RGB International Bhd. (603831-K)

(Incorporated in Malaysia)

Interim Unaudited Financial Statements
31 December 2011

RGB International Bhd. (603831-K)

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RGB International Bhd. (603831-K)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 DECEMBER 2011

	Note	3 MONTHS ENDED 31 DEC 2011 RM'000	3 MONTHS ENDED 31 DEC 2010 RM'000	12 MONTHS ENDED 31 DEC 2011 RM'000	12 MONTHS ENDED 31 DEC 2010 RM'000
Revenue	**10**	31,139	62,880	118,211	158,614
Cost of sales		(25,510)	(58,129)	(95,689)	(153,228)
- Depreciation		(11,946)	(15,494)	(46,786)	(68,343)
- Others		(13,564)	(42,635)	(48,903)	(84,885)
Gross profit		5,629	4,751	22,522	5,386
Other income		285	144	863	1,914
Administrative expenses		(8,441)	(13,787)	(30,671)	(47,371)
- Depreciation		(768)	(851)	(3,038)	(3,437)
- Others		(7,673)	(12,936)	(27,633)	(43,934)
Selling and marketing expenses		(1,051)	(744)	(1,963)	(2,115)
Other expenses, net		(13,307)	(8,097)	(13,600)	(6,614)
Operating loss		(16,885)	(17,733)	(22,849)	(48,800)
Finance costs		(2,245)	(3,119)	(9,570)	(10,639)
Share of profit/ (loss) of jointly controlled entities		16	(38)	10	(27)
Share of loss of associates		(290)	(246)	(495)	(3)
Loss before tax		(19,404)	(21,136)	(32,904)	(59,469)
Income tax expense	**21**	(76)	625	(94)	563
Loss for the period		(19,480)	(20,511)	(32,998)	(58,906)
Other comprehensive income					
- Foreign currency translation, representing other comprehensive income for the period		(1,868)	740	3,278	(19,110)
Total comprehensive income		(21,348)	(19,771)	(29,720)	(78,016)
Loss attributable to:					
Owners of the parent		(18,501)	(19,169)	(30,849)	(50,884)
Non-controlling interests		(979)	(1,342)	(2,149)	(8,022)
		(19,480)	(20,511)	(32,998)	(58,906)
Total comprehensive income attributable to:					
Owners of the parent		(20,329)	(18,529)	(27,747)	(70,793)
Non-controlling interests		(1,019)	(1,242)	(1,973)	(7,223)
		(21,348)	(19,771)	(29,720)	(78,016)
Loss per share attributable to owners of the Parent:					
Basic, for loss for the period (sen)	**27**	(1.61)	(1.67)	(2.68)	(4.44)
Diluted, for loss for the period (sen)	**27**	(1.61)	(1.67)	(2.68)	(4.41)

RGB International Bhd. (603831-K)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	AS AT 31 DEC 2011 RM'000	AS AT 31 DEC 2010 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	**11**	120,289	176,162
Investments in jointly controlled entities		239	1,264
Investments in associates		1,707	2,238
Other investment		4	4
Development costs		430	208
Other receivables		396	1,565
Gaming licenses		388	556
Goodwill		-	272
		123,453	182,269
Current assets			
Inventories		14,945	11,884
Trade Receivables		48,978	77,630
Short term lease receivables		-	509
Other Receivables		13,532	9,675
Assets of disposal group classified as held for sale		13,298	-
Tax Recoverable		180	123
Due from jointly controlled entities		-	307
Due from associates		3,056	4,105
Deposits with licensed banks		5,770	5,314
Cash and bank balances		26,735	15,861
		126,494	125,408
TOTAL ASSETS		249,947	307,677
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	**8**	115,119	115,105
Share premium		14,372	14,372
Foreign exchange translation reserve		(23,133)	(26,235)
Share option reserve		213	82
Accumulated losses		(48,327)	(17,478)
		58,244	85,846
Non-controlling interests		6,322	7,033
Total equity		64,566	92,879
Non-current liabilities			
Borrowings	**23**	70,546	12,319
Long term lease payables		258	-
Deferred tax liabilities		14	8
		70,818	12,327
Current liabilities			
Borrowings	**23**	35,630	116,000
Trade payables		50,912	52,270
Other payables		24,390	25,458
Liabilities ofdisposal group classified as held for sale		1,153	-
Short term lease payables		152	-
Due to jointly controlled entities		213	3,368
Due to associates		1,095	3,073
Due to other shareholders		998	2,302
Tax payable		20	-
		114,563	202,471
Total liabilities		185,381	214,798
TOTAL EQUITY AND LIABILITIES		249,947	307,677
Net assets per share (sen)		5	7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010 AND 31 DECEMBER 2011

	Attributable to owners of the parent							
		Non-Distributable			Distributable			
	Share Capital	Share Premium	Foreign Exchange Translation Reserve	Share Option Reserve	Retained Earnings/ (Accumulated Losses)	Total	Non-controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2010	104,151	8,838	(6,326)	-	33,535	140,198	2,273	142,471
Effect of adopting FRS 139	-	-	-	-	(3,073)	(3,073)	-	(3,073)
At 1 January 2010 (As restated)	104,151	8,838	(6,326)	-	30,462	137,125	2,273	139,398
Total comprehensive income for the year	-	-	(19,909)	-	(50,884)	(70,793)	(7,223)	(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 non-controlling interests in subsidiaries	-	-	-	-	2,944	2,944	-	2,944
Subscription of share application monies by the non-controlling interests in subsidiaries	-	-	-	-	-	-	11,983	11,983
At 31 December 2010	**115,105**	**14,372**	**(26,235)**	**82**	**(17,478)**	**85,846**	**7,033**	**92,879**
At 1 January 2011	115,105	14,372	(26,235)	82	(17,478)	85,846	7,033	92,879
Total comprehensive income for the year	-	-	3,102	-	(30,849)	(27,747)	(1,973)	(29,720)
Transaction with owners								
Issue of ordinary shares pursuant to ESOS	14	-	-	-	-	14	-	14
Share option granted under ESOS	-	-	-	131	-	131	-	131
Subscription of share application monies by the non-controlling interests in subsidiaries	-	-	-	-	-	-	1,262	1,262
At 31 December 2011	**115,119**	**14,372**	**(23,133)**	**213**	**(48,327)**	**58,244**	**6,322**	**64,566**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	12 MONTHS ENDED 31 DEC 2011 RM'000	31 DEC 2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(32,904)	(59,469)
Adjustments for:		
Amortisation of development costs	-	559
Bad debts written off	5,165	30
Deposits written off	-	(1)
Depreciation	49,824	71,780
Gain on disposal of equipment	(358)	(155)
(Gain)/ Loss on disposal and deconsolidation of subsidiaries	(1,608)	35
Impairment of intangible assets	272	-
Impairment of lease receivables	23	236
Impairment of loans and other receivables	235	718
Impairment of loans and other receivables written back	(496)	(629)
Impairment of property, plant and equipment	14,687	8,129
Impairment of property, plant and equipment written back	(588)	(908)
Impairment of trade receivables	710	2,297
Impairment of trade receivables written back	(6,558)	(116)
Net reversal of inventories written down	594	344
Property, plant and equipment written off	816	811
Receivables (written back)/ written off	(2)	234
Share options granted under ESOS	131	82
Share of (profit)/ loss of jointly controlled entities	(10)	27
Share of loss of associates	495	3
Interest expense	9,427	10,420
Interest income	(106)	(628)
Operating profit before working capital changes	39,749	33,799
Net changes in receivables, amount due from associates, jointly controlled entities and inventories	24,786	36,051
Net changes in payables, amount due to jointly controlled entities, associate companies and other shareholders	(8,620)	(63,434)
Interest paid	(1,179)	(3,257)
Taxes paid	(125)	(107)
Net cash flow generated from operating activities	54,611	3,052

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CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

	12 MONTHS ENDED	
	31 DEC 2011 RM'000	31 DEC 2010 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(25,120)	(17,513)
Proceeds from disposal of property, plant and equipment	6,502	1,111
Expenditure on development costs	(222)	(208)
Proceeds from disposal and deconsolidation of subsidiaries	-	(67)
Partial consideration from disposal of a subsidiary	2,308	-
Interest received	106	628
Net cash flow used in investing activities	(16,426)	(16,049)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of bankers' acceptance and onshore foreign currency loan	(1,722)	(2,427)
Net repayment of term loan and commercial papers	(28,354)	(24,375)
Proceeds from issuance of ordinary shares	14	16,489
Proceeds from subcription of ordinary shares by minority interests	1,262	11,983
Net cash flow (used in)/generated from financing activities	(28,800)	1,670
NET CHANGE IN CASH AND CASH EQUIVALENTS	9,385	(11,327)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	2,559	5,091
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	14,895	21,131
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	26,839	14,895
* Cash and cash equivalents at end of the year comprise the following:		
Cash and bank balances	26,735	15,861
Deposits with licensed banks	5,770	5,314
Less: Bank Overdrafts	(5,965)	(6,280)
	26,540	14,895
Add: Cash and bank balances for disposal group classified as held for sale	299	-
	26,839	14,895

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 2010. 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 2010.

2. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the changes arising from the adoption of revised Financial Reporting Standards (FRSs), IC Interpretations and Amendments that are effective for financial period beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011 as follows:

Effective for financial periods beginning on or after 1 March 2010

Amendments to FRS 132	Financial Instruments: Presentation

Effective for financial periods beginning on or after 1 July 2010

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners

Effective for financial periods beginning on or after 1 January 2011

Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRSs	Improvements to FRSs (2010)
IC Interpretation 4	Determining Whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers

2. Changes in Accounting Policies (Continued)

Except for the changes in accounting policies arising from the adoption of the revised FRS 3 and the Amendments to FRS 127, as well as the new disclosures required under the Amendments to FRS 7, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policies on adoption of the revised FRS 3 and the Amendments to FRS 127 are described below.

Revised FRS 3 *Business Combinations* and Amendments to FRS 127 *Consolidated and Separate Financial Statements*

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 Statements of Cash Flows, FRS 112 *Income Taxes*, FRS 121 *The Effects of Changes in Foreign Exchange Rates*, FRS 128 *Investments in Associates* and FRS 131 *Interests in Joint Ventures*. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to early adopt.

New Malaysian Financial Reporting Standards that have been issued, but not yet effective and not yet adopted, for annual periods beginning on or after 1 January 2012

On 19 November 2011, the Malaysian Accounting Standards Board ('MASB') announced the issuance of the new MFRS framework that is applicable to entities other than private entities.

The Group is expected to apply the MFRS framework for the financial year ending 31 December 2012.

2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2010 was not qualified.

3. Significant Event

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

4. 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.

5. 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.

6. 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.

7. 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			
	3 MONTHS ENDED		12 MONTHS ENDED	
	31 DEC 2011	31 DEC 2010	31 DEC 2011	31 DEC 2010
As at 1 October/ January	1,151,189	1,151,050	1,151,050	1,041,510
Issue of ordinary shares pursuant to				
ESOS	-	-	139	-
Share Placement	-	-	-	109,540
As at 31 December	1,151,189	1,151,050	1,151,189	1,151,050

9. Dividend

No dividend was paid for the financial period ended 31 December 2011.

10. Segmental Information

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

	3 MONTHS ENDED		12 MONTHS ENDED	
	31 DEC 2011	31 DEC 2010	31 DEC 2011	31 DEC 2010
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Sales and Marketing	12,607	39,865	45,115	69,186
Technical Support and Management	17,710	17,146	63,019	70,721
Leisure and Entertainment (1)	546	4,989	6,858	15,331
Others (2)	360	955	3,555	3,706
	31,223	62,955	118,547	158,944
Eliminations	(84)	(75)	(336)	(330)
Revenue	31,139	62,880	118,211	158,614
EBITDA*				
Sales and Marketing	(281)	(310)	3,391	(607)
Technical Support and Management	11,164	9,647	42,084	45,582
Leisure and Entertainment (1)	(650)	(2,642)	(1,295)	(14,144)
Others (2)	(503)	(207)	(213)	605
Unallocated	756	(182)	(3,248)	(924)
Total	10,486	6,306	40,719	30,512
Segment Results				
Sales and Marketing	(334)	(369)	3,174	(919)
Technical Support and Management	(14,123)	(13,843)	(17,864)	(30,650)
Leisure and Entertainment	(2,789)	(3,057)	(4,464)	(15,674)
Others	(389)	(300)	(441)	(704)
	(17,635)	(17,569)	(19,595)	(47,947)
Unallocated Income/ (Expenses)	750	(164)	(3,254)	(853)
- Foreign exchange gain/ (loss)	68	446	(380)	1,299
- Interest income	36	113	65	615
- Sundry Income	23	20	457	1,208
- Legal and professional fee	(439)	(300)	(1,944)	(632)
- Other income/ (expenses)	1,062	(443)	(1,452)	(3,343)
Operating loss	(16,885)	(17,733)	(22,849)	(48,800)

Note

(1) "Leisure and Entertainment" consist of revenue from Chateau De Bavet Club Co Ltd. ("Chateau")

(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.

13. Changes in the Composition of the Group during the quarter

(a) On the application of Mekong Recreation Club Ltd. ("MRC"), a dormant company, incorporated in Cambodia, it was deregistered on 7 November 2011.

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 2011 RM'000
Gaming machines and equipment	48,000

16. Significant Related Party Transactions

There was no significant related party transaction 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 2011	31 DEC 2010	%	31 DEC 2011	31 DEC 2010	%
	RM'000	RM'000	+/(-)	RM'000	RM'000	+/(-)
Revenue						
Sales and Marketing	12,607	39,865	-68%	45,115	69,186	-35%
Technical Support and Management	17,710	17,146	+3%	63,019	70,721	-11%
Leisure and Entertainment (1)	546	4,989	-89%	6,858	15,331	-55%
Others (2)	276	880	-69%	3,219	3,376	-5%
Total	31,139	62,880	-50%	118,211	158,614	-25%
EBITDA*						
Sales and Marketing	(281)	(310)	-9%	3,391	(608)	+658%
Technical Support and Management	11,164	9,647	+16%	42,084	45,582	-8%
Leisure and Entertainment (1)	(650)	(2,642)	-75%	(1,295)	(14,144)	-91%
Others (2)	(503)	(207)	+143%	(213)	605	-135%
Unallocated	756	(182)	+515%	(3,248)	(924)	+252%
Total	10,486	6,306	+66%	40,719	30,511	+33%
(Loss)/ Profit before tax						
Sales and Marketing	(334)	(369)	-9%	3,174	(919)	+445%
Technical Support and Management	(14,123)	(13,843)	+2%	(17,864)	(30,650)	-42%
Leisure and Entertainment	(2,789)	(3,057)	-9%	(4,464)	(15,674)	-72%
Others	(663)	(584)	+14%	(926)	(734)	+26%
	(17,909)	(17,853)	+0%	(20,080)	(47,977)	-58%
Unallocated Expenses	(1,495)	(3,283)	-54%	(12,824)	(11,492)	+12%
- Finance cost	(2,245)	(3,119)	-28%	(9,570)	(10,639)	-10%
- Foreign exchange gain/ (loss)	68	446	-85%	(380)	1,299	-129%
- Interest income	36	113	-68%	65	615	-89%
- Sundry Income	23	20	+15%	457	1,208	-62%
- Legal and professional fee	(439)	(300)	+46%	(1,944)	(632)	+208%
- Other income/ (expenses)	1,062	(443)	+340%	(1,452)	(3,343)	-57%
Loss before tax	(19,404)	(21,136)	-8%	(32,904)	(59,469)	-45%

Note

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

(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 Sales and Marketing division's revenue and EBITDA before impairment decreased by 68% and 9% respectively for quarter ended 31 December 2011 as compared to previous year's corresponding quarter mainly due to decrease in number of machine sold and soft replacement market in the Philippines and Macau.

The summary of machines sold is as follows:-

Country	Number of machines sold 3 months ended 31 Dec 2011 (Unit/ Station)	3 months ended 31 Dec 2010 (Unit/ Station)
Macau	-	313 *
Malaysia	30	2
Philippines	138	267
Singapore	17	11
Vietnam	4	19
Grand Total:	189	612

* Includes 267 units of used machines.

The revenue and EBITDA before impairment for Technical Support and Management ("TSM") division increased by 3% and 16% respectively for the quarter ended 31 December 2011 as compared to previous year's corresponding quarter due to opening of new outlets in Philippines and better performance of existing outlets. The summary of number of outlets and number of machines placed are as below:

The loss before tax for TSM is due to depreciation of RM12 million and impairment of machines and equipment of RM13 million.

Country	Number of outlets as at 31 Dec 2011	31 Dec 2010	Number of machines placed as at 31 Dec 2011	31 Dec 2010
Cambodia	13	13	2,475	2,192
Philippines	18	15	2,011	1,824
Vietnam	-	1	-	58
Macau	4	5	396	426
Laos	2	2	185	159
Grand Total:	37	36	5,067	4,659

17. Performance Review (Continued)

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

The revenue for Leisure and Entertainment ("L&E") division decreased by 89% for the quarter ended 31 December 2011 as compared to previous year's corresponding quarter is mainly due to cessation of operation in December 2011. Loss before tax is due to impairment of building and equipment of RM1.5 million and impairment of goodwill of RM272k.

The revenue of "Others" division was mainly contributed by sales of RGBGames machine, reconditioned machines and table games layout.

(ii) Comparison with previous year

The decrease in revenue by 35% for year ended 31 December 2011 as compared to preceding year for Sales and Marketing ("SSM") division is mainly due to decrease in number of machine sold. However, the positive EBITDA is due to effective cost cutting measure implemented by management and reversal of provision for sales return of RM1.3 million in the 1st quarter of 2011 due to acceptance of machines by the customer.

The summary of machines sold for year ended 31 December 2011 and 2010 are as follows:-

	Number of machines sold		
Country	**31 Dec 2011 (Unit/ Station)**	**31 Dec 2010 (Unit/ Station)**	
Cambodia	-	16	
Macau	103	374	*
Malaysia	67	20	
Philippines	486	413	
Singapore	30	72	
Vietnam	124	75	
Others	-	9	
Grand Total:	810	979	

* Includes 267 units of used machines.

The revenue and EBITDA before impairment from TSM division decreased by 11% and 8% respectively for year ended 31 December 2011 as compared to preceding year is due to:-

1) Philippines - PAGCOR has imposed higher management fees for certain concession agreements renewed during the year resulting in income from those concessions being reduced by approximately 8%. Certain concessions were flooded due to heavy rain caused by the typhoon.
2) Laos - increased competition and cessation of operations in another outlet.
3) Vietnam - cessation of operation of an outlet.
4) Cambodia - increased competition at our biggest outlet.

The loss before taxation of TSM is due to reasons stated above.

The revenue of L&E decreased by 55% is due to conversion of chips table to cash table and cessation of operation.

18. Comparison with previous quarter's results

	CURRENT QUARTER RM'000	PREVIOUS QUARTER RM'000	% +/(-)
Revenue			
Sales and Marketing	12,607	12,138	+4%
Technical Support and Management	17,710	15,377	+15%
Leisure and Entertainment (1)	546	776	-30%
Others (2)	276	240	+15%
Revenue	31,139	28,531	+9%
EBITDA*			
Sales and Marketing	(281)	253	-211%
Technical Support and Management	11,164	11,393	-2%
Leisure and Entertainment	(650)	(39)	+1567%
Others	(503)	(205)	+145%
Unallocated	756	(1,516)	+150%
	10,486	9,886	+6%
(Loss)/ Profit before tax			
Sales and Marketing	(334)	199	-268%
Technical Support and Management	(14,123)	(719)	+1864%
Leisure and Entertainment	(2,789)	(408)	+584%
Others	(663)	(371)	+79%
	(17,909)	(1,299)	+1279%
Unallocated Expenses	(1,495)	(4,010)	-63%
- Finance cost	(2,245)	(2,499)	-10%
- Foreign exchange gain/ (loss)	68	(331)	+121%
- Interest income	36	34	+6%
- Sundry income	23	186	-88%
- Legal and professional fee	(439)	(628)	-30%
- Other expenses	1,062	(772)	+238%
Loss before tax	(19,404)	(5,309)	+265%

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 slight increase in revenue for Sales and Marketing ("SSM") division in this quarter is due to increase in number of machines in this quarter.

Country	Number of machines sold 31 Dec 2011 (Unit/ Station)	30 Sept 2011 (Unit/ Station)
Macau	-	58
Malaysia	30	-
Philippines	138	40
Singapore	17	-
Vietnam	4	26
Grand Total:	189	124

The EBITDA before impairment for SSM decreased by 211% in this quarter due to low profit margin for machines sold in this quarter and fixed assets written off of RM192k.

The revenue for TSM increased by 15% is mainly due to the improvement in yield per machine for the Cambodia region and better performance of existing outlets. The loss before taxation is due to impairment of machines and equipment of RM13 million.

The loss before taxation for L&E is mainly due to cessation of operation in December 2011 and impairment of RM1.5 million.

The loss before taxation for Others is mainly related to R&D expenditures.

19. Commentary on Prospects

SSM Division continues to concentrate its sales effort in key markets, ie the Philippines, Macau and Singapore, while establishing more significant presence in Cambodia, Vietnam and Korea.

TSM Division is expected to have 5,700 machines in operation in 37 concessions by end of the 2012 as compared to 5,100 machines as at 31 December 2011. TSM expects to deliver positive results in 2012 as the book value of all mobilised machines except 122 machines have been fully impaired in 2011. The 122 machines are scheduled to be placed on board cruise ships. TSM will be sourcing for latest machines to place in certain concessions to improve yield and in this respect, TSM expects to incur RM47 million for new machines.

The Group has identified a new product as a new source of income and is currently in discussion with a supplier and a partner to enter into supply and concession agreements.

In L&E division, a tenant has been operating the casino and hotel on certain floors for a rental income of USD60,000 per month.

The Group has engaged a renowned games design and development company to develop and license slot content for use by RGBGames. New games by this developer will be installed in new RGBGames cabinet which are expected to be released in the 3rd quarter of 2012.

19. Commentary on Prospects (Continued)

The Group has reduced its borrowings by RM30 million in 2011 due to strong operating cash flow and expects to further reduce borrowings in 2012.

In view of the foregoing and barring unforeseen circumstances, 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		12 MONTHS ENDED	
	31 DEC 2011 RM'000	31 DEC 2010 RM'000	31 DEC 2011 RM'000	31 DEC 2010 RM'000
Income Tax				
- Current period	76	(625)	94	(563)

Domestic income tax is calculated at the Malaysian statutory rate of 25% (2010: 25%) of the estimated assessable profit for the period. The effective tax rate of the Group is lower than the statutory income tax rate mainly due to income subjected to different tax jurisdictions and income not subjected to tax, partially offset by expenses not deductible for tax purposes.

22. 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 RM	Balance As At 1 Jan 2011 '000	Exercised '000	Lapsed '000	Balance As At 31 Dec 2011 '000
25 Nov 2010	0.10	66,437	(139)	(3,766)	62,532

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)

During the quarter, the Company retired RM1 million (RM13 million for the full year) of CPs leaving a balance of RM74 million as at 31 December 2011.

22. Corporate Proposals (Continued)

(c) Disposal of 32% equity interest in Chateau

As at 31 December 2011, the Company received RM2.3 million as progressive proceeds from the disposal of 32% equity interest in Chateau. The balance of RM7.3 million will be received progressively over the next 31 months.

23. Borrowings

	AS AT 31 DEC 2011 RM'000	AS AT 31 DEC 2010 RM'000
Short Term Borrowings:		
Secured		
Bank overdrafts	5,965	6,280
Bankers' acceptances	-	2,250
Onshore foreign currency loan	14,425	13,897
Term loans	1,625	6,929
Commercial Papers	13,615	86,644
	35,630	116,000
Long Term Borrowings:		
Secured		
Term loans	546	2,319
Commercial Papers (Modified term) *	60,000	-
Medium Term Notes	10,000	10,000
	70,546	12,319
Total borrowings	106,176	128,319

Borrowings denominated in foreign currency as at 31 Dec 2011:

	USD'000	RM'000
Borrowings	5,043	15,938

* The Group has entered into repayment schedule on the commercial papers with carrying amount of RM74 million with the noteholders where the repayment will be made on a quarterly basis and is expected to complete by year 2014.

Commercial papers with repayment terms after the next 12 months was reclassified to non-current liabilities.

24. 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.

25. Notes to the Statements of Comprehensive Income

	3 MONTHS ENDED		12 MONTHS ENDED	
	31 DEC 2011 RM'000	31 DEC 2010 RM'000	31 DEC 2011 RM'000	31 DEC 2010 RM'000
Interest income	(61)	(115)	(106)	(628)
Interest expenses	2,216	3,061	9,427	10,420
Amortisation of development costs	-	140	-	559
Bad debts written off	-	30	5,165	30
Deposits written off	-	31	-	(1)
Depreciation	12,714	16,345	49,824	71,780
(Gain)/ Loss on disposal and deconsolidation of subsidiaries	(1,522)	35	(1,608)	35
Impairment of intangible assets	272	-	272	-
Impairment of lease receivables	-	-	23	236
Impairment of loans and receivables	528	2,350	945	3,015
Impairment of loans and receivables written back	(441)	(103)	(7,054)	(745)
Impairment of property, plant and equipment	14,687	8,129	14,687	8,129
Impairment of property, plant and equipment written back	-	-	(588)	(908)
Loss/ (Gain) on disposal of equipment	5	-	(358)	(155)
Net reversal of inventories written down	480	3	594	344
Net foreign exchange (gain)/ loss	(68)	(446)	380	(1,299)
Property, plant and equipment written off	324	378	816	811
Receivables written off/ (written back)	-	234	(2)	234

26. Disclosure of Realised and Unrealised Profits/ Losses

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

	ACCUMULATED QUARTER ENDED 31 DEC 2011 RM'000	31 DEC 2010 RM'000
The accumulated losses of the Company and subsidiaries:		
- Realised	(126,035)	(49,109)
- Unrealised	4,239	(7,782)
Total share of accumulated losses from jointly controlled entities:		
- Realised	(58)	(17)
- Unrealised	1	(50)
Total share of accumulated losses from associates:		
- Realised	922	1,593
- Unrealised	(580)	(756)
	(121,511)	(56,121)
Add: Consolidation adjustments	73,184	38,643
Total Group accumulated losses	(48,327)	(17,478)

27. 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 2011	31 DEC 2010	31 DEC 2011	31 DEC 2010
Loss attributable to owners of the parent (RM'000)	(18,501)	(19,169)	(30,849)	(50,884)
Weighted average number of ordinary shares in issue ('000)	1,151,189	1,151,050	1,151,171	1,146,692
Basic loss per share (sen)	(1.61)	(1.67)	(2.68)	(4.44)

(b) Diluted

For the purpose of calculating diluted loss per share, the loss 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.

	3 MONTHS ENDED		12 MONTHS ENDED	
	31 DEC 2011	31 DEC 2010	31 DEC 2011	31 DEC 2010
Profit attributable to owners of the parent (RM'000)	(18,501)	(19,169)	(30,849)	(50,884)
Weighted average number of ordinary shares in issue ('000)	1,151,189	1,151,050	1,151,171	1,146,692
Effect of dilution of share options	-	-	1,724	5,874
Adjusted weighted average number of ordinary shares in issue and issuable	1,151,189	1,151,050	1,152,895	1,152,566
Diluted loss per share (sen)	(1.61)	(1.67)	(2.68)	(4.41)

28. Authorisation For Issue

On 28 February 2012, the Board of Directors authorised the issue of these interim financial statements.

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

Mr. Lim Tow Boon, BKM
Group Executive Director
28 February 2012