



RGB International Bhd. (603831-K)

(Incorporated in Malaysia)

Interim Unaudited Financial Statements
31 March 2017



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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE-MONTH FINANCIAL PERIOD ENDED 31 MARCH 2017**

| | Note | 3 MONTHS ENDED | | 3 MONTHS ENDED | |
|--|-----------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | 31 MAR 2017 RM'000 | 31 MAR 2016 RM'000 | 31 MAR 2017 RM'000 | 31 MAR 2016 RM'000 |
| Revenue | 10 | 37,696 | 56,090 | 37,696 | 56,090 |
| Cost of sales | | (21,866) | (40,605) | (21,866) | (40,605) |
| - Depreciation | | (6,109) | (7,212) | (6,109) | (7,212) |
| - Others | | (15,757) | (33,393) | (15,757) | (33,393) |
| Gross profit | | 15,830 | 15,485 | 15,830 | 15,485 |
| Other income | | 869 | 938 | 869 | 938 |
| Administrative expenses | | (8,643) | (8,358) | (8,643) | (8,358) |
| - Depreciation | | (514) | (486) | (514) | (486) |
| - Others | | (8,129) | (7,872) | (8,129) | (7,872) |
| Selling and marketing expenses | | (1,064) | (920) | (1,064) | (920) |
| Other gain, net | | 510 | 1,169 | 510 | 1,169 |
| Operating profit | | 7,502 | 8,314 | 7,502 | 8,314 |
| Finance costs | | (103) | (869) | (103) | (869) |
| Profit before tax | | 7,399 | 7,445 | 7,399 | 7,445 |
| Income tax expense | 21 | (1,151) | (1,391) | (1,151) | (1,391) |
| Profit for the financial period | | 6,248 | 6,054 | 6,248 | 6,054 |
| Other comprehensive loss, net of tax | | | | | |
| Item that may be subsequently reclassified to profit or loss: | | | | | |
| - Foreign currency translation, representing other comprehensive loss for the financial period | | (2,961) | (16,894) | (2,961) | (16,894) |
| Total comprehensive income/(loss) | | 3,287 | (10,840) | 3,287 | (10,840) |
| Profit attributable to: | | | | | |
| Owners of the Company | | 6,196 | 5,930 | 6,196 | 5,930 |
| Non-controlling interests | | 52 | 124 | 52 | 124 |
| | | 6,248 | 6,054 | 6,248 | 6,054 |
| Total comprehensive income/(loss) attributable to: | | | | | |
| Owners of the Company | | 3,539 | (9,171) | 3,539 | (9,171) |
| Non-controlling interests | | (252) | (1,669) | (252) | (1,669) |
| | | 3,287 | (10,840) | 3,287 | (10,840) |
| Earnings per share attributable to owners of the Company: | | | | | |
| Basic, for profit for the financial period (sen) | 28 | 0.47 | 0.45 | 0.47 | 0.45 |
| Diluted, for profit for the financial period (sen) | 28 | 0.46 | 0.45 | 0.46 | 0.45 |



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

| | Note | AS AT 31 MAR 2017 RM'000 | AS AT 31 DEC 2016 RM'000 |
|---|------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 104,302 | 107,862 |
| Investments in associates | | 177 | 179 |
| Trade receivables | | 633 | 1,517 |
| Other receivables | | 52 | 60 |
| Development costs | | 1,126 | 991 |
| Other intangible assets | | 1,106 | 1,121 |
| Goodwill on combination | | 870 | 870 |
| | | <u>108,266</u> | <u>112,600</u> |
| Current assets | | | |
| Inventories | | 7,376 | 5,123 |
| Trade receivables | | 76,525 | 68,203 |
| Other receivables | | 31,739 | 28,529 |
| Due from associates | | 4,427 | 4,487 |
| Deposits with licensed banks | | 8,994 | 8,886 |
| Cash and bank balances | | 77,405 | 69,840 |
| | | <u>206,466</u> | <u>185,068</u> |
| TOTAL ASSETS | | <u>314,732</u> | <u>297,668</u> |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | 133,805 | 132,918 |
| Share premium | | 21,128 | 21,124 |
| Foreign exchange translation reserve | | 28,378 | 31,035 |
| Share option reserve | | 1,086 | 964 |
| Retained earnings | | 23,606 | 17,410 |
| | | <u>208,003</u> | <u>203,451</u> |
| Non-controlling interests | | <u>22,289</u> | <u>22,541</u> |
| Total equity | | <u>230,292</u> | <u>225,992</u> |
| Non-current liabilities | | | |
| Borrowings | 23 | 3,199 | 3,705 |
| Trade payables | | 439 | 509 |
| Deferred tax liabilities | | 150 | 150 |
| | | <u>3,788</u> | <u>4,364</u> |
| Current liabilities | | | |
| Borrowings | 23 | 5,364 | 4,193 |
| Trade payables | | 38,084 | 31,630 |
| Other payables | | 36,665 | 31,103 |
| Due to associates | | 95 | 96 |
| Tax payable | | 444 | 290 |
| | | <u>80,652</u> | <u>67,312</u> |
| Total liabilities | | <u>84,440</u> | <u>71,676</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>314,732</u> | <u>297,668</u> |
| Net assets per share (sen) | | <u>16</u> | <u>15</u> |



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016 AND 31 MARCH 2017**

|----- Attributable to owners of the Company -----|
|----- Non-Distributable -----|

| | Share Capital RM'000 | Share Premium RM'000 | Foreign Exchange Translation Reserve RM'000 | Share Option Reserve RM'000 | Retained Earnings RM'000 | Total RM'000 | Non- controlling Interests RM'000 | Total Equity RM'000 |
|---|----------------------------|----------------------------|---|--------------------------------------|--------------------------------|-----------------|--|---------------------------|
| At 1 January 2017 | 132,918 | 21,124 | 31,035 | 964 | 17,410 | 203,451 | 22,541 | 225,992 |
| Profit for the financial period | - | - | - | - | 6,196 | 6,196 | 52 | 6,248 |
| Foreign currency translations | - | - | (2,657) | - | - | (2,657) | (304) | (2,961) |
| Total comprehensive income for the financial period | - | - | (2,657) | - | 6,196 | 3,539 | (252) | 3,287 |
| Transaction with owners: | | | | | | | | |
| Issue of ordinary shares pursuant to ESOS | 887 | 4 | - | (185) | - | 706 | - | 706 |
| Share option granted under ESOS | - | - | - | 307 | - | 307 | - | 307 |
| Total transactions with owners | 887 | 4 | - | 122 | - | 1,013 | - | 1,013 |
| At 31 March 2017 | 133,805 | 21,128 | 28,378 | 1,086 | 23,606 | 208,003 | 22,289 | 230,292 |



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016 AND 31 MARCH 2017**

| | ----- Attributable to owners of the Company ----- | | | | | | | Total Equity RM'000 |
|---|---|----------------------------|---|--------------------------------------|--|-----------------|--|---------------------------|
| | ----- Non-Distributable ----- | | Foreign Exchange Translation Reserve RM'000 | Share Option Reserve RM'000 | (Accumulated Losses)/ Retained Earnings RM'000 | Total RM'000 | Non- controlling Interests RM'000 | |
| | Share Capital RM'000 | Share Premium RM'000 | | | | | | |
| At 1 January 2016 | 130,762 | 20,774 | 23,577 | 990 | (850) | 175,253 | 21,127 | 196,380 |
| Profit for the financial period | - | - | - | - | 5,930 | 5,930 | 124 | 6,054 |
| Foreign currency translations | - | - | (15,101) | - | - | (15,101) | (1,793) | (16,894) |
| Total comprehensive income for the financial period | - | - | (15,101) | - | 5,930 | (9,171) | (1,669) | (10,840) |
| Transaction with owners: | | | | | | | | |
| Issue of ordinary shares pursuant to ESOS | 1,045 | 54 | - | (53) | - | 1,046 | - | 1,046 |
| Share option granted under ESOS | - | - | - | 85 | - | 85 | - | 85 |
| Total transactions with owners | 1,045 | 54 | - | 32 | - | 1,131 | - | 1,131 |
| At 31 March 2016 | 131,807 | 20,828 | 8,476 | 1,022 | 5,080 | 167,213 | 19,458 | 186,671 |



**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

| | 3 MONTHS ENDED | |
|--|-----------------------------------|-----------------------------------|
| | 31 MAR 2017 RM'000 | 31 MAR 2016 RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 7,399 | 7,445 |
| Adjustments for: | | |
| Amortisation of development costs | 70 | 356 |
| Bad debts written off | - | 17 |
| Depreciation | 6,623 | 7,698 |
| Impairment of property, plant and equipment | 3 | - |
| Gain on disposal of property, plant and equipment | (1) | - |
| Inventories written down | 61 | - |
| Impairment losses written back (non-trade receivables) | - | (1) |
| Share options granted under ESOS | 307 | 85 |
| Interest expense | 48 | 815 |
| Interest income | (63) | (201) |
| Unrealised forex gain | (844) | (825) |
| Operating profit before changes in working capital | <u>13,603</u> | <u>15,389</u> |
| Changes in working capital: | | |
| Receivables, amount due from jointly controlled entities, associates and inventories | (12,917) | 12,090 |
| Payables and amount due to associates | 12,348 | (7,094) |
| Cash from operations | <u>13,034</u> | <u>20,385</u> |
| Interest paid | (48) | (197) |
| Taxes paid | (997) | (1,726) |
| Net cash from operating activities | <u>11,989</u> | <u>18,462</u> |



**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

| | 3 MONTHS ENDED | |
|--|-----------------------------------|-----------------------------------|
| | 31 MAR 2017 RM'000 | 31 MAR 2016 RM'000 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (4,387) | (6,022) |
| Proceeds from disposal of property, plant and equipment | 1 | - |
| Changes in fixed deposits pledged to licensed banks | (132) | 63 |
| Changes in bank balances pledged to licensed banks | (695) | 5,637 |
| Expenditure on development costs | (215) | - |
| Interest received | 63 | 201 |
| Net cash used in investing activities | (5,365) | (121) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net drawdown of onshore foreign currency loan | 1,169 | - |
| Net repayment of term loan, commercial papers and medium term notes | (516) | (18,469) |
| Repayment of hire purchase payable | (17) | (15) |
| Proceeds from issuance of shares | 706 | 1,046 |
| Net cash from/(used in) financing activities | 1,342 | (17,438) |
| NET CHANGES IN CASH AND CASH EQUIVALENTS | 7,966 | 903 |
| EFFECTS OF FOREIGN EXCHANGE RATE CHANGES | (1,120) | (7,168) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD | 67,727 | 69,141 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD | 74,573 | 62,876 |
| * Cash and cash equivalents at end of the financial period comprise the following: | | |
| Cash and bank balances | 77,405 | 64,693 |
| Deposits with licensed banks | 8,994 | 8,522 |
| | 86,399 | 73,215 |
| Less: Fixed deposit pledged to licensed banks | (8,094) | (7,654) |
| Less: Bank balances pledged to licensed banks | (3,732) | (2,685) |
| | 74,573 | 62,876 |



PART A - EXPLANATORY NOTES PERSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Securities.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016. The 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 financial year ended 31 December 2016.

2. Changes in Accounting Policies

2.1 Adoption of Standards, Amendments and Issues Committee (“IC”) Interpretations and changes in accounting policies

During the financial period, the Group has adopted the following Standards, Amendments and IC Interpretations:

Amendments to MFRS 12 Annual Improvements to MFRS Standards 2014 - 2016 Cycle

Amendments to MFRS 107 Disclosure Initiative

Amendments to MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of the above pronouncements did not have any material impact on the interim financial statements of the Group.



2. Changes in Accounting Policies (Continued)

2.2 Standards issued but not yet effective

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been early adopted by the Group.

| Title | Effective Date |
|--|---------------------------------|
| Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i> | 1 January 2018 |
| MFRS 9 <i>Financial Instruments (IFRS 9 as issued by IASB in July 2014)</i> | 1 January 2018 |
| MFRS 15 <i>Revenue from Contracts with Customers</i> | 1 January 2018 |
| Clarifications to MFRS 15 | 1 January 2018 |
| Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i> | 1 January 2018 |
| Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i> | 1 January 2018 |
| Amendments to MFRS 140 <i>Transfers of Investment Property</i> | 1 January 2018 |
| IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i> | 1 January 2018 |
| Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i> | See MFRS 4 Paragraphs 46 and 48 |
| MFRS 16 <i>Leases</i> | 1 January 2019 |
| Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i> | Deferred |

The Group is in the process of assessing the impact of implementing these Standards, since the effects would only be observable for future financial periods.

3. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements for the financial year ended 31 December 2016 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.



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 current quarter that are unusual because of their nature, size and incidence.

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) | |
|---|----------------------------------|------------------|
| | 2017 | 2016 |
| As at 1 January | 1,329,184 | 1,307,621 |
| Issue of ordinary shares pursuant to ESOS | 6,561 | 21,563 |
| As at 31 March/31 December | <u>1,335,745</u> | <u>1,329,184</u> |

9. Dividend Paid

An interim single-tier dividend of 0.3 sen per ordinary share for the year ended 31 December 2016 was paid on 14 April 2017.



10. Segmental Information

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

| | 3 MONTHS ENDED | | 3 MONTHS ENDED | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 MAR 2017 RM'000 | 31 MAR 2016 RM'000 | 31 MAR 2017 RM'000 | 31 MAR 2016 RM'000 |
| Segment Revenue | | | | |
| Sales and Marketing | 15,420 | 34,174 | 15,420 | 34,174 |
| Technical Support and Management | 21,787 | 21,891 | 21,787 | 21,891 |
| Engineering Services | 441 | - | 441 | - |
| Others (1) | 111 | 88 | 111 | 88 |
| | <u>37,759</u> | <u>56,153</u> | <u>37,759</u> | <u>56,153</u> |
| Eliminations | (63) | (63) | (63) | (63) |
| Revenue | <u>37,696</u> | <u>56,090</u> | <u>37,696</u> | <u>56,090</u> |
| EBITDA* | | | | |
| Sales and Marketing | 1,282 | 2,704 | 1,282 | 2,704 |
| Technical Support and Management | 13,487 | 13,881 | 13,487 | 13,881 |
| Engineering Services | 249 | - | 249 | - |
| Others | 81 | (92) | 81 | (92) |
| Unallocated | (955) | (178) | (955) | (178) |
| Total | <u>14,144</u> | <u>16,315</u> | <u>14,144</u> | <u>16,315</u> |
| Segment Results | | | | |
| Sales and Marketing | 1,240 | 2,341 | 1,240 | 2,341 |
| Technical Support and Management | 7,319 | 6,599 | 7,319 | 6,599 |
| Engineering Services | 249 | - | 249 | - |
| Others | (360) | (468) | (360) | (468) |
| | <u>8,448</u> | <u>8,472</u> | <u>8,448</u> | <u>8,472</u> |
| Unallocated expenses | (946) | (158) | (946) | (158) |
| - Realised foreign exchange (loss)/gain | (331) | 344 | (331) | 344 |
| - Unrealised foreign exchange gain (trade) | 95 | 215 | 95 | 215 |
| - Unrealised foreign exchange gain (non-trade) | 749 | 610 | 749 | 610 |
| - Interest income | 55 | 201 | 55 | 201 |
| - Sundry income | 112 | 162 | 112 | 162 |
| - Legal and professional fee | (112) | (109) | (112) | (109) |
| - Other expenses | (1,514) | (1,581) | (1,514) | (1,581) |
| | <u>7,502</u> | <u>8,314</u> | <u>7,502</u> | <u>8,314</u> |
| Operating profit | <u>7,502</u> | <u>8,314</u> | <u>7,502</u> | <u>8,314</u> |

Note

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

* Earnings before interest, taxation, depreciation, amortisation, 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.

12. Subsequent Events

There were no material events subsequent to the end of the current quarter except for:

- (a) The Company has allotted the following ordinary shares for cash pursuant to the Company's ESOS:
 - (i) 365,200 ordinary shares at an issue price of RM0.10 per ordinary share;
 - (ii) 70,600 ordinary shares at an issue price of RM0.104 per ordinary share;
 - (iii) 101,400 ordinary shares at an issue price of RM0.105 per ordinary share;
 - (iv) 100,200 ordinary shares at an issue price of RM0.117 per ordinary share; and
 - (v) 82,400 ordinary shares at an issue price of RM0.222 per ordinary share.

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

There were no material changes in the composition of the Group during the current quarter.

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 MAR 2017 RM'000 |
|---|---|
| Gaming machines, furnitures, equipment and renovation | <u>64,360</u> |



16. Significant Related Party Transactions

There were no significant related party transactions during the current quarter except for:

| | 01.01.2017 to 31.03.2017 RM'000 |
|---|--|
| Sales of products to: | |
| - Channel Paradise Sdn. Bhd. | 964 |
| TSM share of profit from: | |
| - Timor Holding, S.A. (formerly known as Timor Holding, Lda.) | 1,083 |

Related parties are corporations in which certain Directors of the Company have substantial interest in these corporations.

The related party transactions described above were carried out on terms and conditions not materially different from those obtainable from transactions with unrelated parties.



B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B (RULE 9.22(2)) OF THE LISTING REQUIREMENTS OF BURSA SECURITIES

17. Performance Review

| | 3 MONTHS ENDED | | | 3 MONTHS ENDED | | |
|--|----------------|---------------|-------------|----------------|---------------|-------------|
| | 31 MAR | 31 MAR | % | 31 MAR | 31 MAR | % |
| | 2017 | 2016 | | 2017 | 2016 | |
| | RM'000 | RM'000 | + / (-) | RM'000 | RM'000 | + / (-) |
| Revenue | | | | | | |
| Sales and Marketing | 15,420 | 34,174 | -55% | 15,420 | 34,174 | -55% |
| Technical Support and Management | 21,787 | 21,891 | -0% | 21,787 | 21,891 | -0% |
| Engineering Services | 441 | - | +100% | 441 | - | +100% |
| Others (1) | 48 | 25 | +92% | 48 | 25 | +92% |
| Total | 37,696 | 56,090 | -33% | 37,696 | 56,090 | -33% |
| EBITDA* | | | | | | |
| Sales and Marketing | 1,282 | 2,704 | -53% | 1,282 | 2,704 | -53% |
| Technical Support and Management | 13,487 | 13,881 | -3% | 13,487 | 13,881 | -3% |
| Engineering Services | 249 | - | +100% | 249 | - | +100% |
| Others | 81 | (92) | +188% | 81 | (92) | +188% |
| Unallocated | (955) | (178) | +437% | (955) | (178) | +437% |
| Total | 14,144 | 16,315 | -13% | 14,144 | 16,315 | -13% |
| Profit/(Loss) before tax | | | | | | |
| Sales and Marketing | 1,238 | 2,338 | -47% | 1,238 | 2,338 | -47% |
| Technical Support and Management | 7,273 | 6,529 | +11% | 7,273 | 6,529 | +11% |
| Engineering Services | 249 | - | +100% | 249 | - | +100% |
| Others | (360) | (468) | -23% | (360) | (468) | -23% |
| | 8,400 | 8,399 | +0% | 8,400 | 8,399 | +0% |
| Unallocated expenses | (1,001) | (954) | +5% | (1,001) | (954) | +5% |
| - Finance cost | (55) | (796) | -93% | (55) | (796) | -93% |
| - Realised foreign exchange (loss)/gain | (331) | 344 | -196% | (331) | 344 | -196% |
| - Unrealised foreign exchange gain (trade) | 95 | 215 | -56% | 95 | 215 | -56% |
| - Unrealised foreign exchange gain (non-trade) | 749 | 610 | +23% | 749 | 610 | +23% |
| - Interest income | 55 | 201 | -73% | 55 | 201 | -73% |
| - Sundry income | 112 | 162 | -31% | 112 | 162 | -31% |
| - Legal and professional fee | (112) | (109) | +3% | (112) | (109) | +3% |
| - Other expenses | (1,514) | (1,581) | -4% | (1,514) | (1,581) | -4% |
| Profit before tax | 7,399 | 7,445 | -1% | 7,399 | 7,445 | -1% |

Note

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

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



17. Performance Review (Continued)

(i) Comparison with previous year's corresponding quarter

The revenue and profit before tax for Sales and Marketing ("SSM") division decreased by 55% and 47% respectively for the quarter ended 31 March 2017 as compared to previous year's corresponding quarter pending delivery of certain number of machines ordered during the quarter.

The revenue of Technical Support and Management ("TSM") division was RM21.8 million for the quarter ended 31 March 2017 as compared to the quarter ended 31 March 2016 of RM21.9 million. However, the profit before tax increased by approximately RM700,000 mainly due to lower depreciation.

The revenue of a new "Engineering Services" division consists of engineering, maintenance and repairing charges.

The revenue of "Others" division is mainly contributed by sales of refurbished machines and table games layout.



18. Comparison with Previous Quarter's Results

| | CURRENT QUARTER RM'000 | PREVIOUS QUARTER RM'000 | % +/(-) |
|---|---------------------------------------|--|--------------------|
| Revenue | | | |
| Sales and Marketing | 15,420 | 21,365 | -28% |
| Technical Support and Management | 21,787 | 23,407 | -7% |
| Engineering Services | 441 | - | +100% |
| Others (1) | 48 | 98 | -51% |
| Revenue | <u>37,696</u> | <u>44,870</u> | <u>-16%</u> |
| EBITDA* | | | |
| Sales and Marketing | 1,282 | 2,832 | -55% |
| Technical Support and Management | 13,487 | 12,920 | +4% |
| Engineering Services | 249 | - | +100% |
| Others | 81 | 97 | -16% |
| Unallocated | (955) | (3,755) | -75% |
| Total | <u>14,144</u> | <u>12,094</u> | <u>+17%</u> |
| Profit/(Loss) before tax | | | |
| Sales and Marketing | 1,238 | 2,789 | -56% |
| Technical Support and Management | 7,273 | 5,479 | +33% |
| Engineering Services | 249 | - | +100% |
| Others | (360) | (374) | -4% |
| | <u>8,400</u> | <u>7,894</u> | <u>+6%</u> |
| Unallocated expenses | (1,001) | (3,800) | -74% |
| - Finance cost | (55) | (61) | -10% |
| - Realised foreign exchange loss | (331) | (420) | -21% |
| - Unrealised foreign exchange gain (trade) | 95 | 208 | -54% |
| - Unrealised foreign exchange gain/(loss) (non-trade) | 749 | (1,930) | +139% |
| - Interest income | 55 | 59 | -7% |
| - Sundry income | 112 | 151 | -26% |
| - Legal and professional fee | (112) | (79) | +42% |
| - Other expenses | (1,514) | (1,728) | -12% |
| Profit before tax | <u>7,399</u> | <u>4,094</u> | <u>+81%</u> |

Note

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

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



18. Comparison with Previous Quarter's Results (Continued)

SSM division recorded lower revenue and profit before tax in this quarter due to late delivery of certain number of machines ordered during the quarter.

The profit before tax for TSM division increased as compared to previous quarter mainly due to lower depreciation for this quarter and provision for slow moving stock in last quarter.

The revenue of a new “Engineering Services” division consists of engineering, maintenance and repairing charges.

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

19. Commentary on Prospects

While the Group still capitalises on the strong performance of certain products under our portfolio in SSM division as well as carrying out further improvement in the performance of concession machines in TSM division for year 2017, the Group is now actively promoting the provision of engineering services to all licensed operators and exploring into new markets. As such, barring unforeseen circumstances, the Group expects to achieve a better performance in this year.

20. Profit Forecast

The company did not announce any profit forecast for the financial year.

21. Income Tax Expense

| | 3 MONTHS ENDED | | 3 MONTHS ENDED | |
|------------------|-----------------------|---------------|-----------------------|---------------|
| | 31 MAR | 31 MAR | 31 MAR | 31 MAR |
| | 2017 | 2016 | 2017 | 2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income Tax | | | | |
| - Current period | 1,151 | 1,391 | 1,151 | 1,391 |
| | <u>1,151</u> | <u>1,391</u> | <u>1,151</u> | <u>1,391</u> |

Domestic income tax is calculated at the Malaysian statutory rate of 24% (2016: 24%) of the estimated assessable profit for the financial period. The effective tax rate of the Group for the financial period 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

There were no corporate proposals announced but not completed as at 26 May 2017.

23. Borrowings

| | AS AT 31 MAR 2017 RM'000 | AS AT 31 DEC 2016 RM'000 |
|--|---|---|
| Short Term Borrowings: | | |
| <u>Secured</u> | | |
| Onshore foreign currency loan | 3,534 | 2,338 |
| Hire purchase payable | 61 | 61 |
| Term loans | 1,769 | 1,794 |
| | <u>5,364</u> | <u>4,193</u> |
| | | |
| Long Term Borrowings: | | |
| <u>Secured</u> | | |
| Hire purchase payable | 103 | 118 |
| Term loans | 3,096 | 3,587 |
| | <u>3,199</u> | <u>3,705</u> |
| | | |
| Total borrowings | <u>8,563</u> | <u>7,898</u> |
| | | |
| Borrowings denominated in foreign currency as at 31 March 2017: | | |
| | USD'000 | RM'000 |
| Borrowings | <u>1,899</u> | <u>8,399</u> |



24. Material Litigation

The Group is not engaged in any material litigation, either as plaintiff or defendant and the Directors do not know of any proceedings pending or threatened or of any fact likely to give to any proceedings which might adversely affect the position or business of the Group, save for the announcements made on 8 February 2013, 15 February 2013 and 21 October 2016.

The representative and witness of RGBML have attended the hearings on 16 February 2017 and 15 March 2017 respectively. The Court's judgement will be delivered at a later date.

25. Dividends

The Board of Directors has proposed a final single-tier dividend of 0.3 sen per ordinary share for the financial year ended 31 December 2016 ("the Final Dividend"). The Final Dividend is subject to the Shareholders' approval at the forthcoming Annual General Meeting. The entitlement date shall be 15 June 2017 and payment will be made on 30 June 2017.

26. Notes to the Statements of Profit or Loss and Other Comprehensive Income

The profit before taxation is after accounting for the following:

| | 3 MONTHS ENDED | | 3 MONTHS ENDED | |
|--|----------------|----------------|----------------|----------------|
| | 31 MAR 2017 | 31 MAR 2016 | 31 MAR 2017 | 31 MAR 2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | (63) | (201) | (63) | (201) |
| Interest expenses | 48 | 815 | 48 | 815 |
| Amortisation of development costs | 70 | 356 | 70 | 356 |
| Bad debts written off | - | 17 | - | 17 |
| Depreciation | 6,623 | 7,698 | 6,623 | 7,698 |
| Impairment of property, plant and equipment | 3 | - | 3 | - |
| Gain on disposal of property, plant and equipment | (1) | - | (1) | - |
| Inventories written down | 61 | - | 61 | - |
| Impairment losses written back (non-trade receivables) | - | (1) | - | (1) |



27. Disclosure of Realised and Unrealised Profits/Losses

The Group's realised and unrealised retained earnings disclosures are as follows:

| | ACCUMULATED QUARTER ENDED | |
|---|--------------------------------------|-----------------------------------|
| | 31 MAR 2017 RM'000 | 31 DEC 2016 RM'000 |
| The accumulated losses of the Company and subsidiaries: | | |
| - Realised | (52,104) | (56,770) |
| - Unrealised | (797) | (1,641) |
| Total share of retained earnings from associates: | | |
| - Realised | 82 | 82 |
| | <hr/> | <hr/> |
| | (52,819) | (58,329) |
| Add: Consolidation adjustments | 76,425 | 75,739 |
| | <hr/> | <hr/> |
| Total Group retained earnings | <u>23,606</u> | <u>17,410</u> |



28. Earnings Per Share

(a) Basic

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

| | 3 MONTHS ENDED | | 3 MONTHS ENDED | |
|--|----------------|----------------|----------------|----------------|
| | 31 MAR 2017 | 31 MAR 2016 | 31 MAR 2017 | 31 MAR 2016 |
| Profit attributable to owners of the Company (RM'000) | 6,196 | 5,930 | 6,196 | 5,930 |
| Weighted average number of ordinary shares in issue ('000) | 1,331,111 | 1,312,687 | 1,331,111 | 1,312,687 |
| Basic earnings per share (sen) | 0.47 | 0.45 | 0.47 | 0.45 |

(b) Diluted

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

| | 3 MONTHS ENDED | | 3 MONTHS ENDED | |
|--|----------------|----------------|----------------|----------------|
| | 31 MAR 2017 | 31 MAR 2016 | 31 MAR 2017 | 31 MAR 2016 |
| Profit attributable to owners of the Company (RM'000) | 6,196 | 5,930 | 6,196 | 5,930 |
| Weighted average number of ordinary shares in issue ('000) | 1,331,111 | 1,312,687 | 1,331,111 | 1,312,687 |
| Effect of dilution of share options | 18,055 | 16,219 | 18,055 | 16,219 |
| Adjusted weighted average number of ordinary shares ('000) | 1,349,166 | 1,328,906 | 1,349,166 | 1,328,906 |
| Diluted earnings per share (sen) | 0.46 | 0.45 | 0.46 | 0.45 |



RGB International Bhd. (603831-K)

29. Authorisation for Issue

On 29 May 2017, 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
Managing Director
29 May 2017