



RGB International Bhd. (603831-K)

(Incorporated in Malaysia)

Interim Unaudited Financial Statements
30 June 2017



CONTENTS

	PAGE
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	1
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	3 - 4
CONSOLIDATED STATEMENT OF CASH FLOWS	5 – 6
EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134	7 – 12
EXPLANATORY NOTES PURSUANT TO APPENDIX 9B (RULE 9.22(2)) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”)	13 – 21



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE-MONTH FINANCIAL PERIOD ENDED 30 JUNE 2017**

	Note	3 MONTHS ENDED		6 MONTHS ENDED	
		30 JUN 2017 RM'000	30 JUN 2016 RM'000	30 JUN 2017 RM'000	30 JUN 2016 RM'000
Revenue	10	59,682	57,997	97,378	114,087
Cost of sales		(34,931)	(39,037)	(56,797)	(79,642)
- Depreciation		(5,861)	(7,012)	(11,970)	(14,224)
- Others		(29,070)	(32,025)	(44,827)	(65,418)
Gross profit		24,751	18,960	40,581	34,445
Other income		1,373	923	2,242	1,861
Administrative expenses		(12,288)	(8,842)	(20,931)	(17,200)
- Depreciation		(503)	(483)	(1,017)	(969)
- Others		(11,785)	(8,359)	(19,914)	(16,231)
Selling and marketing expenses		(1,977)	(2,165)	(3,041)	(3,085)
Other (expenses)/gain, net		(65)	(8)	445	1,161
Operating profit		11,794	8,868	19,296	17,182
Finance costs		(138)	(233)	(241)	(1,102)
Profit before tax		11,656	8,635	19,055	16,080
Income tax expense	21	(2,867)	(1,540)	(4,018)	(2,931)
Profit for the financial period		8,789	7,095	15,037	13,149
Other comprehensive (loss)/income, net of tax					
Item that may be subsequently reclassified to profit or loss:					
- Foreign currency translation, representing other comprehensive (loss)/income for the financial period		(6,095)	3,750	(9,056)	(13,144)
Total comprehensive income		2,694	10,845	5,981	5
Profit attributable to:					
Owners of the Company		8,641	6,979	14,837	12,909
Non-controlling interests		148	116	200	240
		8,789	7,095	15,037	13,149
Total comprehensive income attributable to:					
Owners of the Company		3,198	10,291	6,737	1,120
Non-controlling interests		(504)	554	(756)	(1,115)
		2,694	10,845	5,981	5
Earnings per share attributable to owners of the Company:					
Basic, for profit for the financial period (sen)	28	0.65	0.53	1.11	0.98
Diluted, for profit for the financial period (sen)	28	0.64	0.52	1.10	0.97



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

	Note	AS AT 30 JUN 2017 RM'000	AS AT 31 DEC 2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	109,715	107,862
Investments in associates		172	179
Trade receivables		615	1,517
Other receivables		50	60
Development costs		1,121	991
Other intangible assets		1,074	1,121
Goodwill on combination		870	870
		<u>113,617</u>	<u>112,600</u>
Current assets			
Inventories		4,876	5,123
Trade receivables		77,148	68,203
Other receivables		28,687	28,529
Due from associates		4,303	4,487
Deposits with licensed banks		8,893	8,886
Cash and bank balances		84,135	69,840
		<u>208,042</u>	<u>185,068</u>
TOTAL ASSETS		<u>321,659</u>	<u>297,668</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		134,156	132,918
Share premium		21,128	21,124
Foreign exchange translation reserve		22,935	31,035
Share option reserve		1,122	964
Retained earnings		24,230	17,410
		<u>203,571</u>	<u>203,451</u>
Non-controlling interests		<u>21,785</u>	<u>22,541</u>
Total equity		<u>225,356</u>	<u>225,992</u>
Non-current liabilities			
Borrowings	23	2,664	3,705
Trade payables		365	509
Deferred tax liabilities		150	150
		<u>3,179</u>	<u>4,364</u>
Current liabilities			
Borrowings	23	3,599	4,193
Trade payables		34,372	31,630
Other payables		53,037	31,103
Due to associates		92	96
Tax payable		2,024	290
		<u>93,124</u>	<u>67,312</u>
Total liabilities		<u>96,303</u>	<u>71,676</u>
TOTAL EQUITY AND LIABILITIES		<u>321,659</u>	<u>297,668</u>
Net assets per share (sen)		<u>15</u>	<u>15</u>



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016 AND 30 JUNE 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	-	-	-	-	14,837	14,837	200	15,037
Foreign currency translations	-	-	(8,100)	-	-	(8,100)	(956)	(9,056)
Total comprehensive income for the financial period	-	-	(8,100)	-	14,837	6,737	(756)	5,981
Transaction with owners:								
Issue of ordinary shares pursuant to ESOS	1,238	4	-	(272)	-	970	-	970
Share option granted under ESOS	-	-	-	430	-	430	-	430
Dividends	-	-	-	-	(8,017)	(8,017)	-	(8,017)
Total transactions with owners	1,238	4	-	158	(8,017)	(6,617)	-	(6,617)
At 30 June 2017	134,156	21,128	22,935	1,122	24,230	203,571	21,785	225,356



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016 AND 30 JUNE 2017**

	----- Attributable to owners of the Company -----					Total	Non-controlling Interests	Total Equity
	----- Non-Distributable -----							
	Share Capital	Share Premium	Foreign Exchange Translation Reserve	Share Option Reserve	(Accumulated Losses)/ Earnings	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	-	-	-	12,909	12,909	240	13,149
Foreign currency translations	-	-	(11,789)	-	-	(11,789)	(1,355)	(13,144)
Total comprehensive income for the financial period	-	-	(11,789)	-	12,909	1,120	(1,115)	5
Transaction with owners:								
Issue of ordinary shares pursuant to ESOS	1,171	137	-	(118)	-	1,190	-	1,190
Share option granted under ESOS	-	-	-	165	-	165	-	165
Dividends	-	-	-	-	(3,295)	(3,295)	-	(3,295)
Total transactions with owners	1,171	137	-	47	(3,295)	(1,940)	-	(1,940)
At 30 June 2016	131,933	20,911	11,788	1,037	8,764	174,433	20,012	194,445



**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

	6 MONTHS ENDED	
	30 JUN	30 JUN
	2017	2016
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	19,055	16,080
Adjustments for:		
Amortisation of development costs	177	699
Bad debts written off	-	17
Depreciation	12,987	15,193
Impairment of property, plant and equipment	3	2
Impairment of property, plant and equipment written back	-	(14)
Gain on disposal of property, plant and equipment	(1)	-
Property, plant and equipment written off	22	-
Inventories written down	242	385
Impairment losses written back (trade receivables)	-	(2)
Impairment losses written back (non-trade receivables)	-	(1)
Share options granted under ESOS	430	165
Interest expense	113	984
Interest income	(141)	(251)
Unrealised forex gain	(1,171)	(1,303)
Operating profit before changes in working capital	<u>31,716</u>	<u>31,954</u>
Changes in working capital:		
Receivables, amount due from jointly controlled entities, associates and inventories	(7,148)	5,060
Payables and amount due to associates	25,212	6,456
Cash from operations	<u>49,780</u>	<u>43,470</u>
Interest paid	(113)	(366)
Taxes paid	(2,284)	(2,955)
Net cash from operating activities	<u>47,383</u>	<u>40,149</u>



**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

	6 MONTHS ENDED	
	30 JUN 2017 RM'000	30 JUN 2016 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(20,362)	(11,230)
Proceeds from disposal of property, plant and equipment	1	-
Changes in fixed deposits pledged to licensed banks	(61)	10
Changes in bank balances pledged to licensed banks	(112)	3,563
Expenditure on development costs	(340)	-
Interest received	141	251
Net cash used in investing activities	<u>(20,733)</u>	<u>(7,406)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of onshore foreign currency loan	(455)	-
Net repayment of term loan, commercial papers and medium term notes	(1,086)	(28,704)
Repayment of hire purchase payable	(37)	(29)
Proceeds from issuance of shares	970	1,190
Dividends paid	(8,017)	(3,295)
Net cash used in financing activities	<u>(8,625)</u>	<u>(30,838)</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	18,025	1,905
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(3,896)	(4,615)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	<u>67,727</u>	<u>69,141</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u>81,856</u>	<u>66,431</u>
* Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	84,135	70,319
Deposits with licensed banks	8,893	8,577
	<u>93,028</u>	<u>78,896</u>
Less: Fixed deposit pledged to licensed banks	(8,023)	(7,707)
Less: Bank balances pledged to licensed banks	(3,149)	(4,758)
	<u>81,856</u>	<u>66,431</u>



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	8,920	21,563
As at 30 June/31 December	<u>1,338,104</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.

The Company has subsequently paid a final single-tier dividend of 0.3 sen per ordinary share for the year ended 31 December 2016 on 30 June 2017.



10. Segmental Information

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

	3 MONTHS ENDED		6 MONTHS ENDED	
	30 JUN 2017 RM'000	30 JUN 2016 RM'000	30 JUN 2017 RM'000	30 JUN 2016 RM'000
Segment Revenue				
Sales and Marketing	36,794	33,919	52,214	68,093
Technical Support and Management	22,326	23,971	44,113	45,862
Engineering Services	440	-	881	-
Others (1)	185	170	296	258
	<u>59,745</u>	<u>58,060</u>	<u>97,504</u>	<u>114,213</u>
Eliminations	(63)	(63)	(126)	(126)
Revenue	<u>59,682</u>	<u>57,997</u>	<u>97,378</u>	<u>114,087</u>
EBITDA*				
Sales and Marketing	8,564	3,128	9,846	5,832
Technical Support and Management	11,111	15,150	24,598	29,031
Engineering Services	238	-	487	-
Others	658	(89)	739	(181)
Unallocated	(2,378)	(1,560)	(3,333)	(1,738)
Total	<u>18,193</u>	<u>16,629</u>	<u>32,337</u>	<u>32,944</u>
Segment Results				
Sales and Marketing	8,523	2,780	9,763	5,121
Technical Support and Management	5,194	8,076	12,513	14,675
Engineering Services	237	-	486	-
Others	189	(453)	(171)	(921)
	<u>14,143</u>	<u>10,403</u>	<u>22,591</u>	<u>18,875</u>
Unallocated expenses	(2,349)	(1,535)	(3,295)	(1,693)
- Realised foreign exchange loss	(370)	(498)	(701)	(154)
- Unrealised foreign exchange loss (trade)	(339)	(486)	(244)	(271)
- Unrealised foreign exchange gain (non-trade)	666	964	1,415	1,574
- Interest income	67	50	122	251
- Sundry income	41	324	153	486
- Legal and professional fee	(84)	(119)	(196)	(228)
- Other expenses	(2,330)	(1,770)	(3,844)	(3,351)
Operating profit	<u>11,794</u>	<u>8,868</u>	<u>19,296</u>	<u>17,182</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) 109,400 ordinary shares at an issue price of RM0.10 per ordinary share;
 - (ii) 20,000 ordinary shares at an issue price of RM0.104 per ordinary share; and
 - (iii) 108,000 ordinary shares at an issue price of RM0.105 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 30 JUN 2017 RM'000
Gaming machines, furnitures, equipment and renovation	<u>46,800</u>



16. Significant Related Party Transactions

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

	01.04.2017 to 30.06.2017 RM'000	01.01.2017 to 30.06.2017 RM'000
Sales of products to:		
- Channel Paradise Sdn. Bhd.	134	1,098
TSM share of profit from:		
- Timor Holding, S.A. (formerly known as Timor Holding, Lda.)	1,092	2,175

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			6 MONTHS ENDED		
	30 JUN 2017	30 JUN 2016	%	30 JUN 2017	30 JUN 2016	%
	RM'000	RM'000	+ / (-)	RM'000	RM'000	+ / (-)
Revenue						
Sales and Marketing	36,794	33,919	+8%	52,214	68,093	-23%
Technical Support and Management	22,326	23,971	-7%	44,113	45,862	-4%
Engineering Services	440	-	+100%	881	-	+100%
Others (1)	122	107	+14%	170	132	+29%
Total	59,682	57,997	+3%	97,378	114,087	-15%
EBITDA*						
Sales and Marketing	8,564	3,128	+174%	9,846	5,832	+69%
Technical Support and Management	11,111	15,150	-27%	24,598	29,031	-15%
Engineering Services	238	-	+100%	487	-	+100%
Others	658	(89)	+839%	739	(181)	+508%
Unallocated	(2,378)	(1,560)	+52%	(3,333)	(1,738)	+92%
Total	18,193	16,629	+9%	32,337	32,944	-2%
Profit/(Loss) before tax						
Sales and Marketing	8,504	2,777	+206%	9,742	5,115	+90%
Technical Support and Management	5,148	8,012	-36%	12,421	14,541	-15%
Engineering Services	237	-	+100%	486	-	+100%
Others	189	(453)	+142%	(171)	(921)	-81%
	14,078	10,336	+36%	22,478	18,735	+20%
Unallocated expenses	(2,422)	(1,701)	+42%	(3,423)	(2,655)	+29%
- Finance cost	(73)	(166)	-56%	(128)	(962)	-87%
- Realised foreign exchange loss	(370)	(498)	-26%	(701)	(154)	+355%
- Unrealised foreign exchange loss (trade)	(339)	(486)	-30%	(244)	(271)	-10%
- Unrealised foreign exchange gain (non-trade)	666	964	-31%	1,415	1,574	-10%
- Interest income	67	50	+34%	122	251	-51%
- Sundry income	41	324	-87%	153	486	-69%
- Legal and professional fee	(84)	(119)	-29%	(196)	(228)	-14%
- Other expenses	(2,330)	(1,770)	+32%	(3,844)	(3,351)	+15%
Profit before tax	11,656	8,635	+35%	19,055	16,080	+19%

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 increased by 8% and 206% respectively for the quarter ended 30 June 2017 as compared to previous year's corresponding quarter due to variation in product mix and one-off sales of certain products.

Technical Support and Management ("TSM") division achieved revenue of RM22.3 million for the quarter ended 30 June 2017, lower by 7% as compared to previous year's corresponding quarter owing to lower performance of certain outlets. Meanwhile, the profit before tax decreased by 36% due to charge-out of performance bonus paid to staff and payment for the implementation of new system for TSM outlets in addition to the slight drop in revenue during the quarter.

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.

(ii) Comparison with previous year's corresponding period

The revenue for SSM division decreased by 23% for the first half of 2017 as compared to preceding year mainly due to decrease in number of machines sold. However, the profit before tax increased by 90% due to variation in product mix and one-off sales of certain products.

The revenue and profit before tax for TSM division decreased by 4% and 15% respectively for the first half of 2017 as compared to preceding year primarily due to overall increase in staff costs, travelling expenses and payment for the implementation of new system for TSM outlets.

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



18. Comparison with Previous Quarter's Results

	CURRENT QUARTER RM'000	PREVIOUS QUARTER RM'000	% +/(-)
Revenue			
Sales and Marketing	36,794	15,420	+139%
Technical Support and Management	22,326	21,787	+2%
Engineering Services	440	441	-0%
Others (1)	122	48	+154%
Revenue	<u>59,682</u>	<u>37,696</u>	<u>+58%</u>
EBITDA*			
Sales and Marketing	8,564	1,282	+568%
Technical Support and Management	11,111	13,487	-18%
Engineering Services	238	249	-4%
Others	658	81	+712%
Unallocated	(2,378)	(955)	+149%
Total	<u>18,193</u>	<u>14,144</u>	<u>+29%</u>
Profit/(Loss) before tax			
Sales and Marketing	8,504	1,238	+587%
Technical Support and Management	5,148	7,273	-29%
Engineering Services	237	249	-5%
Others	189	(360)	+153%
	<u>14,078</u>	<u>8,400</u>	<u>+68%</u>
Unallocated expenses	(2,422)	(1,001)	+142%
- Finance cost	(73)	(55)	+33%
- Realised foreign exchange loss	(370)	(331)	+12%
- Unrealised foreign exchange (loss)/gain (trade)	(339)	95	-457%
- Unrealised foreign exchange gain (non-trade)	666	749	-11%
- Interest income	67	55	+22%
- Sundry income	41	112	-63%
- Legal and professional fee	(84)	(112)	-25%
- Other expenses	(2,330)	(1,514)	+54%
Profit before tax	<u>11,656</u>	<u>7,399</u>	<u>+58%</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 high revenue and profit before tax in this quarter due to increase in number of machine and casino equipment sold.

The profit before tax for TSM division decreased by 29% as compared to previous quarter mainly due to charge-out of performance bonus paid to staff and payment for the implementation of new system for TSM outlets in this 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		6 MONTHS ENDED	
	30 JUN 2017 RM'000	30 JUN 2016 RM'000	30 JUN 2017 RM'000	30 JUN 2016 RM'000
Income Tax				
- Current period	2,867	1,540	4,018	2,931
	<u>2,867</u>	<u>1,540</u>	<u>4,018</u>	<u>2,931</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 28 August 2017.

23. Borrowings

	AS AT 30 JUN 2017 RM'000	AS AT 31 DEC 2016 RM'000
Short Term Borrowings:		
<u>Secured</u>		
Onshore foreign currency loan	1,819	2,338
Hire purchase payable	62	61
Term loans	1,718	1,794
	<u>3,599</u>	<u>4,193</u>
Long Term Borrowings:		
<u>Secured</u>		
Hire purchase payable	87	118
Term loans	2,577	3,587
	<u>2,664</u>	<u>3,705</u>
Total borrowings	<u>6,263</u>	<u>7,898</u>
Borrowings denominated in foreign currency as at 30 June 2017:		
	USD'000	RM'000
Borrowings	<u>1,423</u>	<u>6,114</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 in due course.

25. Dividends

As disclosed in Note 9.

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		6 MONTHS ENDED	
	30 JUN 2017 RM'000	30 JUN 2016 RM'000	30 JUN 2017 RM'000	30 JUN 2016 RM'000
Interest income	(78)	(50)	(141)	(251)
Interest expenses	65	169	113	984
Amortisation of development costs	107	343	177	699
Bad debts written off	-	-	-	17
Depreciation	6,364	7,495	12,987	15,193
Impairment of property, plant and equipment	-	2	3	2
Impairment of property, plant and equipment written	-	(14)	-	(14)
Gain on disposal of property, plant and equipment	-	-	(1)	-
Property, plant and equipment written off	22	-	22	-
Inventories written down	181	385	242	385
Impairment losses written back (trade receivables)	-	(2)	-	(2)
Impairment losses written back (non-trade receivables)	-	-	-	(1)



27. Disclosure of Realised and Unrealised Profits/Losses

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

	ACCUMULATED QUARTER ENDED	
	30 JUN 2017 RM'000	31 DEC 2016 RM'000
The accumulated losses of the Company and subsidiaries:		
- Realised	(55,505)	(56,770)
- Unrealised	(506)	(1,641)
Total share of retained earnings from associates:		
- Realised	82	82
	<hr/>	<hr/>
	(55,929)	(58,329)
Add: Consolidation adjustments	80,159	75,739
Total Group retained earnings	<hr/> <hr/>	<hr/> <hr/>
	24,230	17,410

**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		6 MONTHS ENDED	
	30 JUN 2017	30 JUN 2016	30 JUN 2017	30 JUN 2016
Profit attributable to owners of the Company (RM'000)	8,641	6,979	14,837	12,909
Weighted average number of ordinary shares in issue ('000)	1,336,501	1,318,306	1,333,821	1,315,496
Basic earnings per share (sen)	0.65	0.53	1.11	0.98

(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		6 MONTHS ENDED	
	30 JUN 2017	30 JUN 2016	30 JUN 2017	30 JUN 2016
Profit attributable to owners of the Company (RM'000)	8,641	6,979	14,837	12,909
Weighted average number of ordinary shares in issue ('000)	1,336,501	1,318,306	1,333,821	1,315,496
Effect of dilution of share options	14,528	12,218	19,172	16,183
Adjusted weighted average number of ordinary shares ('000)	1,351,029	1,330,524	1,352,993	1,331,679
Diluted earnings per share (sen)	0.64	0.52	1.10	0.97



RGB International Bhd. (603831-K)

29. Authorisation for Issue

On 29 August 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 August 2017