115)	(3,082)
Other expenses, net		(8,096)	(29,660)	(6,613)	(31,130)
Operating loss		(17,731)	(35,291)	(48,798)	(55,948)
Finance costs		(3,120)	(2,364)	(10,640)	(9,231)
Share of (loss)/ profit of jointly controlled entities		(38)	36	(27)	59
Share of (loss)/ profit of associates		(246)	(226)	(3)	435
Loss before tax		(21,135)	(37,845)	(59,468)	(64,685)
Income tax expense	21	633	422	571	(67)
Loss for the period		(20,502)	(37,423)	(58,897)	(64,752)
Other comprehensive income					
- Foreign currency translation, representing other comprehensive income for the period		729	(2,065)	(19,121)	(1,043)
Total comprehensive income		(19,773)	(39,488)	(78,018)	(65,795)
Loss attributable to:					
Owners of the parent		(19,162)	(36,906)	(50,877)	(62,032)
Minority interests		(1,340)	(517)	(8,020)	(2,720)
		(20,502)	(37,423)	(58,897)	(64,752)
Total comprehensive income attributable to:					
Owners of the parent		(18,530)	(38,971)	(70,794)	(63,150)
Minority interests		(1,241)	(517)	(7,222)	(2,645)
		(19,771)	(39,488)	(78,016)	(65,795)
Loss per share attributable to owners of the Parent:					
Basic, for loss for the period (sen)	29	(1.66)	(3.64)	(4.44)	(6.71)
Diluted, for loss for the period (sen)	29	(1.66)	N/A	(4.41)	N/A



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

	Note	AS AT 31 DEC 2010 RM'000	AS AT 31 DEC 2009 RM'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	11	176,162	279,853
Investments in jointly controlled entities		1,264	1,307
Investments in associates		2,238	2,051
Other investment		4	4
Development costs		208	559
Long term lease receivables		-	903
Other receivables		1,566	1,838
Gaming licenses		556	617
Goodwill		272	272
		<u>182,270</u>	<u>287,404</u>
Current assets			
Inventories		11,884	16,044
Trade Receivables		83,244	87,259
Short term lease receivables		509	1,921
Other Receivables		9,675	12,356
Tax Recoverable		123	257
Due from jointly controlled entities		302	168
Due from associates		4,100	11,341
Deposits with licensed banks		5,314	5,280
Cash and bank balances		15,861	21,556
		<u>131,012</u>	<u>156,182</u>
TOTAL ASSETS		<u>313,282</u>	<u>443,586</u>
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		(26,267)	(6,326)
Share option reserve		82	-
(Accumulated losses)/ Retained earnings		(17,448)	33,536
		<u>85,844</u>	<u>140,199</u>
Minority interests		7,034	2,273
Total equity		<u>92,878</u>	<u>142,472</u>
Non-current liabilities			
Borrowings	25	12,319	9,808
Deferred tax liabilities		-	786
		<u>12,319</u>	<u>10,594</u>
Current liabilities			
Borrowings	25	116,000	137,575
Trade payables		57,884	103,301
Other payables		25,458	25,573
Due to jointly controlled entities		3,368	3,674
Due to associates		3,073	2,841
Due to other shareholders		2,302	17,530
Tax payable		-	26
		<u>208,085</u>	<u>290,520</u>
Total liabilities		<u>220,404</u>	<u>301,114</u>
TOTAL EQUITY AND LIABILITIES		<u>313,282</u>	<u>443,586</u>
Net assets per share (sen)		<u>7</u>	<u>13</u>



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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 DECEMBER 2009 AND 31 DECEMBER 2010**

	----- Attributable to owners of the parent -----					Total	Minority Interest	Total Equity
	----- Non-Distributable -----			Distributable				
	Share Capital	Share Premium	Foreign Exchange Translation Reserve	Share Option Reserve	Retained Earnings/ (Accumulated Losses)			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2009	87,205	827	(5,208)	3,242	92,326	178,392	4,918	183,310
Total comprehensive income for the period	-	-	(1,118)	-	(62,032)	(63,150)	(2,645)	(65,795)
Issue of ordinary shares pursuant to Share Placement	16,946	8,011	-	-	-	24,957	-	24,957
Termination of ESOS	-	-	-	(3,242)	3,242	-	-	-
At 31 December 2009	104,151	8,838	(6,326)	-	33,536	140,199	2,273	142,472
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	-	-	(19,917)	-	(50,877)	(70,794)	(7,222)	(78,016)
Transaction with owners								
Issue of ordinary shares pursuant to Share Placement	10,954	5,534	-	-	-	16,488	-	16,488
Share option granted under ESOS	-	-	-	82	-	82	-	82
Waiver of advances by the minority interests in subsidiaries	-	-	-	-	2,942	2,942	-	2,942
Subscription of share application monies by the minority interests in subsidiaries	-	-	-	-	-	-	11,983	11,983
At 31 December 2010	115,105	14,372	(26,267)	82	(17,448)	85,844	7,034	92,878



**CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 31 DECEMBER 2010**

	12 MONTHS ENDED	
	31 DEC 2010 RM'000	31 DEC 2009 RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(59,468)	(64,685)
Adjustments for:		
Amortisation of development costs	559	559
Bad debts written off	30	-
Deposits written off	(1)	797
Depreciation	71,780	51,871
Impairment of property, plant and equipment	8,129	29,854
Impairment of property, plant and equipment written back	(908)	(3,559)
Impairment of lease receivables	236	-
Gain on disposal of equipment	(155)	(575)
Loss on disposal and deconsolidation of subsidiaries	35	-
Property, plant and equipment written off	811	3,302
Impairment of trade receivables	2,293	2,755
Impairment of other receivables	718	285
Receivables written off	234	423
Impairment of trade receivables written back	(112)	(1,483)
Impairment of other receivables written back	(629)	(24)
Write down of inventories	344	1,043
Share options granted under ESOS	82	-
Share of loss/ (profit) of jointly controlled entities	27	(59)
Share of loss/ (profit) of associates	3	(435)
Interest expense	10,335	9,018
Interest income	(628)	(782)
Operating profit before working capital changes	<u>33,715</u>	<u>28,305</u>
Net changes in receivables, amount due from associates, jointly controlled entities and inventories	28,869	(1,514)
Net changes in payables, amount due to jointly controlled entities, associate companies and other shareholders	(57,849)	80,356
Interest paid	(3,172)	(2,293)
Taxes paid	(107)	(205)
Net cash flow generated from operating activities	<u>1,456</u>	<u>104,649</u>



CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2010

	12 MONTHS ENDED	
	31 DEC 2010 RM'000	31 DEC 2009 RM'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(17,483)	(135,571)
Proceeds from disposal of property, plant and equipment	2,391	2,605
Expenditure on development costs	(208)	-
Acquisition of associates	-	(5)
Proceeds from disposal and deconsolidation of subsidiaries	113	-
Interest received	628	181
Net cash flow used in investing activities	(14,559)	(132,790)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (repayment)/ drawdown of bankers' acceptance and onshore foreign currency loan	(2,427)	5,585
Net repayment of term loan and commercial papers	(24,375)	(21,194)
Net repayment of hire purchase	-	(63)
Proceeds from issuance of ordinary shares	16,488	24,957
Proceeds from subscription of ordinary shares by minority interests	11,983	-
Net cash flow generated from financing activities	1,669	9,285
NET CHANGE IN CASH AND CASH EQUIVALENTS	(11,435)	(18,856)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	5,199	5,860
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	14,895	21,131
* Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	15,861	21,556
Deposits with licensed banks	5,314	5,280
Less: Bank Overdrafts	(6,280)	(5,705)
	14,895	21,131



**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 31 December 2010 arising from the above change in accounting policy:

	31 DEC 2010 RM'000
Increase in property, plant and equipment	1,359
Decrease in prepaid land lease payments	(1,359)
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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)	-
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For the period ended 31 December 2009			
Depreciation	51,850	21	51,871
Amortisation of prepaid land lease payments	21	(21)	-
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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)
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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 which 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 31 December	<u>1,151,050</u>	<u>1,041,510</u>

Via private placements in the first quarter 2010, the Company issued a 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 31 December 2010.



10. Segmental Information

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

	3 MONTHS ENDED		12 MONTHS ENDED	
	31 DEC 2010	31 DEC 2009	31 DEC 2010	31 DEC 2009
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Sales and Marketing	39,865	41,920	69,186	88,958
Technical Support and Management	17,146	15,195	70,721	67,329
Leisure and Entertainment (1)	4,989	6,845	15,331	10,639
Others (2)	955	1,516	3,706	3,636
	<u>62,955</u>	<u>65,476</u>	<u>158,944</u>	<u>170,562</u>
Eliminations	(75)	(90)	(330)	(360)
Revenue	<u>62,880</u>	<u>65,386</u>	<u>158,614</u>	<u>170,202</u>
EBITDA*				
Sales and Marketing	(310)	4,012	(608)	5,858
Technical Support and Management	9,953	7,544	45,889	32,260
Leisure and Entertainment	(2,948)	(1,423)	(14,451)	(8,899)
Others	(207)	(753)	604	705
Unallocated	(182)	(2,032)	(923)	(6,864)
	<u>6,306</u>	<u>7,348</u>	<u>30,511</u>	<u>23,060</u>
Segment Results				
Sales and Marketing	(369)	3,962	(918)	5,458
Technical Support and Management	(13,537)	(30,280)	(30,345)	(38,319)
Leisure and Entertainment	(3,362)	(6,279)	(15,979)	(15,408)
Others	(300)	(889)	(704)	(1,103)
	<u>(17,568)</u>	<u>(33,486)</u>	<u>(47,946)</u>	<u>(49,372)</u>
Unallocated Expenses	(163)	(1,805)	(852)	(6,576)
- Foreign exchange gain/ (loss)	446	(1,069)	1,299	(2,109)
- Sundry income	20	30	1,207	122
- Other expenses	(629)	(766)	(3,358)	(4,589)
Operating loss	<u>(17,731)</u>	<u>(35,291)</u>	<u>(48,798)</u>	<u>(55,948)</u>

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, impairment of property, plant & equipment, intangible assets and investments.



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 the following:

- Exercise of ESOS options
Eligible employees exercised ESOS options over 139,400 ordinary shares of RM0.10 each at the option price of RM0.10 per ordinary share. The said 139,400 ordinary shares, which rank pari passu with existing issued and paid up capital of the Company, were issued on 18 February 2011 and listed on the Bursa Malaysia Securities Berhad on 24 February 2011.

Following the exercise of ESOS options, the issued share capital of the Company has been increased by 139,400 to 1,151,189,100 ordinary shares.

13. Changes in the Composition of the Group

- (a) The Company disposed off its entire 100% interest in its Hong Kong incorporated wholly owned subsidiary, Frontier Wish International Limited, a dormant company for a total consideration of RM5,000 on 06 December 2010.
- (b) The members' voluntary winding up of CDI Corporation Sdn. Bhd., a 60% owned subsidiary was completed on 29 November 2010.
- (c) Diamond House (Nipo) Co., Ltd. and Movieland Entertainment Co., Ltd., 51% and 55% owned Cambodia incorporated subsidiaries of the Group respectively (both dormant) have on 29 December 2010 applied to be de-registered.

14. Changes in Contingent Liabilities and Contingent Assets

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



15. Capital Commitments

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

	AS AT
	31 DEC 2010
	RM'000
Gaming machines, equipment and renovation	<u>29,500</u>

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			12 MONTHS ENDED		
	31 DEC	31 DEC	%	31 DEC	31 DEC	%
	2010	2009		2010	2009	
	RM'000	RM'000	+ / (-)	RM'000	RM'000	+ / (-)
Revenue						
Sales and Marketing	39,865	41,920	-5%	69,186	88,958	-22%
Technical Support and Management	17,146	15,195	+13%	70,721	67,329	+5%
Leisure and Entertainment (1)	4,989	6,845	-27%	15,331	10,639	+44%
Others (2)	880	1,426	-38%	3,376	3,276	+3%
Total	62,880	65,386	-4%	158,614	170,202	-7%
EBITDA*						
Sales and Marketing	(310)	4,012	-108%	(608)	5,858	-110%
Technical Support and Management	9,953	7,544	+32%	45,889	32,260	+42%
Leisure and Entertainment (1)	(2,948)	(1,423)	+107%	(14,451)	(8,899)	+62%
Others (2)	(207)	(753)	-73%	604	705	-14%
Unallocated	(182)	(2,032)	-91%	(923)	(6,864)	-87%
Total	6,306	7,348	-14%	30,511	23,060	+32%
(Loss)/ Profit before tax						
Sales and Marketing	(369)	3,962	-109%	(918)	5,458	-117%
Technical Support and Management	(13,537)	(30,280)	-55%	(30,345)	(38,319)	-21%
Leisure and Entertainment	(3,362)	(6,279)	-46%	(15,979)	(15,408)	+4%
Others	(584)	(1,079)	-46%	(734)	(609)	+21%
	(17,852)	(33,676)	-47%	(47,976)	(48,878)	-2%
Unallocated Expenses	(3,283)	(4,169)	-21%	(11,492)	(15,807)	-27%
- Finance cost	(3,120)	(2,364)	+32%	(10,640)	(9,231)	+15%
- Foreign exchange gain/ (loss)	446	(1,069)	+142%	1,299	(2,109)	+162%
- Sundry Income	20	30	-33%	1,207	122	+889%
- Other expenses	(629)	(766)	-18%	(3,358)	(4,589)	-27%
Loss before tax	(21,135)	(37,845)	-44%	(59,468)	(64,685)	-8%

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, impairment of property, plant & equipment, intangible assets and investments.



17. Performance Review (Continued)

i) Comparison with previous year's corresponding quarter

The decrease in revenue by 5% for quarter ended 31 December 2010 as compared to previous year's corresponding quarter for Sales and Marketing ("SSM") division is mainly due to decrease in number of new machine sold in Singapore.

The summary of machines sold is as follows:-

Country	Number of machines sold	
	3 months ended 31 Dec 2010 (Unit/ Station)	3 months ended 31 Dec 2009 (Unit/ Station)
Macau	313 *	10
Malaysia	2	-
Philippines	267	310
Singapore	11	200
Vietnam	19	22
Grand Total:	612	542

* Includes 267 units of used machines.

The EBITDA before impairment for SSM division decreased by 108% for the quarter ended 31 December 2010 as compared to previous year's corresponding quarter is mainly due to decrease in sales, product mix with low margin and provision for sales return of RM1.4 million made during the quarter.

The revenue and EBITDA before impairment for Technical Support and Management ("TSM") division increased by 13% and 32% respectively for the quarter ended 31 December 2010 as compared to previous year's corresponding quarter. The increase in sales is mainly due to better yield performance. The number of outlets and machines are as follows:-

Country	Number of outlets as at		Number of machines placed as at	
	31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
Cambodia	13	11	2,192	2,038
Philippines	15	17	1,824	2,016
Vietnam	1	3	58	154
Macau	5	6	426	888
Laos	2	2	159	59
Others	-	1	-	193
Grand Total:	36	40	4,659	5,348

Includes 100 units (2009: 96 units) owned by 3rd parties.



17. Performance Review (Continued)

i) Comparison with previous year's corresponding quarter

During the quarter, following a mutual cessation of the concession operation at L'Arc Casino, Macau, 267 machines were disposed for consideration of HKD29 million, 12 machines were redeployed to a new concession and existing concessions in Macau and the balance of 129 machines are held for disposal or future concession.

The revenue for Leisure and Entertainment ("L&E") division decreased by 27% for the quarter ended 31 December 2010 as compared to previous year's corresponding quarter is mainly due to tighter credit policy and introduction of cash table operation which enabled the Casino to reduce losses by 46%.

The revenue of "Others" division was mainly contributed by sales of RGBGames machine.

ii) Comparison with previous year

The decrease in revenue and profit before tax of SSM division by 22% and 117% respectively for the year ended 31 December 2010 as compared to preceding year is mainly due to soft replacement market, absence of new projects and competition which caused a reduction in profit margin.

The summary of number of machines sold for 12 months ended 31 December 2010 and 2009 are as follow:-

<u>Country</u>	Number of machines sold	
	31 Dec 2010 (Unit/ Station)	31 Dec 2009 (Unit/ Station)
<u>3rd Parties</u>		
Cambodia	16	8 #
Macau	374 **	51 #
Malaysia	33 #	116 #
Philippines	413	736
Singapore	72	220
Vietnam	104 #	38
Laos	-	100
Others	9	9
Grand Total:	1,021	1,278
<u>TSM ^</u>		
Cambodia	56	-
Macau	-	140
Philippines	52	92
Grand Total:	108	232

Includes sales of RGBGames machine of 38 units (2009: 59 units).

** Includes 267 used machines.

^ Placement of 108 units of RGBGames machine for TSM (2009: 142 units for RGBGames machine and 90 unit/stations of other own manufactured machines)



17. Performance Review (Continued)

ii) Comparison with previous year (Continued)

The revenue and EBITDA before impairment from TSM division increased by 5% and 42% respectively for the year ended 31 December 2010 as compared to the preceding year is mainly due to:

- improved performance of existing outlets particularly increased revenue per machine from both Philippines and Macau outlets;
- mobilisation cost for machines due to closure of clubs in Cambodia incurred in 2009; and
- cost control measures.

However, the division recorded a loss before tax of RM30 million. This is mainly due to high depreciation expenses amounting to RM70 million and impairment on machines of RM8 million.

The increase in revenue of the L&E division is due to a full year of operation in 2010 as compared to a 4 months operation in 2009. However, the higher loss is because of table losses and high junket expenses in the beginning of 2010.



18. Comparison with previous quarter's results

	CURRENT QUARTER RM'000	PREVIOUS QUARTER RM'000	% +/(-)
Revenue			
Sales and Marketing	39,865	15,482	+157%
Technical Support and Management	17,146	17,917	-4%
Leisure and Entertainment (1)	4,989	3,695	+35%
Others (2)	880	381	+131%
	<u>62,880</u>	<u>37,475</u>	<u>+68%</u>
EBITDA*			
Sales and Marketing	(310)	697	-144%
Technical Support and Management	9,953	12,435	-20%
Leisure and Entertainment	(2,948)	(1,291)	+128%
Others	(207)	(442)	-53%
Unallocated	(182)	508	-136%
	<u>6,306</u>	<u>11,907</u>	<u>-47%</u>
(Loss)/ Profit before tax			
Sales and Marketing	(369)	617	-160%
Technical Support and Management	(13,537)	(3,871)	+250%
Leisure and Entertainment	(3,362)	(1,692)	+99%
Others	(584)	(775)	-25%
	<u>(17,852)</u>	<u>(5,721)</u>	<u>+212%</u>
Unallocated Expenses	(3,283)	(1,705)	+93%
- Finance cost	(3,120)	(2,187)	+43%
- Foreign exchange gain	446	1,862	-76%
- Sundry income	20	4	+400%
- Other income/ expenses	(629)	(1,384)	-55%
	<u>(21,135)</u>	<u>(7,426)</u>	<u>+185%</u>
Loss before tax	<u>(21,135)</u>	<u>(7,426)</u>	<u>+185%</u>

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, amortization, impairment of property, plant & equipment, intangible assets and investments.



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	
	31 Dec 2010 (Unit/ Station)	30 Sept 2010 (Unit/ Station)
Cambodia	-	16
Macau	313 *	17
Malaysia	2	18
Philippines	267	70
Singapore	11	61
Vietnam	19	27
Others	-	4
Grand Total:	612	213

* Includes 267 units of used machines.

The EBITDA before impairment for SSM turn negative in this quarter due to lower profit margin and provision for sales return of RM1.4 million during the quarter.

The EBITDA before impairment for TSM decreased by 20% is mainly due to impairment of trade receivables and promotion cost.

The loss before tax for TSM increased by 250% mainly due to impairment of machines of RM8 million made during the quarter.

The revenue of L&E increased by 35% due to higher win per table. However, the loss before tax increased by 99% due to higher junket commissions and impairment of amount owing by associates of RM0.8 million.

19. Commentary on Prospects

The Group expects to sell 1,200 machines (including 250 RGBGames) across the region to meet demand for expansion and replacement market for year 2011. Approximately 130 RGBGames (Manny Pacman Poker Machines) will be installed in various Philippines Amusement and Gaming Corporation (“PAGCOR”) owned gaming venues in the second quarter.

The Group has recently secured a TSM concession with PAGCOR to place approximately 1,700 machines in various arcades and casinos. Installation will begin in March 2011 and is expected to be completed by end of 2011. It is also currently finalizing 4 concessions in the region for approximately 500 machines. With these new concessions, the remaining 1,200 machines from Cambodia will be placed back into operation in 2011.

However, the Group continues to actively look for new concessions in the region and it is upgrading and replacing up to 300 machines in certain existing and new outlets.



19. Commentary on Prospects (Continued)

The Group has obtained Noteholder's approval to dispose a 40% stake in Chateau. Upon the disposal, the proceeds will be used to reduce outstanding commercial papers and result in savings in finance cost. In the interim, Chateau has changed its operational strategies to place less reliance on junket operation by increasing the number of cash tables (without junket commission), 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 and barring unforeseen circumstances, the Group expects to perform better in 2011.

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		12 MONTHS ENDED	
	31 DEC 2010	31 DEC 2009	31 DEC 2010	31 DEC 2009
	RM'000	RM'000	RM'000	RM'000
Income Tax				
- Current period	(633)	(422)	(571)	67

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 Employee Share Option Scheme (“ESOS”)

**Number of Options Over
Ordinary Shares of RM0.10 each**

Grant Date	Exercise Price	As At Grant Date	Exercised	Lapsed	Balance As At 31 Dec 2010
	RM	'000	'000	'000	'000
25 Nov 2010	0.10	66,580	-	143	66,437

The above option expires on 20 October 2014.

(b) Issuance of Commercial Paper (“CP”) and/ or Medium Term Notes (“MTN”) with an aggregate nominal value of RM97 million (“CP/ MTN” Programme)

As at 31 December 2010, the Company has outstanding CPs of RM87 million with tenure of 1 month and 3 years MTN of RM10 million and will create 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, in favor of the Noteholders. As stated earlier, the proceeds from disposal of 40% stake in Chateau will be utilized to reduce the outstanding CPs when it materializes.



25. Borrowings

	AS AT 31 DEC 2010 RM'000	AS AT 31 DEC 2009 RM'000
Short Term Borrowings:		
<u>Secured</u>		
Bank overdrafts	6,280	5,705
Bankers' acceptances	2,250	1,369
Onshore foreign currency loan	13,897	17,205
Term loans	6,929	14,632
<u>Unsecured</u>		
Commercial Papers	86,644	98,664
	116,000	137,575
Long Term Borrowings:		
<u>Secured</u>		
Term loans	2,319	9,808
<u>Unsecured</u>		
Medium Term Notes	10,000	-
	12,319	9,808
Total borrowings	<u>128,319</u>	<u>147,383</u>

Borrowings denominated in foreign currency as at 31 Dec 2010:

	USD'000	RM'000
Borrowings	<u>6,167</u>	<u>19,117</u>

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. Disclosure of Realised and Unrealised Profits/ Losses

The Group's realised and unrealised accumulated losses disclosures are as follows:

	ACCUMULATED QUARTER ENDED	
	31 DEC 2010 (RM'000)	30 SEPT 2010 (RM'000)
The accumulated losses of the Company and subsidiaries:		
- Realised	(49,026)	(25,969)
- Unrealised	(7,843)	(7,541)
Total share of accumulated losses from jointly controlled entities:		
- Realised	(17)	22
- Unrealised	(50)	(51)
Total share of accumulated losses from associates:		
- Realised	1,593	1,597
- Unrealised	(756)	(514)
	<hr/>	<hr/>
	(56,099)	(32,456)
Add: Consolidation adjustments	38,651	34,210
	<hr/>	<hr/>
Total Group accumulated losses/ retained earnings	<u>(17,448)</u>	<u>1,754</u>



29. 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		12 MONTHS ENDED	
	31 DEC 2010	31 DEC 2009	31 DEC 2010	31 DEC 2009
Loss attributable to owners of the parent (RM'000)	<u>(19,162)</u>	<u>(36,906)</u>	<u>(50,877)</u>	<u>(62,032)</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,151,050</u>	<u>1,014,673</u>	<u>1,146,692</u>	<u>924,206</u>
Basic loss per share (sen)	<u>(1.66)</u>	<u>(3.64)</u>	<u>(4.44)</u>	<u>(6.71)</u>

(b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the period attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effects of share options granted. The diluted earnings per share for year 2009 has not been presented as the Group did not have any outstanding share options as at 31 December 2009.

	3 MONTHS ENDED		12 MONTHS ENDED	
	31 DEC 2010	31 DEC 2009	31 DEC 2010	31 DEC 2009
Profit attributable to owners of the parent (RM'000)	<u>(19,162)</u>	<u>N/A</u>	<u>(50,877)</u>	<u>N/A</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,151,050</u>	<u>N/A</u>	<u>1,146,692</u>	<u>N/A</u>
Effect of dilution of share options	<u>-</u>	<u>N/A</u>	<u>5,874</u>	<u>N/A</u>
Adjusted weighted average number of ordinary shares in issue and issuable	<u>1,151,050</u>	<u>N/A</u>	<u>1,152,566</u>	<u>N/A</u>
Diluted earnings per share (sen)	<u>(1.66)</u>	<u>N/A</u>	<u>(4.41)</u>	<u>N/A</u>



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

30. Authorisation For Issue

On 28 February 2011, 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
28 February 2011