RGB International Bhd.

(603831-K)

ANNUAL REPORT

2015

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CORPORATE PROFILE

RGB International Bhd. (“RGB” or “the Company”) was incorporated on 16 January 2003 under the Malaysian Companies Act, 1965.

RGB is an investment holding company with subsidiary companies (“RGB Group” or “the Group”) primarily involved in:
- sales & marketing, and manufacturing of electronic gaming machines and equipment (“SSM”)
- machine concession programmes & technical support management (“TSM”)

The history of RGB’s involvement in the gaming industry began way back in 1986 through its wholly owned subsidiary, RGB Sdn. Bhd. (“RGBSB”). Through RGBSB, RGB is acknowledged as a leading supplier of electronic gaming machines and casino equipment in Asia region. Today, the Group is also a major machine concession programmes provider in Asia.

RGB has marked its presence in Malaysia and also operates in Kingdom of Cambodia, Lao PDR, Vietnam, Singapore, the Philippines, Macau SAR, Timor-Leste and Nepal.

VISION

To be a leading manufacturer, distributor, concession and technical support services provider in the gaming industry.

MISSION

To be the premier integrated Gaming Solutions Specialist focusing on the manufacturing, distribution, concession and management of gaming machines that provide ultimate recreational experience.

CORE VALUES

Our commitment to excellence springs forth from a strong foundation of CORE VALUES:

OUR PEOPLE, OUR KEY ASSETS

Continuously identifying new talents and developing our team in upholding high standards of ethics, integrity and honesty at all times.

QUALITY

Striving and delivering the best quality of service and products.

CORPORATE LEADERSHIP

Increasing shareholders value while simultaneously focusing on growth guided by good corporate governance and financial discipline.

CORPORATE SOCIAL RESPONSIBILITY

Participating in projects that benefit the community and environment.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Mahinder Singh Dulku
Independent Non-Executive Chairman

Datuk Chuah Kim Seah
Managing Director

Datuk Steven Lim Tow Boon
Chief Operating Officer

Mr. Mazlan Ismail
Mr. Chuah Kim Chiew
Executive Directors

Mr. Ng Eng Tong
Senior Independent Non-Executive Director

Ms. Lam Voon Kean
Dato' Wira Norazman Hamidun
Independent Non-Executive Directors

Audit Committee
Ms. Lam Voon Kean, *Chairman*
Dato' Mahinder Singh Dulku
Mr. Ng Eng Tong
Dato' Wira Norazman Hamidun

Remuneration Committee
Dato' Mahinder Singh Dulku, *Chairman*
Datuk Chuah Kim Seah
Mr. Ng Eng Tong
Ms. Lam Voon Kean
Dato' Wira Norazman Hamidun

Nomination Committee
Mr. Ng Eng Tong, *Chairman*
Dato' Mahinder Singh Dulku
Ms. Lam Voon Kean
Dato' Wira Norazman Hamidun

Employees' Share Option Scheme ("ESOS") Committee
Mr. Ng Eng Tong, *Chairman*
Dato' Mahinder Singh Dulku
Datuk Steven Lim Tow Boon
Ms. Lam Voon Kean
Dato' Wira Norazman Hamidun

Credit Review & Risk Assessment ("CRRA") Committee
Dato' Gan Kong Meng, *Chairman*
Datuk Chuah Kim Seah
Ms. Teh Mun Hui

Executive Committee
Datuk Chuah Kim Seah, *Chairman*
Datuk Steven Lim Tow Boon
Mr. Chuah Kim Chiew
Mr. Chuah Eng Hwa
Ms. Teh Mun Hui
Mr. Ganaser Kaliappen

Company Secretary
Ms. Woon Mei Ling (MAICSA 7047736)

Registered Office
Suite 16-1 (Penthouse Upper)
Menara Penang Garden
42-A Jalan Sultan Ahmad Shah
10050 Penang, Malaysia
Tel : +(60)4 229 4390
Fax : +(60)4 226 5860

Principal Place of Business
8 Green Hall, 10200 Penang, Malaysia
Tel : +(60)4 263 1111
Fax : +(60)4 263 1188
E-mail : ir@rgbgames.com
Website : www.rgbgames.com

Share Registrars
Agriteum Share Registration Services Sdn. Bhd.
2nd Floor, Wisma Penang Garden
42 Jalan Sultan Ahmad Shah
10050 Penang, Malaysia
Tel : +(60)4 228 2321
Fax : +(60)4 227 2391

Legal Form and Domicile
Public Limited Liability Company
Incorporated and Domiciled in Malaysia

Stock Exchange Listing
Main Market of Bursa Malaysia Securities Berhad
Stock code : 0037
Stock name : RGB

Auditors
BDO (AF 0206)
Chartered Accountants
51-21-F Menara BHL
Jalan Sultan Ahmad Shah
10050 Penang, Malaysia

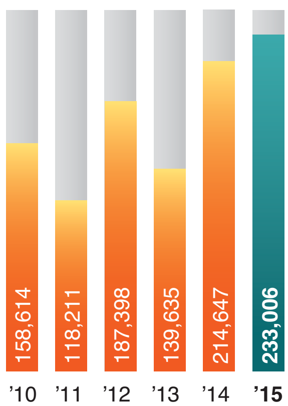
Principal Bankers
Malayan Banking Berhad
Maybank International Labuan Branch
Hong Leong Bank Berhad

GROUP FINANCIAL HIGHLIGHTS

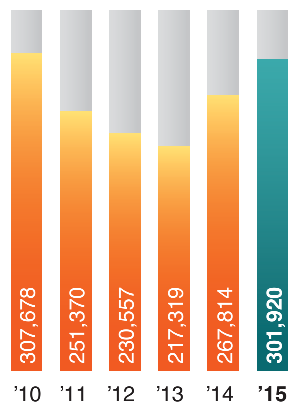
	'15 RM'000	'14 RM'000	'13 RM'000	'12 RM'000	'11 RM'000	'10 RM'000
Revenue	**233,006**	214,647	139,635	187,398	118,211	158,614
Profit/(Loss) Before Tax	**25,111**	19,696	6,530	6,133	(32,808)	(59,469)
EBITDA*	**62,323**	55,081	49,030	52,233	40,731	30,511
Net Profit/(Loss)	**21,289**	18,156	5,966	6,036	(32,895)	(58,906)
Cash and Bank Balances	**75,528**	44,793	26,855	26,030	26,735	15,861
Property, Plant and Equipment	**118,578**	108,075	115,180	107,841	121,739	176,162
Total Assets	**301,920**	267,814	217,319	230,557	251,370	307,678
Shareholders' Equity	**175,253**	104,708	74,962	59,495	59,445	85,847

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

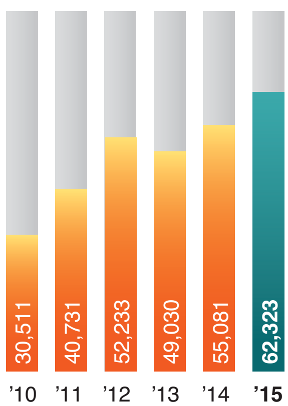
REVENUE
(RM'000)



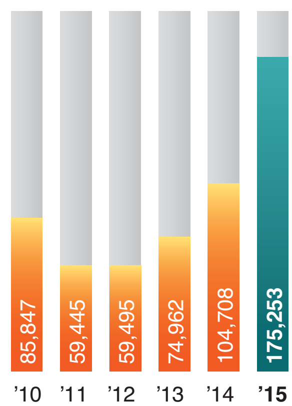
TOTAL ASSETS
(RM'000)



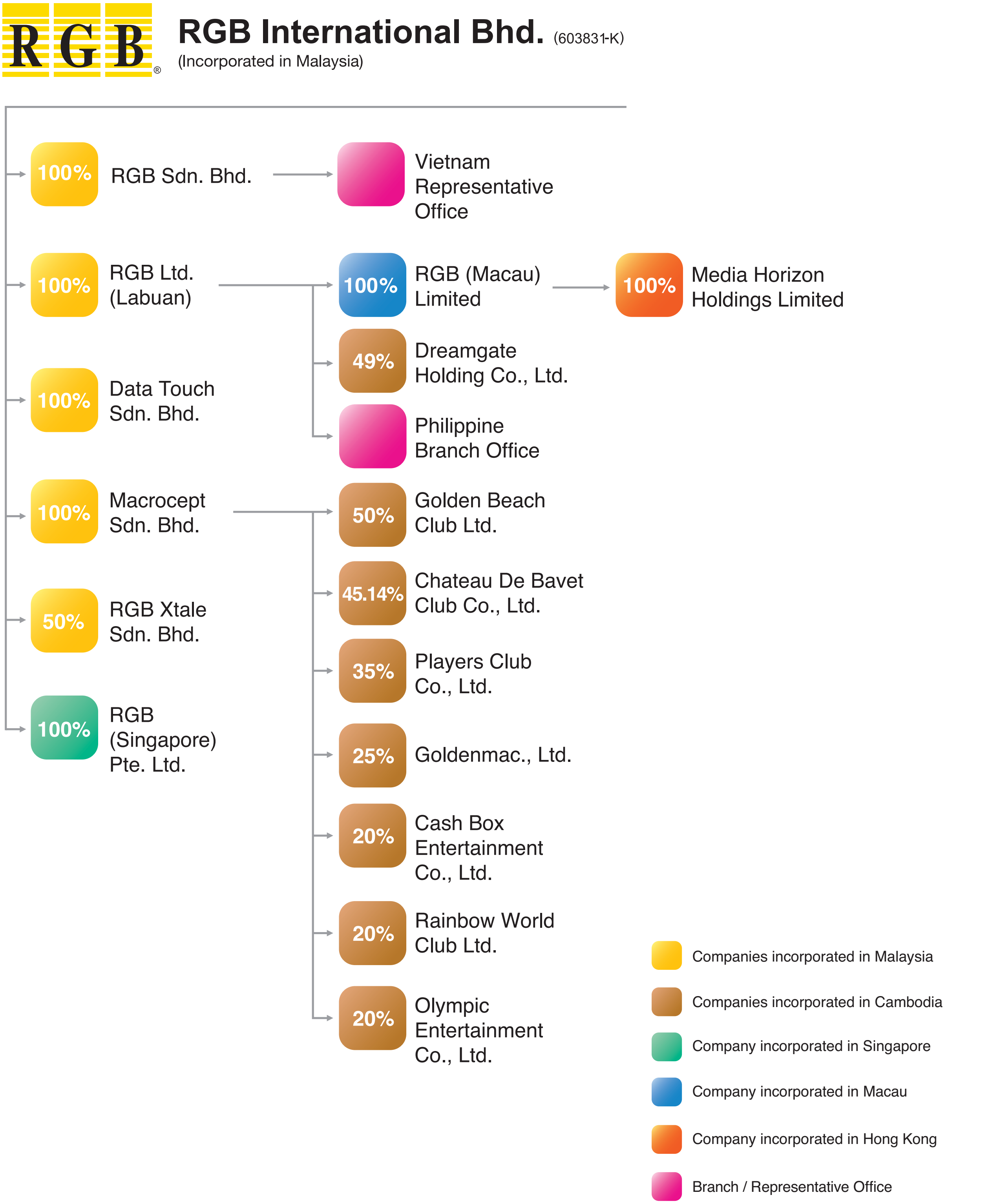
EBITDA*
(RM'000)



SHAREHOLDERS' EQUITY
(RM'000)



CORPORATE STRUCTURE
AS AT 31 MARCH 2016



PROFILE OF DIRECTORS

Dato' Mahinder Singh Dulku, *DSPN, PKT*
Independent Non-Executive Chairman

Malaysian, 73 years of age
Utter Barrister, Lincoln's Inn, UK

Dato' Mahinder joined the Board of RGB on 28 April 2006 as Independent Non-Executive Director and later assumed the position as Senior Independent Non-Executive Director on 18 April 2007. He was further appointed as Chairman of the Board on 31 March 2014. He also chairs the Remuneration Committee and serves as member of the Audit, Nomination and ESOS Committees.

Admitted as an Advocate & Solicitor, Malaya in 1973, Dato' Mahinder has been practising law specialising in land, contract and corporate laws. He has more than 40 years of legal practice experience. He had been elected twice as Chairman of Penang Bar Committee and a member of the Bar Council over that period. Dato' Mahinder is a Trustee of both the Penang Swimming Club and the Old Xaverians' Association, Penang. He is also the Chairman of the Board of Governors of Khalsa Dharmik School, Penang.

He had attended all 6 Board meetings held in the financial year.

PROFILE OF DIRECTORS

***Datuk Chuah Kim Seah**, DMSM, DSDK, JP*
Managing Director
Malaysian, 63 years of age

- *Fellow, Association of Chartered Certified Accountants*
- *Member, Malaysian Institute of Accountants ("MIA")*

Appointed to the Board on 30 October 2003, Datuk Chuah chairs the Executive Committee and serves as member of Remuneration and CRRA Committees.

Datuk Chuah has been involved in the gaming and amusement industry for more than 29 years and has extensive experience in strategic as well as sales and marketing management. He and his brother, Mr. Chuah Kim Chiew, marked their beginning in the gaming and amusement industry through RGBSB. Presently, Datuk Chuah plans and develops the Group's strategic business direction, plans and policies. He also assesses potential business ventures and alliances for the Group.

He sits on the Board of certain subsidiary companies of RGB.

He had attended all 6 Board meetings convened in the financial year.

***Datuk Steven Lim Tow Boon**, PJN, BKM*
Chief Operating Officer
Malaysian, 55 years of age

Bachelor of Arts, Brock University, Canada

Datuk Lim joined the Board on 30 October 2003. He assumed the position as Chief Operating Officer ("COO") of RGB Business Division in 2009 and thereafter re-designated as COO of the Group in August 2013. He is also a member of both the ESOS and Executive Committees.

Datuk Lim's key responsibilities as COO are leading strategic planning and overseeing the overall operation and management of Gaming Division of the Group.

Datuk Lim joined the Group in 1988 as Management Executive focusing on sales and marketing of amusement and gaming machines. His broad experience and expertise in sales and marketing has boosted the growth of the Group's market share in the gaming industry.

He currently holds directorships in several subsidiary companies within RGB Group.

He had attended all 6 Board meetings held in the financial year.

Mr. Mazlan Ismail
Executive Director
Malaysian, 53 years of age

- *Ordinary Member, Malaysian Institute of Management*
- *Diploma in Management, Malaysian Institute of Management*

A Board member since 30 October 2003, Mr. Mazlan is heading Corporate & Business Development division and responsible for investor relations and corporate developments functions for the Group.

Mr. Mazlan began his career as Senior Audit Assistant with Chuah & Associates in 1988 before leaving to pursue other career opportunities 3 years later.

He is also a director of several subsidiary companies of RGB.

He had attended all 6 Board meetings held during the year.

Mr. Chuah Kim Chiew
Executive Director
Malaysian, 53 years of age

Bachelor of Business Administration, University of Waseda, Japan

Mr. Chuah was appointed to the Board on 30 October 2003 and is currently responsible for TSM activities of the Group for all regions. He also serves as member of the Executive Committee.

His ties to the Group began more than 29 years ago when he was appointed as a Director of RGBSB. Together with Datuk Chuah, they began their ventures and challenges in the gaming and amusement industry.

Mr. Chuah also sits on the Board of several subsidiary and associate companies of RGB.

He had attended all 6 Board meetings convened during the year.

PROFILE OF DIRECTORS

Mr. Ng Eng Tong
Senior Independent Non-Executive Director
Malaysian, 70 years of age

Bachelor of Science (Honours) in Chemical Engineering, University of Wales

Mr. Ng joined the Board on 27 May 2011. He chairs the Nomination and ESOS Committees and serves as member of the Audit and Remuneration Committees.

Mr. Ng is presently a Board member of Lembaga Totalisator Malaysia and a Committee member of Royal Perak Turf Club. He was with Shell Malaysia and later Pan Malaysian Pools Sdn. Bhd., a wholly owned subsidiary of Tanjong Plc., as Chairman and Chief Executive Officer until his retirement in February 2008.

He had attended all 6 Board meetings held in the financial year.

Ms. Lam Voon Kean
Independent Non-Executive Director
Malaysian, 63 years of age

- *Member, MIA*
- *Member, Malaysian Institute of Certified Public Accountants ("MICPA")*

Ms. Lam was appointed to the Board on 31 March 2014. She chairs the Audit Committee and serves as member of the Remuneration, Nomination and ESOS Committees.

Ms. Lam joined KPMG Penang in 1974 as an articled student and qualified as a Certified Public Accountant in 1981. She was one of the senior audit managers of KPMG Penang and acted as the engagement manager for various audit engagements and also for assignments relating to the listing of shares on the Malaysian Stock Exchange and was involved in the review and preparation of profit and cash flow forecasts and projections. In 1994, she left KPMG Penang and joined M&C Services Sdn. Bhd. (now known as Boardroom Corporate Services (KL) Sdn. Bhd.). She was promoted to Executive Director managing a suite of business solutions and services for public listed companies, private companies and branches of multi-national companies. She was promoted to become the Managing Director of Boardroom Corporate Services (Penang) Sdn. Bhd. ("Boardroom") consequent to internal restructuring exercises in 2005 and retired on 31 December 2011. Upon retirement, she accepted a one-year contract to act as consultant to Boardroom effective from 1 January 2012.

Ms. Lam is also an Independent Non-Executive Director of Asia File Corporation Bhd. and Globetronics Technology Berhad.

She had attended 5 out of 6 Board meetings held during the financial year.

PROFILE OF DIRECTORS

Dato' Wira Norazman Hamidun, *PJN, DGMK, DSDK, AMK, JP*
Independent Non-Executive Director
Malaysian, 52 years of age

- *MARA University of Technology majoring in Business Studies*
- *Corporate Member, Malaysian Institute of Marketing*

Dato' Wira Norazman joined the Board on 1 April 2014. He serves as member of the Audit, Remuneration, Nomination and ESOS Committees.

Dato' Wira Norazman started his career in 1990 as an Assistant Deputy Registrar for Kota Setar District and Land Department ("PTD Kota Setar"). During his service with PTD Kota Setar, he was posted to Land Acquisition Department where he gained experience and knowledge in land issues. He was promoted to State Land Officer in 1994 and posted to Land Registration Department. He left government service in 1998 to concentrate on his business.

Dato' Wira Norazman is the Chief Executive Officer/Chairman of HMS Oil & Gas Sdn. Bhd. He also sits on the Board of several other private limited companies.

He had attended 4 out of 6 Board meetings convened during the financial year.

Notes:

Family Relationship with Directors and/or Major Shareholders
Datuk Chuah Kim Seah is a substantial shareholder of RGB and the brother of Mr. Chuah Kim Chiew.

Save as disclosed herein, none of the other Directors has any family relationship with any directors and/or major shareholders of the Company.

Conflict of Interest
None of the Directors has any conflict of interest with the Company.

Conviction for Offences
None of the Directors has any conviction for offences in the past ten (10) years other than traffic offences.

Other Directorships
Except as disclosed by Ms. Lam Voon Kean, none of the Directors hold directorships in other public listed companies.

KEY MANAGEMENT TEAM

Mr. Chuah Eng Hwa
Vice President

Mr. Chuah joined the Group on 1 April 2015 as Vice President. He is primarily responsible for the new investment relations and oversees the implementation of policies and operational management for administrative, compliance and information technology for RGB Group.

Prior to joining the Group, he has almost 6 years of experience with Ernst & Young in transaction advisory and assurance services.

Mr. Chuah graduated from Monash University in 2008 with a Bachelor of Business (Accounting) and a Bachelor of Computing. Currently, he is a member of both the Institute of Chartered Accountants Australia ("ICAA") and MICPA.

He serves as member of the Executive Committee and he sits on the Board of a subsidiary company of RGB.

Ms. Teh Mun Hui
Chief Financial Officer

Ms. Teh was the Finance Director, a position she held since 2007. She has been re-designated as Chief Financial Officer in 2015. She oversees the accounting, financial management and corporate finance functions for RGB Group. In 2015, her responsibilities are expanded to overseeing treasury, credit control and risk assessment functions for the Group.

Ms. Teh started her career with Arthur Andersen & Co. (now known as Ernst & Young) in its audit assurance division before joining RGB Group 4 years later as Finance Manager in 2001.

A graduate of University Malaya with a Bachelor in Accounting degree in 1997, Ms. Teh obtained the MICPA qualifications in 1998. She is currently a member of the MIA and MICPA.

Ms. Teh is a member of both CRRA and Executive Committees and sits on the Board of several subsidiary and associate companies of RGB.

KEY MANAGEMENT TEAM

Mr. Ganaser Kaliappen
Regulatory Compliance Director

As Regulatory Compliance Director, Mr. Ganaser is responsible for managing regulatory compliance with the authorities and legislations in the various countries where the Group operates. He joined RGB Group as General Manager, Regulatory Compliance in 2004 and appointed to his current position in 2009.

Mr. Ganaser was with the Administrative and Diplomatic Service of the Government for 25 years before retiring as Director in the Ministry of Defence. Earlier, he was the Principal Assistant Secretary with the Ministry of Finance where he managed the financial control, gaming licensing and regulatory compliance matters.

He graduated from University Malaya with a Bachelor of Arts degree and a Diploma in Education. He also holds a Diploma in Public Management from National Institute of Public Training and a Master in Public & International Affairs from University of Pittsburgh, USA.

Mr. Ganaser serves as member of the Executive Committee and sits on the Board of a subsidiary company.

Dato' Gan Kong Meng, *DSDK, PSPP, SDK, DJN, BCN, SMP, AMK, KMN, PPA*
Senior Vice President, Corporate Integrity

Dato' Gan holds the position of Senior Vice President, Corporate Integrity since 2015 and is responsible for managing risk functions for the Group. He chairs the CRRA Committee.

Dato' Gan has extensive experience in crime analysis and investigations. He was with the Royal Malaysia Police for 39 years before retiring as a Senior Assistant Commissioner of Police in 2015. He was the officer-in-charge of Police District of George Town, Penang and Kuala Lumpur City Criminal Investigation Chief.

He received his Bachelor of Science (Mathematics and Physics) and Master in Social Science (Anthropology/Sociology) from Universiti Sains Malaysia in 1991 and 2007 respectively. He also obtained a Diploma in Police Science from Universiti Kebangsaan Malaysia.

Dato' Gan is also an Independent Non-Executive Director of Grand United Holdings Berhad since 1 June 2015.

CHAIRMAN'S MESSAGE

Dear Shareholders,

On behalf of the Board of Directors of the Company ("the Board"), it is my privilege to present to you our Annual Report and Audited Financial Statements for the financial year ended ("FYE") 31 December 2015.

FINANCIAL OVERVIEW

Over the past four (4) years, the Group has continued to grow and strengthen its position despite the challenging economic environment as a result of strategic planning and financial discipline.

A snapshot of the Group's performance for 2015 is as follows:

	2015 RM million	2014 RM million	Change %
Revenue	233.0	214.6	Up 9%
EBITDA	62.3	55.1	Up 13%
Operating cash flow	50.9	48.6	Up 5%
Profit before tax	25.1	19.7	Up 27%
Foreign exchange loss	(4.0)	(3.2)	Up 25%
Shareholders' equity	175.3	104.7	Up 67%
Earnings per share (sen)	1.66	1.59	Up 4%

CAPITAL MANAGEMENT

With stronger financial performance, the Group is able to further reduce its total borrowings to RM35.6 million as at 31 December 2015 as compared to RM66.9 million in the previous corresponding financial year.

During the financial year under review, the Group has successfully allotted 118,323,300 new ordinary shares of RM0.10 each at RM0.154 per shares pursuant to the private placement exercise to pare down the borrowings and finance the working capital of the Group.

On 14 March 2016, the Group has fully redeemed the outstanding Commercial Papers of RM17.35 million issued under the seven (7)-year Unrated Commercial Papers/Medium Term Notes Programme prior to their maturity date via its internally generated funds.

DIVIDEND

The Company has paid the first interim single-tier dividend of 0.25 sen per ordinary share for the FYE 31 December 2015 on 15 April 2016.

The Board has proposed a final single-tier dividend of 0.25 sen per ordinary share for the FYE 31 December 2015. The proposed final dividend is subject to the shareholders' approval at the forthcoming Annual General Meeting. The dates of entitlement and payment are stated in the Notice of Annual General Meeting.

OPERATIONAL REVIEW

SSM Division

Both SSM revenue and EBITDA were up 2% and 13% respectively compared to the last financial year. SSM division generated a profit before tax of RM16.7 million, represents a growth of 15% compared to 2014 mainly attributed to a better mix of products sold and favourable impact from foreign exchange rate.

TSM Division

TSM division continued to expand its operations by adding another three (3) concessions with an addition of 148 machines during the financial year. On the other hand, the Group ceased its operations at three (3) under-performing concessions. Therefore, as at end of 2015, TSM operates in 37 concession venues (2014: 37 concession venues) with 6,458 machines (2014: 6,371 machines) in operation.

TSM revenue and EBITDA increased by 22% and 19% respectively as compared to 2014. TSM division reported a rise in profit before tax of RM23 million, RM5.9 million more than 2014 primarily due to better performance across the regions and additional income from new outlets, besides the favourable impact from foreign exchange rate.

Engineering

The Group has a pool of talented and experienced technical team who continues to provide efficient, timely and cost-effective services throughout the Asia Pacific region. Our services include:

- on-site technical and gaming system support.
- installations of electronic gaming machines and gaming systems.
- preventive maintenance for various gaming-related products.
- training on various gaming-related products.

Human Resources

Over the past year, RGB fosters learning as a way of life, encourages creativity, promotes and invests in the skills and knowledge of our employees. Employees are provided with challenging, rewarding, enjoyable and fulfilling careers through supportive human resource policies and management. Employees are given the opportunity to benefit from the synergy of working abroad with diversity of experience, knowledge and competencies to build their future leadership capability. This effort was further strengthened via our leaders who have also shared their enthusiasm, sense of purpose and direction, and therefore reflected the corporate values.

PROSPECTS

The Group's good achievement in 2015 has set a strong momentum for it to ride on in 2016. The Group will endeavor to continue with this upward growth trend and deliver results by growing our presence in the region.

The Group aims to expand its markets by growing geographically as well as through strategic partnership and acquisitions. The Group will continue to seek for new markets for its products and identify viable partners to grow our TSM business beyond our current boundary.

The Group is confident of a better performance in 2016 in view of the foregoing. The strong commitment and dedication from our senior management team and the rest of our staff within the Group have once again been of vital importance to the Group's success.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my gratitude and heartfelt thanks to our valued shareholders, business partners, financial institutions and regulatory institutions for their continuing invaluable support and unwavering confidence in the Group. I would also like to take this opportunity to convey my warm appreciation and thanks to my fellow Directors, the management team as well as all our employees for their dedication and untiring commitment towards the growth and continued success of the Group.

DATO' MAHINDER SINGH DULKU
Chairman
18 April 2016

CALENDAR OF EVENTS 2015

05 March & 02 September

Analyst Briefings, Kuala Lumpur

Analyst Briefings were held at Shangri-La Hotel to update on RGB full year 2014 and half year 2015 performance and business activities respectively.

19 - 21 May

Global Gaming Expo Asia (G2E Asia) 2015, Macau SAR

Participated and showcased our latest range of electronic gaming machines and products at the most well-known prestigious gaming exhibition in Asia convened at The Venetian Macao.

CALENDAR OF EVENTS 2015

29 May

12th Annual General Meeting ("AGM") & Extraordinary General Meeting ("EGM"), Penang

12th AGM and EGM of RGB were held at Bayview Hotel Georgetown Penang. All resolutions proposed at both meetings were duly approved by the shareholders.

17 - 19 November

Macao Gaming Show 2015, Macau SAR

Participated in the Macao Gaming Show, the fastest growing exhibition on gaming and entertainment industry circuit, held at The Venetian Macao. Various ranges of electronic gaming machines and products were showcased.

26 - 28 November

RGB Appreciation Dinner, Bangkok

RGB Appreciation Dinner 2015 was held at The St. Regis and invitation was extended to RGB's customers, partners and manufacturers. During this period of time, we also organised RGB Gaming Seminar and RGB Cocktail Party at The St. Regis as well as RGB Golf Challenge at Amata Spring Country Club and Nikanti Golf Club.

10 December

MSWG - ASEAN Corporate Governance Transparency Index, Findings & Recognition 2015 Awards Ceremony, Kuala Lumpur

RGB received the Merit Award for Top Corporate Governance & Performance for category of companies with market capitalisation between RM100 million to RM300 million at MSWG - ASEAN Corporate Governance Transparency Index, Findings & Recognition 2015 Awards Ceremony held at The Sime Darby Convention Centre.

CORPORATE RESPONSIBILITY STATEMENT

We are committed to focusing on operating business diligently and accountable for decisions that impact our shareholders, investors, business partners, employees, governments, industry authorities and the communities around us.

We recognise the importance of both financial and non-financial strategies in our continuous efforts to maintain long-term and sustainable performance of the Group. While we focus on managing our business deliverables through improving financial profitability and shareholders value, we are also mindful of our goals to provide a sustainable workplace for our human assets' career developments as they are critical components to our growth and to promote a sustainable socially and environmentally responsible organisation.

We consistently working towards integrating the four (4) corporate responsibility approaches namely Marketplace, Environment, Workplace and Community into our business operations with the objective to achieve a key balance towards reaching our mission, vision and business sustainability.

MARKETPLACE

Marketplace communities refer to our shareholders, investors, financial communities, business partners, governments, industry authorities and employees. Our initiatives include:

- Practising transparency, accuracy, consistency, fair and timely dissemination of our fundamentals;
- Abiding by our Investor Relations Policy which guides management and employees on the communication process with marketplace communities in accordance with best practices set out in Malaysian Code on Corporate Governance 2012 ("MCCG 2012"); and
- Ensuring our business operations are in compliance with anti-money laundering acts, where applicable, and rules and regulations of each country where we operate.

ENVIRONMENT

We are committed to minimising the impact of our operations on the environment. We actively monitor our operational carbon footprint, promote recycling and the responsible use of resources by our employees and stakeholders and educate them about climate change and the importance of environmental protection.

All recyclable waste are segregated, collected and disposed of to local recycling agencies regularly. The funds collected from the disposal of recyclable wastes are channelled to the Group's philanthropic activities.

In line with the Group's commitment to reduce carbon footprints, document printing is done on need basis, energy efficient bulbs are used throughout the workplace and the use of all computer peripherals, air-conditioning and lighting are minimised.

CORPORATE RESPONSIBILITY STATEMENT

WORKPLACE

Our people are our valuable assets. We believe that knowledge and skills are critical components in today's rapid globalisation and technology changes. We constantly focus on developing the growth of our employees as part of the Group's succession planning for business continuity for many years to come.

We continued to engage in open door policy where employees have easy accessibility to their superiors. Two-way communications are encouraged to ensure share of ideas and/or work grievances to improve work processes and working environment. Periodical downward communication sessions from key management team with subordinates are also carried out as a way to impart the Company's fundamentals and directions while addressing issues of concern.

We place great importance on our human resources development that synchronises with the growth of the Group. We continuously identify training programs for our employees according to their job demand and for update on work flow changes as well as skills upgrading or receiving new ideas to maximise their work processes. The training could be soft skills or technical such as business writing skills, interpersonal communication and logical thinking, investor relations communications, social etiquette and protocol. Training and development are also part of monitoring the progress of our employees for future succession planning.

We adhere to stringent recruitment policy and ensure hiring is in compliance with job requirements and demands which in line with our business industry. New recruits are required to attend full day induction course aimed at introducing our new recruits to the Group's policies and procedures.

COMMUNITY

'RGB Gives Back' is the Group's philanthropic effort and is driven by our commitment to add value to the communities where we operate. Throughout 2015, the Group has made cash donations to various charitable bodies in the countries where we have operations as part of our efforts to benefit the communities that have been supporting.

Among one of the charitable bodies which RGB donated was Yayasan Anak-Anak Yatim Sultanah Haminah, a foundation established with the aim of taking care of the well-being and welfare of orphans who are poor and without proper supervision. The spirit of giving at RGB has been initiated in the past years and we intend to continue giving as and when the need arises.

SUSTAINABILITY POLICY

1. OVERVIEW

1.1 The Group is committed to achieving sustainability in all of its businesses.

1.2 The Group shall balance the environment, social and governance aspects with the interests of various stakeholders to enhance investor perception and public trust.

1.3 The Group has always advocated Corporate Social Responsibility (“CSR”) as being the key to sustainability and has established a CSR framework which places the Group’s commitment towards achieving a balance between profitability and contribution in CSR activities.

2. PRINCIPLES

2.1 The Group’s approach to corporate sustainability is structured by four (4) basic principles:

(a) Marketplace
The Group shall be accountable and transparent to stakeholders on the Group’s sustainability strategy and performance by practising transparency, accuracy, consistency, fair and timely dissemination of its fundamentals.

(b) Environment
The Group shall remain committed towards environmental conservation by promoting environmental responsibility and encouraging use of eco-friendly products. It shall also continue to adopt and apply environmentally responsible practices, sound social policies and good corporate governance framework with the objective of achieving long-term sustainable growth.

(c) Workplace
The Group shall inspire to be an employer of choice by providing a sound working environment, continuous education and development of talent. The continued success of the Group depends on the quality and effective teamwork of its employees in pursuing the Group’s vision, mission and core values.

(d) Community
The Group shall dedicate to support the development of the community in which it operates through various initiatives.

3. ADMINISTRATIVE RESPONSIBILITY

3.1 The Board is principally responsible for the Group’s sustainability strategy and performance.

3.2 The duties and responsibilities of the Board are, inter alia, as follows:

(a) To review and monitoring the implementation of this Policy.

(b) To oversee the management of material sustainability issues.

(c) To seek regular updates and measures on the management of material sustainability issues.

(d) To oversee compliance with matters relating to CSR.

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The Board remains committed in fostering good relationship with the investing community by engaging in regular meetings and communication while preserving transparency and accountability. The Board has established framework and strategy for investor relations as set out in its Investor Relations Policy.

COMMUNICATION CHANNELS

Effective communication with all shareholders, financial communities, employees and general public is a priority to RGB. The guiding principle for the basis of the Company's Investor Relations activities is to ensure the dissemination of RGB's fundamentals to all the above is made in a timely, fair, transparent, accurate, consistent and equal manner. Information is disseminated via annual reports, circulars, quarterly financial reports, press releases and corporate announcements made to Bursa Malaysia Securities Berhad ("Bursa Securities").

In 2015, the Company held two (2) analyst briefings to present the results for the FYE 31 December 2014 and first half results for the FYE 31 December 2015 as well as one-on-one and group meetings with fund managers and analysts. These briefings collectively attracted positive response from the financial investing community and provided them with the opportunities to obtain more information on our financial results and performance. The Company will continue with these briefings at least twice annually as part of its effort to encourage more direct engagement and open discussions with the financial investing community.

The Company also continued to actively respond to requests from analysts and fund managers via meetings and/or conference calls to provide updates on quarterly financial performances, corporate and business developments, regulatory issues as well as changes in operating environment which may impact the Group's operations.

While institutional shareholders and analysts may have more regular contact with the management, the Company has taken special care to ensure that any material price-sensitive information is disseminated to all shareholders at the same time.

Shareholders also have the opportunity to communicate their opinions and engage with the Board and senior management at general meetings of the Company. They are encouraged to seek clarification from Board members and senior management on all issues relevant to the Group at such meetings.

ENHANCEMENT OF ACCESS VIA INTERNET

The Company's website www.rgbgames.com is regarded as a crucial communication medium and we have incorporated further enhancements to the website to reflect our commitment to encourage and adopt effective communications with our shareholders.

The webpage allows all shareholders and general public to access the relevant corporate information at their own convenience, including annual reports, quarterly reports of interim financial results, announcements and presentations given to shareholders, analysts and media.

Shareholders and financial communities are encouraged to direct their queries and/or concerns regarding RGB to the Corporate & Business Development division via its dedicated e-mail address (ir@rgbgames.com). The Company expects to make more progressive enhancements to the corporate website in the future to improve on its information accessibility and site friendliness.

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CORPORATE GOVERNANCE STATEMENT

The Board of RGB Group is committed to maintaining high standards of corporate governance within the Group for long term sustainable business growth, protection and enhancement of shareholders value. The Group operates within a governance framework designed based on the recommendation of MCCG 2012.

The Board further acknowledged that good corporate governance is a fundamental part of its responsibility in managing the business and operations of the Group and discharging its accountability to the shareholders.

The Board is pleased to present this statement for FYE 31 December 2015 outlining the applications of the Principles and Recommendations as set out in the MCCG 2012.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Clear functions of the Board and Management

The Board collectively leads and is responsible for the success of the Group by providing entrepreneurial leadership and direction as well as supervision of the management. It is also the ultimate decision-making body.

The Board is guided by the Board Charter which sets out the functions of the Board, Chairman, Managing Director and Committees. The Board delegated specific responsibilities to its Committees to oversee the Group's affairs in accordance with their respective Terms of Reference ("TOR"). The Managing Director and Board Committees remain accountable to the Board for the authority that is delegated.

Clear roles and responsibilities

In addition to statutory and legal responsibilities, the Board assumed, among others, the following roles:

- Review and set the Group's strategic plan and direction and ensure that resources are available to meet its objectives.
- Supervise the operations of the Group to evaluate whether established targets are achieved.
- Identify principal risks and ensure the implementation of appropriate systems to manage these risks.
- Ensure succession plans are in place for the Board members and senior management.
- Promote better investor relations and shareholder communications.
- Ensure that the Group's core values, vision and mission and shareholders' interests are met.
- Review the adequacy and the integrity of the Group's internal control systems including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Formalised ethical standards through Code of Ethics and Conduct

The Board has formalised a Code of Ethics and Conduct ("Code") and is available on the Company's website (http://www.rgbgames.com). The Code emphasised the Company's commitment to ethical practices and compliance with the applicable laws and regulations. The Code governs the standards of ethics and good conduct expected from the Directors and employees of the Group. The Code covers a wide range of business practices and procedures and sets out the basic principles to guide the Group's Directors and employees. The Code will be reviewed when necessary to ensure it remains relevant and appropriate.

Moreover, the Company's Employee Handbook, which contains human resource policies, serves as a guide to ensure that the accepted code of ethical conduct and employee obligations and responsibilities under this handbook are practised by the employees.

On 1 August 2015, the Company has implemented Anti-bribery and Corruption Policy which sets out the standards the Company expects the directors, employees, agents, consultants, contractors, suppliers, vendors and any third party intermediaries or representatives performing work or services for or on behalf of RGBSB, RGB Ltd., RGB (Macau) Limited and RGB (Singapore) Pte. Ltd. to comply with in conducting business.

The Board has put in place the Whistleblowing Policy and has published it on the Company's website (http://www.rgbgames.com). This policy provides a platform for the employees and stakeholders of the Group to report any illegal/improper action and/or wrongdoing by the employees and/or the management of the Group. The Audit Committee is responsible to oversee the implementation of this policy and update the Board on issues that require their attention and approval.

Strategies promoting sustainability

The Board regularly reviews the strategic direction of the Company and the progress of the Company's operations, taking into account changes in the business and political environment and risk factors such as level of competition and changes in regulatory policies.

The Company is also committed to sustainable development. Employees' welfare, environment as well as community responsibilities are integral to the way in which the Company conducts its business. Report on the activities pertaining to corporate responsibilities is illustrated in Corporate Responsibility Statement of this Annual Report.

The Board is committed to promote sustainability in all of the Group's activities. The Sustainability Policy is set out separately in this Annual Report.

Access to information and advice

The Directors have full and timely access to information to enable them to discharge their duties.

Agenda and discussion papers are circulated prior to the Board meetings to allow the Directors to study and evaluate the matters to be discussed and subsequently make effective decisions. Procedures have been established concerning the content, presentation and timely delivery of papers for each Board and Board Committee meeting as well as for matters arising from such meetings. Actions on all matters arising from any meeting are reported at the subsequent meeting.

The Directors are regularly updated by the Company Secretary on new statutory, corporate and regulatory developments relating to Directors' duties and responsibilities or the discharge of their duties as Directors of the Company.

The Directors have unrestricted access to the advice and services of Company Secretary and senior management staff within the Group and may obtain independent professional advice at the Company's expense in the furtherance of their duties. Individual Directors may also obtain independent professional or other advice in fulfilling their duties, subject to approval by the Board.

Qualified and competent Company Secretary

The Board is satisfied with the performance and support rendered by the Company Secretary who is person with professional qualifications and is qualified to act as company secretary under Section 139A of the Companies Act 1965. The Company Secretary is responsible for advising the Board on matters in relation to compliance with laws, regulations, guidance and procedures affecting the Directors as well as the principles of good corporate governance practices. She attends and ensures that all Board and its Committees meetings are properly convened and that the decisions made and/or resolutions passed thereof are recorded in minutes of meeting and kept in the statutory register at the registered office of the Company.

CORPORATE GOVERNANCE STATEMENT

Board Charter

The Board has established a Board Charter and is also available on the Company's website (http://www.rgbgames.com).

The Board Charter is the fundamental guide for the Directors and outlines the composition, roles and responsibilities of the Board.

The Board Charter comprises, among others, the following matters:

- Role of the Board
- Role of the Chairman and Managing Director
- Role of the Board Committees
- Board balance and mix
- Tenure of Directors
- Nomination and appointments
- New directorship
- Company Secretary
- Matters reserved for the Board
- Board's relationship with shareholders
- Processes of the Board meetings
- Access to information
- Directors' training

The Board Charter is reviewed periodically to keep it updated with the changes in the Company's policies as well as the latest rules and regulations.

The Board acknowledges the essential of boardroom diversity in terms of experience, skills, expertise, competencies and gender to enhance board effectiveness and performance. The Company currently has one (1) female Director.

Board Committees

As part of the Board's efforts to ensure the effective discharge of its duties, the Board has delegated certain of its functions to Board Committees. Each of the Board Committees operates within clearly defined TOR. The Chairman of the various Committees will report at the Board Meetings on the outcome of the Committee meetings.

The Board has established the following Committees to assist the Board in the execution of its duties:

a) Audit Committee

The composition, TOR and summary of the activities of the Audit Committee are set out separately under Audit Committee Report in this Annual Report.

b) Nomination Committee

The TOR and summary of the activities of Nomination Committee are illustrated under item 2 below.

c) Remuneration Committee

The Remuneration Committee's TOR states that the members of the Committee shall comprise wholly or mainly of Non-Executive Directors and consist of not less than three (3) members. In the event of any vacancy in the Committee, the Board must fill the vacancy within three (3) months and appoint such number of new members as may be required to make up the minimum of three (3) members.

The following are the functions and responsibilities of the Remuneration Committee:

i) To review the remuneration policies and remuneration of the Board, Board Committees, key management team and recommend the same to the Board for approval. The focus is on a remuneration policy which should be sufficient to attract, retain and motivate Directors and key management team of calibre needed to run the Group successfully. Executive Directors are to abstain from deliberations and voting on the decision in respect of their own remuneration package.
ii) To review and present recommendations to the Board regarding the remuneration and conditions of service of the Executive Directors and key management team, in all its form including the grant of entitlement under any share schemes.
iii) To review indemnity and liability insurance policy for Directors and Officers of the Group.

The level of remuneration of Executive Directors is linked to corporate and individual performance. In the case of Non-Executive Directors, the level of remuneration would reflect the experience and level of responsibilities undertaken by Non-Executive Director concerned.

The Board, as a whole will determine the remuneration packages for Non-Executive Directors including Non-Executive Chairman. The individuals concerned should abstain from discussion of their own remuneration.

Fees are to be paid to Directors only with the approval of shareholders at AGM.

During the year under review, the Remuneration Committee met and deliberated on remuneration package of the Executive Directors and key management team for year 2015.

d) ESOS Committee

The ESOS Committee was established on 19 October 2009 to administer the ESOS of the Company in accordance with the Bye-laws of the ESOS. It comprises four (4) Independent Non-Executive Directors and an Executive Director.

During the financial year under review, the Committee met twice to deliberate on the allocation of shares under ESOS to eligible directors and employees of the Group as well as appeal from an employee.

e) CRRA Committee

The CRRA Committee is tasked, inter alia, to oversee the functions of the Credit Control and Risk Assessment Department and implement identified controls of the Enterprise Risk Management ("ERM") framework of the Group. The CRRA Committee's TOR was revised on 18 April 2016.

Summary of the activities of the CRRA Committee are elaborated in the Statement on Risk Management and Internal Control of this Annual Report.

f) Executive Committee

The Executive Committee is responsible for overseeing the management of the Group and receives regular management information including updates from each business area. The Committee meets at least once in every two (2) months. The Executive Committee comprises three (3) Executive Directors and three (3) Subsidiary Directors.

The salient TOR of the Executive Committee is to discuss and agree on following matters from the Group's perspective:

i) Overall policy matters for the Group.
ii) Group coordination between operations and services.
iii) Financial performance.
iv) Strategic direction.
v) Corporate human resource initiatives.
vi) Market strategy & intelligence and investor relations.

vii) Marketing & branding.
viii) Internal compliance (e.g. Internal Audit and Risk Management Framework).
ix) Prioritising the allocation of capital, technical and human resources of the Group.
x) Establishing best management practices and functional standards for the Group.
xi) To monitor the execution of the Company's strategic plans and operations of all business units of the Company and safeguard the interests of the Company and to further strengthen the strategy, business objectives and targets established by the Board.
xii) To recommend to the Board improvement/changes to the scope of the authority delegated to the operational management and the corporate management.
xiii) To ensure the maintenance and regular review of the organisation's policy and procedure manual.
xiv) To review, on a regular basis its own performance, constitution and TOR to ensure it is operating at maximum effectiveness and where necessary, updating these TOR.
xv) To oversee senior management appointments and the monitoring of senior management performance of the Group's affairs, succession planning and continuing Group-wide employees development programme, including training, evaluation procedures, employment conditions and reward and recognition practices; and to monitor the quarterly progress of achievements of the Group's budget.

2. STRENGTHEN COMPOSITION

Nomination Committee

The TOR of Nomination Committee provides that the Committee shall comprise exclusively of Non-Executive Directors with minimum three (3) members in total, a majority of whom being independent. In the event of any vacancy in the Committee, the Board must fill the vacancy within three (3) months and appoint such number of new members as may be required to make up the minimum of three (3) members. The Board has revised Nomination Committee's TOR on 18 April 2016.

The functions and responsibilities of the Nomination Committee are as follows:

i) To recommend to the Board candidates for all Directorships to be filled by the shareholders or the Board, taking into consideration the following criteria:
   - skills, knowledge, expertise and experience;
   - professionalism;
   - integrity; and
   - in the case of candidates for the position of Independent Non-Executive Directors, the Nomination Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors.

ii) To annually assess the effectiveness of the Board as a whole, the Board Committees and the contribution of each Director, including the Independent Non-Executive Directors and the Managing Director/COO as well as the Chief Financial Officer. All assessment and evaluations carried out by the Nomination Committee in the discharge of all its functions should be properly documented.
iii) To recommend to the Board, candidates to fill the seats on Board Committees.
iv) To assist the Board in an annual review of the required mix of skills, experience and other qualities, including core competencies, which the Non-Executive Directors should bring to the Board.
v) To review the size of the Board with an aim to ensure a fair representation of the shareholders on the Board and determining the impact of the number on its effectiveness.
vi) To review the balance of Executive and Non-Executive Directors (including Independent Directors) with an aim to achieve a balance of views on the Board.
vii) To ensure a formal and transparent procedure for the appointment of new Directors to the Board.
viii) To recommend individuals for nomination as members of the Board by assessing the desirability of renewing existing Directorships.
ix) To facilitate the annual board effectiveness assessment, through the Board and Directors' self-evaluation forms.
x) To report periodically to the Board on succession planning for the Board members.
xi) To assess the skill gaps of the Directors and recommend appropriate training and development for the Directors.

During the financial year under review, the Committee met twice and deliberated on the following matters:

i) The balance of Executive and Non-Executive Directors (including Independent Directors) with an aim to achieving a balance of views on the Board.
ii) The level of independence of Independent Directors.
iii) The character, experience, integrity and competence of the Directors, Managing Director and Chief Financial Officer and to ensure they have the time to discharge their respective roles.
iv) The required mix of skills and experience and other qualities, including core competencies of the members of the Board.
v) Contribution of each individual Director, the effectiveness of the Board as a whole and the Committees of the Board.
vi) Retirement and re-election of Directors at the forthcoming AGM.
vii) Continuation in office of Independent Non-Executive Director who has served the Board for a cumulative term of more than nine (9) years.
viii) New appointment of Senior Vice President, Corporate Integrity.
ix) Nomination of additional director.

Develop, maintain and review criteria for recruitment and annual assessment of Directors

The Nomination Committee is responsible for making recommendation for any appointments to the Board. The procedures for appointment of Directors are set out in the Board Charter.

In accordance with the Company's Articles of Association, all newly appointed Directors shall retire and be re-elected by the shareholders at the Company's AGM. An election of Directors takes place subsequent to their appointment each year where one-third (1/3) of the Directors or if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3), shall retire by rotation from office and shall be eligible for re-election at each AGM and that each Director shall retire from office at least once in every three (3) years and shall be eligible for re-election.

The Nomination Committee conducts annual performance evaluation of each Director, the Board and Board Committees based on self and peer assessment approach for continuous improvement. The personality, knowledge, integrity, competence, contribution and performance of each Director and Chief Financial Officer are assessed as well as the skills and experience of each Director is analysed, inter alia, in the areas of general management/business, project management, taxation, human resource, banking, information technology, marketing/sales, accounting/audit and legal. The effectiveness of the Board and its Committees is evaluated in terms of composition, meeting administration and conduct, management relationship, and roles and responsibilities.

Remuneration policies

The specific responsibilities of the Remuneration Committee in relation to remuneration matters as set out under its TOR include, among others; reviewing the remuneration policies and remuneration of the Board, Board Committees, key management team and recommending the same to the Board for approval. The Directors are remunerated based on their responsibilities and the performance of the Group.

The remuneration package of the Executive Directors includes basic salary, bonus and benefits-in-kind.

The Non-Executive Directors' remuneration comprises annual fees and meeting allowance for each meeting they attended. The Directors' fees are approved annually by the shareholders of the Company.

The Executive Director is neither entitled to the above Director's fee nor to receive any meeting allowance for attending Board or Board Committee meetings.

The aggregate Directors' Remuneration paid or payable to all Directors of the Company by the Group and categorised into appropriate components for FYE 31 December 2015 is as follows:

Directors	Salaries/Other Emoluments (RM)	Fees (RM)	Share Options granted under ESOS (RM)	Total (RM)
Executive	1,937,924	-	-	1,937,924
Non-Executive	46,000	372,220	266,880	685,100

The number(s) of Directors of the Company whose remuneration fall within the following bands are:

Remuneration bands	No. of Directors Executive	Non-Executive
RM100,001 – RM150,000	-	2
RM200,001 – RM250,000	-	2
RM250,001 – RM300,000	1	-
RM300,001 – RM350,000	1	-
RM650,001 – RM700,000	2	-

In addition to the above, the Directors have the benefit of Directors and Officers ("D&O") Insurance coverage for any liabilities arising from acts committed in their capacity as D&O of the Company. However, the said policy does not indemnify a D&O if he/she is proven to have acted negligently, fraudulently or dishonestly, or in breach of his/her duty or trust when he/she was not acting in his/her capacity as D&O of the Company.

3. REINFORCE INDEPENDENCE

Annual Assessment of Independence

The Nomination Committee had conducted on annual basis an evaluation of level of independence of all the Independent Non-Executive Directors of the Company on 22 February 2016 and the Board is satisfied with the level of independence demonstrated by all the Independent Non-Executive Directors and their ability to act in the best interest of the Company.

Tenure of Independent Directors

The Board has implemented a nine (9) year policy for Independent Non-Executive Directors, in line with Recommendation 3.2 of the MCCG 2012. The Board may, in exceptional cases and subject to the assessment of the Nomination Committee on an annual basis, recommend for an Independent Director who has served a consecutive or cumulative term of nine (9) years to remain as an Independent Director subject to shareholders' approval.

The presence of Independent Non-Executive Directors are to ensure that issues of strategies, performance and resources proposed by the management are objectively evaluated, taking into consideration the long-term interests of shareholders, employees, customers, and other communities in which the Group conducts its business.

Dato' Mahinder Singh Dulku has served the Board as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years. The Board has recommended for him to continue as Independent Non-Executive Chairman and is of the opinion that the independence of Dato' Mahinder Singh Dulku has not been compromised or impaired in any way after having noted the following justifications during the review and assessment of his independence:

i) He fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements ("MMLR") of Bursa Securities, and thus, he would be able to function as a check and balance to the Executive team and bring an element of objectivity to the Board;

ii) He has never transacted or entered into any transactions with, nor provided any services to the Company and its subsidiaries, within the scope and meaning as set forth under Paragraph 5 of Practice Note 13 of MMLR of Bursa Securities;

iii) He has extensive experience garnered from his professional experience in legal advisory for a diverse range of businesses and therefore would be able to offer constructive comments and objective review of proposals. Throughout his tenure of service, he has acted in the best interest of the Company and has continued to exercise independent judgement and due care;

iv) He has not developed, established or maintained any significant relationship, which would impair his independence as an Independent Director, with the Executive Directors and major shareholders other than normal engagements and interactions on a professional level consistent and expected of him to carry out his duties as Independent Non-Executive Director, Chairman or member of the Board Committees; and

v) He has devoted sufficient time and attention to his professional obligations for informed and balanced decision making.

Shareholders' approval for the re-appointment of Independent Non-Executive Director after a tenure of nine (9) years

Dato' Mahinder Singh Dulku has offered himself for re-election at the 13th AGM of the Company.

Separation of positions of the Chairman and Managing Director

There is a clear and separate division of responsibility in the roles and duties of the Chairman and Managing Director. The Managing Director is the officer involved in the day-to-day running of the affairs of the Company.

The Chairman of the Board is an Independent Non-Executive Director and the Managing Director is a Non-Independent Executive Director. These two (2) positions are held by two (2) different individuals. The roles and responsibilities of Chairman and Managing Director are defined in the Board Charter. There is a clear division of responsibilities between the Chairman and Managing Director to ensure balance of power and authority and greater capacity for independent decision-making.

Composition of the Board

The Board is currently composed of four (4) Executive Directors and four (4) Independent Non-Executive Directors. The composition complies with the MCCG 2012 and MMLR of Bursa Securities in respect of board composition.

As an effective and dynamic Board is essential towards enhancing long term shareholders value and interests, the Group maintains its current Board mix which has the necessary skills, expertise and experience in areas relevant to steering the growth of the Group's businesses.

The Executive Directors are tasked to implement Board decisions and policies whilst overseeing operations and coordinating business decisions. On the other hand, the Independent Non-Executive Directors are independent of management and provide effective and impartial judgement and informed opinions to the deliberations and decision making of the Board thus fulfilling an essential and pivotal role in corporate accountability.

Brief profile of each Board member is presented in this Annual Report under Profile of Directors.

4. FOSTER COMMITMENT

Time commitment

The Board meets at least four (4) times a year, with additional meetings convened as necessary. The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board meetings for FYE 31 December 2015, as set out in the table below.

Directors	Attendance
Dato' Mahinder Singh Dulku	6/6
Datuk Chuah Kim Seah	6/6
Datuk Steven Lim Tow Boon	6/6
Mazlan Ismail	6/6
Chuah Kim Chiew	6/6
Ng Eng Tong	6/6
Lam Voon Kean	5/6
Dato' Wira Norazman Hamidun	4/6

In the intervals between Board meetings, for exceptional matters requiring urgent Board decisions, Board approvals are sought via circular resolutions, which are attached with sufficient and relevant information required for an informed decision-making. Where potential conflicts arise in any transactions involving Director's interest, such Director is required to declare his interest and abstain from further discussion and decision-making process.

An annual corporate calendar, which provides the scheduled dates for meetings of the Board, Board Committees and AGM as well as various Gaming expositions and trade shows, is prepared and circulated to the Directors prior to the beginning of every year to facilitate the Directors' time planning.

All the Directors are expected to devote sufficient time to carry out their responsibilities and shall not sit on the boards of more than five (5) listed companies. The Directors are required to notify the Chairman of the Board before accepting any new directorships in listed companies, the notification of which shall include an indication of time that will be spent on the new appointments.

Training

The Directors are aware of the need for continuous update of their skills and knowledge to maximise their effectiveness as Directors and assist them in discharging their duties.

During the year, they have attended, either collectively or individually, various programs and briefings to keep them updated on the latest regulatory changes as well as new developments in the gaming industry. The Directors have also visited the Group's operations overseas in order to better understand the environment in which the Group operates.

Seminars, development and training programmes attended by all the Directors in 2015 were as follows:

Director	Programmes	Date
Dato' Mahinder Singh Dulku	Corporate Cash Management Solutions	16 July 2015
	Bringing the Best out in Boardrooms	31 July 2015
Datuk Chuah Kim Seah	ICE Totally Gaming 2015	3 - 5 February 2015
	G2E Asia 2015	19 - 21 May 2015
	Corporate Cash Management Solutions	16 July 2015
	Anti-Bribery and Corruption Awareness and Policy Training	28 July 2015
	National Tax Conference 2015	3 & 5 November 2015
	Capitalising on Customer Intelligence	26 November 2015
Datuk Steven Lim Tow Boon	ICE Totally Gaming 2015	3 - 5 February 2015
	Suzo Happ APA Product and Workshop Training	20 March 2015
	G2E Asia 2015	19 - 21 May 2015
	Corporate Cash Management Solutions	16 July 2015
	Anti-Bribery and Corruption Awareness and Policy Training	28 July 2015
	Capitalising on Customer Intelligence	26 November 2015
Mazlan Ismail	Corporate Cash Management Solutions	16 July 2015
	Anti-Bribery and Corruption Awareness and Policy Training	28 July 2015
	Capitalising on Customer Intelligence	26 November 2015
Chuah Kim Chiew	G2E Asia 2015	19 - 21 May 2015
	Corporate Cash Management Solutions	16 July 2015
	Anti-Bribery and Corruption Awareness and Policy Training	28 July 2015
	Aristocrat Games Workshop & Manila Market Immersion	25 August 2015
	The Gaming Development Workshop - Aristocrat	8 - 9 October 2015
	Capitalising on Customer Intelligence	26 November 2015
Ng Eng Tong	Corporate Cash Management Solutions	16 July 2015
Lam Voon Kean	Goods and Services Tax Training Course	16 - 18 & 23 - 25 January 2015
	Corporate Cash Management Solutions	16 July 2015
	MFRS/FRS Update 2015/2016 Seminar	21 October 2015
	KPMG Tax Summit 2015	4 November 2015
Dato' Wira Norazman Hamidun	Capitalising on Customer Intelligence	26 November 2015

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance with applicable financial reporting standards

The Directors have taken reasonable steps to provide a balanced and understandable assessment of the Group's financial performance and future prospects. The Board is assisted by the Audit Committee to oversee the Group's financial reporting process and the quality of the financial reporting.

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements for FYE 31 December 2015, the Directors are satisfied that the Group had used appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgment and estimates.

Assessment of suitability and independence of external auditors

The Board has established a transparent relationship with the external auditors through the Audit Committee, which has been accorded with the power to communicate directly with the external auditors towards ensuring compliance with the accounting standards and other related regulatory requirements.

The role of the Audit Committee in relation to the external auditors is stated under the Audit Committee Report of this Annual Report.

The Audit Committee has assessed the independence of the current external auditors of the Company prior to recommendation to the Board for endorsement before seeking shareholders' approval for re-appointment at the forthcoming AGM. The current external auditors, having been re-appointed by the shareholders annually at the AGM, were initially appointed on 25 May 2011. The external auditors have confirmed that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements and have provided the declaration in their annual audit plan presented to the Audit Committee of the Company. The Audit Committee is satisfied with the external auditors' technical capability and audit independence.

The Board has established an External Auditors Assessment Policy on 18 April 2016 which outlines the guidelines and procedures for the Audit Committee to assess and review the external auditors.

6. RECOGNISE AND MANAGE RISKS

Sound framework to manage risks

The Board, via Audit and CRRA Committees, undertakes overall responsibility for risk oversight and risk management. The Company has established and adopted the risk management policy to administer the Group's approach to risk management.

Corporate Integrity division was formed on 1 January 2015 to further mitigate the risk encountered by the Group on its day-to-day operations.

Internal audit function

The Board recognises the importance of internal control systems whereby shareholders' investment and the Company's assets can be safeguarded.

Details of the Group's risk management and internal control are set out under Statement on Risk Management and Internal Control in this Annual Report.

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policy

The Board acknowledges the importance of ensuring prompt dissemination of information to shareholders and regulatory bodies with the intention of giving as clear and complete information of the Group's position and financial performance as possible within the bounds of practicality and legal and regulatory framework governing release of material and price sensitive information. The Board will take reasonable steps to ensure that all who invest in the Company's securities enjoy equal access to such information to avoid an individual or selective disclosure.

In line with increased investor awareness for greater accountability and transparency, the Board has formalised a Corporate Disclosure Policy. The said Corporate Disclosure Policy is in line with requirements of MMLR of Bursa Securities to enable comprehensive, timely and accurate disclosures on the Group to the regulators, shareholders and other stakeholders.

Leverage on information technology for effective dissemination of information

The Group recognises the importance of being accountable to its shareholders and investors and as such has maintained active communication and feedback policy with institutional investors, shareholders and public generally to explain the Group's strategy, performance and major developments.

The annual reports, press releases, quarterly results and any announcements on material corporate exercises are the primary means of disseminating information on the Group's activities and financial performance.

The Company has in place an Investor Relations Policy which is published in the Company's website (http://www.rgbgames.com). The policy set as a guiding principle for the basis of the Company's Investor Relations activities to ensure effective communication with shareholders, investors, analysts and general public. Investors are encouraged to access the website www.rgbgames.com for the latest announcements as well as information on the Group's products and services. Alternatively, they may obtain the Group's latest announcements through Bursa Securities' website at www.bursamalaysia.com.

Any queries or concerns regarding the Group may be directed to the Corporate & Business Development division via its dedicated e-mail at ir@rgbgames.com.

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Encourage shareholder participation at general meetings

The Company provides additional time for the shareholders to make necessary arrangement to attend the AGM of the Company, either in person or by proxy, by giving notice earlier than the 21-day requirement under the Companies Act, 1965 and MMLR of Bursa Securities.

The Company's Articles of Association provides that a member can appoint two (2) or more proxies to attend the same meeting provided that he/she specifies the proportion of his/her shareholding to be represented by each proxy. The proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy and a member may appoint any person to be his/her proxy without limitation.

The Board will consider adopting electronic voting to facilitate greater shareholder participation at the Company's general meetings.

The shareholders are informed of their rights to demand for poll prior to the commencement of each general meeting.

Encourage poll voting

No substantive resolutions were put forth for shareholders' approval via polling at the 12^{th} AGM of the Company. The Chairman had informed the shareholders of their right to demand a poll vote at the commencement of the 12^{th} AGM.

Effective communication and proactive engagement

The Company's general meetings remain the principal forum for dialogue and communication with shareholders, in particular individual/retail investors. Shareholders are encouraged to attend the general meetings and, given sufficient time and opportunity to participate in the proceedings, ask questions about the resolutions being proposed and the operations of the Group, and communicate their expectations and possible concerns.

The 12^{th} AGM of the Company was held on 29 May 2015 at Bayview Hotel Georgetown Penang attended by all the Directors and Company Secretaries. All resolutions proposed were approved by the shareholders at the AGM. The Board, senior management and the Company's external auditors, Messrs. BDO were present to answer questions raised and provide clarification as required by the shareholders.

COMPLIANCE STATEMENT

The Corporate Governance Statement is established by the Board in conjunction with the Board's approach and consideration of how the Company has, throughout the financial year, applied the principles and recommendations in the MCCG 2012 in conjunction with the MMLR of Bursa Securities. This Statement provides the information necessary on how the MCCG 2012 has been applied during FYE 31 December 2015 and up-to-date.

This statement is issued in accordance with a resolution of the Board dated 18 April 2016.

AUDIT COMMITTEE REPORT

MEMBERS

Lam Voon Kean, Chairman	- Independent Non-Executive Director
Dato' Mahinder Singh Dulku	- Independent Non-Executive Chairman
Ng Eng Tong	- Senior Independent Non-Executive Director
Dato' Wira Norazman Hamidun	- Independent Non-Executive Director

Secretary of the Audit Committee

Woon Mei Ling (MAICSA 7047736)

COMPOSITION

The Audit Committee ("the Committee") comprises four (4) members, all of whom are Independent Non-Executive Directors and this meets the requirements of paragraph 15.09(1)(b) of the MMLR of Bursa Securities.

In compliance with paragraph 15.09(1)(c)(i) of the MMLR of Bursa Securities, Ms. Lam Voon Kean who is a member of the MIA and MICPA, is the Chairman of the Committee.

The Board reviews annually the terms of office of the Committee members and assesses the performance of the Committee and its members through an annual Board Assessment and Evaluation. The Board is satisfied that the Committee and its members have been able to discharge their functions, duties and responsibilities in accordance with the TOR of the Committee which are available on the Company's website (http://www.rgbgames.com) thereby supporting the Board in ensuring appropriate Corporate Governance standards within the Group.

SUMMARY OF TOR

The Committee is governed by the following TOR:

Membership

The Committee shall be appointed by the Board amongst the Directors excluding Alternate Directors, and shall consist of not less than three (3) members all of whom shall be non-executive and financially literate, a majority of whom are Independent Non-Executive Directors.

The Chairman of the Committee shall be an Independent Non-Executive Director appointed by the Board.

In the event of any vacancy in the Committee, the Board must within three (3) months, appoint such number of new members as may be required to make up the minimum of three (3) members.

The Board shall at all times ensure that at least one (1) member of the Committee:

(i) must be a member of MIA; or
(ii) if he or she is not a member of MIA, he or she must have at least three (3) years of working experience and:
 (a) he or she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 (b) he or she must be a member of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
(iii) fulfils such other requirements as prescribed or approved by Bursa Securities.

AUDIT COMMITTEE REPORT

Authority

The Committee is granted the authority to investigate any activity of the Group within its TOR, to obtain the resources which it needs, and to have full and unrestricted access to information and all employees are directed to cooperate with any request made by the Committee. The Committee is empowered to obtain independent professional or other advice and retain persons having special competence as necessary to assist the Committee in fulfilling its responsibility. The Committee shall have direct communication channels with the external and internal auditors and with senior management of the Group and shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary. If the Committee is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in a breach of the MMLR, the Committee shall promptly report such matter to Bursa Securities.

Responsibilities

The Committee is to serve as a focal point for communication between non-Committee Directors, the external auditors, the internal auditors and the management on matters in connection with financial accounting, reporting and controls. The Committee is to assist the Board in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Group and the sufficiency of auditing relating thereto. It is the Board's principal agent in assuring the independence of the Company's external auditors, the integrity of the management and the adequacy of disclosures to shareholders.

Duties

The duties of the Committee are:

(a) to review with the external and internal auditors whether the employees of the Group have given them the appropriate assistance in discharging their duties;
(b) to review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
(c) to establish the Group's Risk Register and risk management policies and guidelines;
(d) to review the risk based internal audit programme, processes, the results of the risk based internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken by management on the recommendations of the internal auditors;
(e) to appraise the performance of the head of internal audit and review the appraisals of senior staff members of the internal audit;
(f) to approve any appointment or termination of the head of internal audit and senior staff members of the internal audit function and to review any resignations of internal audit staff members and provide resigning staff members an opportunity to submit reasons for resigning, where necessary;
(g) to review the quarterly results and year end financial statements of the Group, prior to the approval by the Board, whilst ensuring that they are prepared in a timely and accurate manner, focusing particularly on:
    (i) changes in or implementation of major accounting policies;
    (ii) significant adjustments and unusual events;
    (iii) the going concern assumption; and
    (iv) compliance with accounting standards and other legal requirements;
(h) to review any related party transaction and conflict of interests situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
(i) to review with the external auditors, the audit report, the nature and scope of their audit plan and their evaluation of the system of internal controls;
(j) to recommend to the Board on the appointment and the annual re-appointment of external auditors, their audit fees and any questions on resignation and dismissal;
(k) to conduct an annual assessment of the suitability and independence of the external auditors pursuant to the External Auditors Assessment Policy;

(l) to review the co-ordination of the audit approach and ensure coordination where more than one audit firm of external auditors is involved and the co-ordination between the external and internal auditors;
(m) to discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
(n) to review the external auditors' management letter and management's response;
(o) to consider the major findings of internal investigations and management's response;
(p) to review and verify the allocation of share options to employees under the ESOS; and
(q) to perform any other functions as authorised by the Board.

Meetings

The Committee is to meet at least four (4) times a year and as many times as the Committee deems necessary with due notice of issues to be discussed sent to all members.

A quorum of two (2) members, of which the majority of members present must be Independent Non-Executive Directors, is required for all meetings.

The meetings and proceedings of the Committee are governed by the provisions of the Articles of Association of the Company regulating the meetings and proceedings of the Board so far as the same are applicable.

The Chief Financial Officer and the representatives of the internal auditors shall be in attendance at meetings of the Committee as and when required.

The Committee may invite external auditors, other directors or members of the management and employees of the Group to be in attendance during meetings to assist in its deliberations.

At least twice a year, the Committee shall meet with the external auditors, in the absence of the executive directors and the management staff, to discuss the audit findings and any other observations that they may have during the audit process.

The external auditors may also request for a meeting if they consider it needful.

Minutes of each meeting are to be prepared to record its conclusions in discharging its duties and responsibilities and sent to the Committee members, and the Company's Directors who are not members of the Committee.

A total of five (5) meetings were held during the FYE 31 December 2015. Details of the attendance of the members at the meetings are as follows:

Directors	**Attendance**
Lam Voon Kean	4/5
Dato' Mahinder Singh Dulku	5/5
Ng Eng Tong	5/5
Dato' Wira Norazman Hamidun	4/5

SUMMARY OF ACTIVITIES

The main activities undertaken by the Committee for the FYE 31 December 2015 were as follows:

(a) Reviewed quarterly unaudited financial statements of the Group and recommended them to the Board for approval and for announcement to Bursa Securities.
(b) Reviewed the internal audit reports, which highlighted the audit issues, recommendations and management's response. Discussed with management the corrective actions taken to improve the system of internal control based on improvement opportunities identified in the internal audit reports.
(c) Reviewed the annual report and the audited financial statements of the Company prior to the submission to the Board for their consideration and approval. The review is, inter alia, to ensure compliance with the provisions of the Companies Act, 1965, MMLR, applicable approved accounting standards in Malaysia and other legal and regulatory requirements.
(d) Reviewed the risk based internal audit plan, its scope of work, functions, competency and resources and that it has the necessary authority to carry out its work.
(e) Discussed with external auditors on their audit plan and scope of work for the year as well as the audit procedures to be utilised.
(f) Considered the re-appointment of external auditors.
(g) Reviewed the recurrent related party transactions of a revenue or trading nature and other related party transactions entered into by the Group.
(h) Discussed the audit findings from the external and internal auditors.
(i) Verified the allocation of options under ESOS.
(j) Convened two (2) meetings with external auditors in the absence of executive directors and the management staff.
(k) Reviewed the circular to shareholders in relation to the proposed additional and renewal of shareholders' mandate for recurrent related party transactions of a revenue and trading nature.
(l) Reviewed the post analysis of approved return of investment ("ROI") and the status update of approved new ROI.

INTERNAL AUDIT FUNCTION

The Company has appointed an independent professional accounting firm to provide outsourced internal audit function for the Group in order to assist the Committee in discharging its duties and responsibilities. The objectives of internal audit are to independently assess the system of internal control established by the Management, the adequacy and integrity of such internal control system vis-à-vis the objectives served and to make appropriate recommendations thereof as well as determining the extent of adherence to these controls by staff responsible for the function.

During the financial year, the internal auditors have conducted audit reviews on the functional areas and operating processes of the Group such as information technology infrastructure, sales and collection, inventory management, operational review of manufacturing process based on the internal audit plan which has been approved by the Committee. Upon completion of the work, the internal auditors presented their findings and recommendations as well as the Management's responses and action plans to the Committee for its review and deliberation. The internal auditors also carried out follow-up reviews to monitor the implementation of the Management's action plans for reporting to the Committee.

The costs incurred for the internal audit function of the Group for 2015 is RM112,500.

STATEMENT ON ESOS

The Committee has reviewed and verified that the allocation of share options pursuant to the ESOS to eligible employees of RGB Group granted on 12 October 2015 had been made according to the eligibility and entitlement criteria determined by the ESOS Committee and the share options have been granted in accordance with the Bye-Laws.

This report is made pursuant to a resolution of the Board dated 18 April 2016.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Paragraph 15.26(b) of the MMLR of Bursa Securities requires the Board of listed issuers to include in its Annual Report a "statement about the state of internal control of the listed issuer as a group". The Board of RGB is committed to maintain a sound system of risk management and internal control in the Group and is pleased to provide the following Statement on Risk Management and Internal Control ("Statement"), which outlines the nature and scope of internal control of the Group during the FYE 31 December 2015.

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for the Group's system of internal control and risk management practices to safeguard its shareholders' investment, interest and the Group's assets.

The system of internal control covers not only financial controls but operational and compliance controls and risk management procedures. In view of the limitations inherent in any system of risk management and internal controls, the system is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's business and corporate objectives. The system can therefore only provide reasonable, but not absolute assurance, against material misstatement or loss.

The Board has in place an on-going process for identifying, evaluating and managing the significant risks encountered by the Group. The Board, through its Audit Committee, reviews the results of this process, including mitigating measures taken by the Management via the CRRA Committee to address areas of key risks identified. This process has been in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report of the Company.

The Audit Committee assists the Board in reviewing the adequacy and integrity of the system of risk management and internal controls in the Group and to ensure that an appropriate mix of techniques is used to obtain the level of assurance required by the Board.

RISK MANAGEMENT

Risk management is firmly embedded in the Group's key processes through its ERM framework, in line with Recommendation 6.1 of the MCCG 2012. The adopted ERM framework includes an on-going risk management process carried out by the CRRA Committee. Risks may be associated with internal or external factors including turnover of key personnel, changes in the economic and political environment, competition, introduction of new rules and regulations, technological advancement and other matters relevant to the Group. For each of the key risks identified, the respective divisional head or manager is responsible to continuously monitor the implementation of risk mitigation action plans and update to the Board via CRRA Committee.

The Group is committed to a process of continuous development and improvement through developing systems in response to any relevant reviews and developments on good governance in compliance with the MCCG 2012.

During the year, an outsourced professional service provider ("the appointed firm") is appointed to assist in the facilitation of ERM update to the Group. A series of interviews and discussions are carried out with the Key Management and personnel to identify, assess and prioritise the risks. The update of business risk profile, highlighting principal risks, has been reported to the Board, Audit Committee and CRRA Committee in February 2016.

Risk tolerance limits are set to align the risk appetite, with the consideration of likelihood of occurrence and severity of consequences, are subject to review periodically. Existing controls to mitigate and manage these risks are then re-assessed and strengthened.

Apart from reviewing the risk management updates from the appointed firm, the CRRA Committee has also deliberated and reported to the Board, inter alia, on the following matters:

i) Review and evaluate the progress of all non-performing investments and ventures;
ii) Review and evaluate feasibility of proposed capital expenditures prior to acquisition;
iii) Monitor trade collection and recommend appropriate actions to recover overdue debts, if any;
iv) Evaluate and review special credit term offered to selected customers;
v) Review adequacy of provision for doubtful debts on trade receivables and any write-off of debts as required;
vi) Review new business, leasing and technical support and management agreements; and
vii) Review the country risk and regulatory compliance where the Group operates.

INTERNAL AUDIT FUNCTION

The Audit Committee evaluates the Internal Audit function to assess its effectiveness in the discharge of its responsibilities. The independent Internal Audit function, which is also outsourced to the appointed firm, provides assurance to the Audit Committee through the execution of internal audit in accordance with the detailed annual risk-based internal audit plan approved by the Audit Committee. The internal audit report outlines the improvements opportunity from these audits together with the Management's response and proposed action plans are presented to the Audit Committee for its review. The appointed firm also follows up and reports to the Audit Committee the status of implementation by the Management on the recommendations highlighted in the previous internal audit reports.

The other key elements of the Group's internal control systems are described below:

(a) Limits of Authority and Responsibility

Documented limits of authority, responsibility and accountability have been established through the relevant charters and TOR, organisational structures and Expenditure Controls and Delegation of Authority Policy. These enhance the Group's ability to achieve its strategies and operational objectives. The divisional structure further enhances the ability of each division to focus on its assigned core or support functions within the Group.

(b) Written Policies and Procedures

A set of documented internal policies and procedures for each department is in place and is subject to regular review and update. This helps to ensure internal control principles and mechanisms are embedded in the operations of the Group.

(c) Planning, Monitoring and Reporting

- There is an established strategic planning and budgetary process, requiring all functional divisions to prepare the annual capital and operating expenditure budgets for discussion and approval by the Board;
- The Audit Committee reviews the Group's quarterly financial performance, together with the Management, which is subsequently reported to the Board;
- Regular and comprehensive information are provided to the Key Management, covering financial and operational performance and key business indicators to promote effective review and monitoring of performance and decision making purposes; and
- The Management meetings are held regularly to identify, discuss and resolve strategic, operational, financial and key management issues.

(d) Insurance

Insurance and physical safeguards over major assets are in place to ensure that the Group's assets are adequately covered against any calamity and mishap that may result in material losses to the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board has received assurance from the Managing Director and Chief Financial Officer that the Group's risk management and internal control systems have been operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this Statement. Taking this assurance into consideration, the Board is of the view that the systems of risk management and internal control is adequate to meet the needs of the Group in addressing financial operational and compliance risks and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Company's Annual Report. The Group continues to take measures to strengthen the internal control environment, monitor the health of the risk management and internal controls framework.

Pursuant to paragraph 15.23 of the MMLR of Bursa Securities, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Company for the year ended 31 December 2015 and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material aspects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is this Statement factually inaccurate.

This Statement was made in accordance with a resolution of the Board dated 18 April 2016.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

FINANCIAL CALENDAR

2015

26 February
Announcement of the consolidated results for the 4th quarter and financial year ended 31 December 2014

30 April
Announcement of the audited consolidated results for the financial year ended 31 December 2014

29 May
12th Annual General Meeting

29 May
Announcement of the consolidated results for the 1st quarter ended 31 March 2015

28 August
Announcement of the consolidated results for the 2nd quarter ended 30 June 2015

23 November
Announcement of the consolidated results for the 3rd quarter ended 30 September 2015

2016

23 February
Announcement of the consolidated results for the 4th quarter and financial year ended 31 December 2015

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 18 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	21,289,053	7,100,183
Attributable to:		
Owners of the Parent	20,863,284	7,100,183
Non-controlling interests	425,769	-
	21,289,053	7,100,183

DIVIDENDS

Dividends paid, declared or proposed since the end of previous financial year were as follows:

	Company RM
In respect of financial year ended 31 December 2014:	
Final single-tier dividend of 0.20 sen per ordinary share, paid on 15 July 2015	2,604,815
In respect of financial year ended 31 December 2015:	
Interim single-tier dividend of 0.25 sen per ordinary share, paid on 15 April 2016	3,295,175

The Directors have proposed a final single-tier dividend of 0.25 sen per ordinary share in respect of the financial year ended 31 December 2015, subject to the approval of members at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM117,759,960 to RM130,762,130 by way of:

(a) Issuance of 11,698,400 new ordinary shares of RM0.10 each for cash pursuant to the exercise of Employees' Share Option Scheme ("ESOS") at a weighted average issue price of RM0.104 per ordinary share; and

(b) Issuance of 118,323,300 new ordinary shares of RM0.10 each for cash pursuant to the exercise of Private Placement at RM0.154 per ordinary share.

The newly issued shares rank pari passu in all respects with the existing shares of the Company.

There were no other issues of shares and debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

The ESOS of the Company is governed by the Bye-Laws approved by the shareholders at an Extraordinary General Meeting held on 16 October 2009. The ESOS was implemented on 21 October 2009 and is to be in force for a period of 5 years from the date of implementation. On 24 August 2012, the Company has extended the option for another 5 years until 20 October 2019.

The salient features and other terms of the ESOS are disclosed in Note 34 to the financial statements.

The details of the options over the ordinary shares of the Company are as follows:

	← Number of options over ordinary shares of RM0.10 each →					
Grant Date	**Outstanding at 1 January 2015 '000**	**Granted '000**	**Exercised '000**	**Forfeited '000**	**Outstanding at 31 December 2015 '000**	**Exercisable at 31 December 2015 '000**
2010 Options:						
Grant 1	31,664	-	(6,602)	-	25,062	25,062
2012 Options:						
Grant 2	1,678	-	-	(196)	1,482	1,482
Grant 3	6,244	-	(2,193)	-	4,051	4,051
2013 Options:						
Grant 4	3,491	-	(503)	(206)	2,782	1,883
2014 Options:						
Grant 5	11,837	-	(2,340)	(787)	8,710	3,228
2015 Options:						
Grant 6	-	4,875	(60)	(166)	4,649	1,117
	54,914	4,875	(11,698)	(1,355)	46,736	36,823

OPTIONS GRANTED OVER UNISSUED SHARES (Continued)

The Company has been granted exemption by the Companies Commission of Malaysia vide its letter dated 2 March 2016 from having to disclose the list of option holders to whom options have been granted during the financial year and details of their holdings pursuant to Section 169(11) of the Companies Act, 1965 in Malaysia except for information of employees who were granted 142,000 options and above.

Other than the Directors' options disclosed under the Directors' interests below, employees of the Company and of the subsidiaries who were granted 142,000 options and above under the ESOS during the financial year are as follows:

	Number of options over ordinary shares of RM0.10 each			
	Grant date, 12 October 2015	Exercised	Forfeited	31 December 2015
Low Chai Huang	206,400	-	-	206,400
Ang Yih Sheng	177,200	-	-	177,200
Khneoh Su Fung	173,600	-	-	173,600
Liew Ming Kong	170,800	-	-	170,800
Chong Su Yee	163,200	-	-	163,200
Lim Kok Siang	162,000	-	-	162,000
Chew Poh Leei	154,800	-	-	154,800
Men Chann Sophearak	144,000	-	-	144,000
Mangum Cory	142,000	-	-	142,000
Sanchez Laurence	142,000	-	-	142,000

DIRECTORS

The Directors who have held for office since the date of the last report are:

Dato' Mahinder Singh Dulku
Datuk Chuah Kim Seah
Datuk Lim Tow Boon
Mazlan Ismail
Chuah Kim Chiew
Ng Eng Tong
Lam Voon Kean
Dato' Wira Norazman Hamidun

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and options over ordinary shares in the Company and of its related corporations during the financial year ended 31 December 2015 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia were as follows:

	Number of ordinary shares of RM0.10 each			
	1 January 2015	Acquired	Sold	31 December 2015
Shares in the Company				
Direct interests:				
Dato' Mahinder Singh Dulku	140,000	-	(100,000)	40,000
Datuk Chuah Kim Seah	337,850,290	-	-	337,850,290
Datuk Lim Tow Boon	4,140,500	1,350,000	(2,000,000)	3,490,500
Mazlan Ismail	6,000,000	-	(6,000,000)	-
Chuah Kim Chiew	26,764,194	-	-	26,764,194
Ng Eng Tong	1,000,000	2,000,000	(3,000,000)	-
Dato' Wira Norazman Hamidun	-	2,000,000	-	2,000,000
Indirect interests:				
Datuk Chuah Kim Seah	1,753,800	-	-	1,753,800
Mazlan Ismail	129,031,986	-	-	129,031,986
Chuah Kim Chiew	1,603,800	-	-	1,603,800

	Number of options over ordinary shares of RM0.10 each			
	1 January 2015	Exercised	Forfeited	31 December 2015
Share options in the Company				
Dato' Mahinder Singh Dulku	4,000,000	-	-	4,000,000
Datuk Chuah Kim Seah	10,000,000	-	-	10,000,000
Datuk Lim Tow Boon	4,500,000	(1,350,000)	-	3,150,000
Chuah Kim Chiew	3,000,000	-	-	3,000,000
Ng Eng Tong	3,000,000	(2,000,000)	-	1,000,000
Lam Voon Kean	4,000,000	-	-	4,000,000
Dato' Wira Norazman Hamidun	4,000,000	(2,000,000)	-	2,000,000

By virtue of his interests in ordinary shares of the Company, Datuk Chuah Kim Seah is also deemed to be interested in the ordinary shares of all the subsidiaries to the extent the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in ordinary shares and options over ordinary shares in the Company or ordinary shares, options over ordinary shares and debentures of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the share options granted pursuant to the ESOS disclosed in Note 34 to the financial statements.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;

(ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; and

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (Continued)

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

Details of subsequent event is disclosed in Note 46 to the financial statements.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors.

Datuk Lim Tow Boon
Director

Mazlan Ismail
Director

Penang
18 April 2016

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 54 to 151 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 47 to the financial statements on page 152 has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

Datuk Lim Tow Boon
Director

Mazlan Ismail
Director

Penang
18 April 2016

STATUTORY DECLARATION

I, Teh Mun Hui, being the officer primarily responsible for the financial management of RGB International Bhd., do solemnly and sincerely declare that the financial statements set out on pages 54 to 152 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed at Georgetown in the
State of Penang on 18 April 2016

Teh Mun Hui

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF RGB INTERNATIONAL BHD.

Report on the Financial Statements

We have audited the financial statements of RGB International Bhd., which comprise statements of financial position as at 31 December 2015 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 54 to 151.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF RGB INTERNATIONAL BHD.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 18 to the financial statements.

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 47 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO
AF: 0206
Chartered Accountants

Law Kian Huat
No. 2855/06/16 (J)
Chartered Accountant

Penang
18 April 2016

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Revenue	7	233,005,831	214,646,537	16,058,190	11,997,370
Cost of sales	8	(165,951,941)	(158,115,246)	-	-
Gross profit		67,053,890	56,531,291	16,058,190	11,997,370
Other income	9	4,096,128	2,404,564	834,805	1,096,180
Administrative expenses		(33,625,672)	(27,474,808)	(3,601,561)	(2,454,535)
Selling and marketing expenses		(3,704,751)	(2,655,691)	-	-
Other expenses, net		(4,068,959)	(2,110,635)	(2,055,033)	(933,241)
Finance costs	10	(4,639,139)	(7,001,583)	(4,121,983)	(6,072,976)
Share of profit of associates	20	-	3,353	-	-
Profit before tax	11	25,111,497	19,696,491	7,114,418	3,632,798
Tax expense	14	(3,822,444)	(1,540,208)	(14,235)	(244,724)
Profit for the financial year		21,289,053	18,156,283	7,100,183	3,388,074
Other comprehensive income, net of tax:					
Items that may be reclassified subsequently to profit or loss					
- Foreign currency translation, representing other comprehensive income for the financial year		36,635,902	11,115,147	-	-
Total comprehensive income for the financial year		57,924,955	29,271,430	7,100,183	3,388,074
Profit attributable to:					
Owners of the Parent		20,863,284	18,526,139	7,100,183	3,388,074
Non-controlling interests		425,769	(369,856)	-	-
		21,289,053	18,156,283	7,100,183	3,388,074
Total comprehensive income attributable to:					
Owners of the Parent		53,702,635	28,678,268	7,100,183	3,388,074
Non-controlling interests		4,222,320	593,162	-	-
		57,924,955	29,271,430	7,100,183	3,388,074
Earnings per ordinary share attributable to owners of the Parent (sen):					
Basic	15(a)	1.66	1.59		
Diluted	15(b)	1.63	1.56		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Assets					
Non-current assets					
Property, plant and equipment	17	118,577,715	108,074,685	44,451	17,153
Investments in subsidiaries	18	-	-	156,784,624	171,608,052
Investments in associates	20	171,356	139,682	-	-
Intangible assets	22	4,712,299	6,390,194	-	-
Trade receivables	24	8,223,557	3,374,613	-	-
Other receivables	25	63,920	146,064	-	-
Due from a subsidiary	26	-	-	-	10,981,460
		131,748,847	118,125,238	156,829,075	182,606,665
Current assets					
Inventories	23	11,242,292	17,754,498	-	-
Trade receivables	24	49,819,238	56,375,473	-	-
Other receivables	25	19,749,505	10,436,692	72,462	116,194
Due from subsidiaries	26	-	-	18,433,145	3,192,213
Due from associates	28	4,181,592	3,141,370	-	-
Tax recoverable		-	56,207	-	99,540
Cash and bank balances	30	85,178,907	60,640,481	9,244,270	9,259,834
		170,171,534	148,404,721	27,749,877	12,667,781
Assets of disposal group classified as held for sale	31	-	1,284,113	-	-
		170,171,534	149,688,834	27,749,877	12,667,781
Total assets		301,920,381	267,814,072	184,578,952	195,274,446
Equity and liabilities					
Equity attributable to owners of the Parent					
Share capital	32	130,762,130	117,759,960	130,762,130	117,759,960
Share premium	33	20,774,345	14,536,658	20,774,345	14,536,658
Foreign currency translation reserve	33	23,576,435	(9,165,820)	-	-
Share option reserve	33	989,978	770,702	990,326	771,030
(Accumulated losses)/Retained earnings	33	(849,422)	(19,193,667)	4,770,907	275,539
		175,253,466	104,707,833	157,297,708	133,343,187
Non-controlling interests	18	21,126,923	15,693,189	-	-
Total equity		196,380,389	120,401,022	157,297,708	133,343,187

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Non-current liabilities					
Borrowings	35	17,051,700	38,984,626	10,000,000	35,221,775
Trade payables	38	3,820,773	1,856,852	-	-
Other payables	39	32,646	124,653	-	-
Due to a subsidiary	26	-	-	-	13,127,002
Deferred tax liabilities	37	159,306	171,502	-	-
		21,064,425	41,137,633	10,000,000	48,348,777
Current liabilities					
Borrowings	35	18,508,484	27,892,399	16,732,676	13,198,436
Trade payables	38	34,839,054	53,918,990	-	-
Other payables	39	30,849,352	23,366,898	536,676	384,046
Due to associates	28	91,956	74,958	-	-
Due to a minority shareholder of a subsidiary	29	-	934,481	-	-
Tax payable		186,721	-	11,892	-
		84,475,567	106,187,726	17,281,244	13,582,482
Liabilities of disposal group classified as held for sale	31	-	87,691	-	-
		84,475,567	106,275,417	17,281,244	13,582,482
Total liabilities		105,539,992	147,413,050	27,281,244	61,931,259
Total equity and liabilities		301,920,381	267,814,072	184,578,952	195,274,446

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Group	Note	Share capital RM	Share premium RM	Foreign currency translation reserve RM	Share option reserve RM	Accumulated losses RM	Total RM	Non-controlling interests RM	Total equity RM
		Attributable to owners of the Parent							
			Non-distributable						
At 1 January 2015		117,759,960	14,536,658	(9,165,820)	770,702	(19,193,667)	104,707,833	15,693,189	120,401,022
Profit for the financial year		-	-	-	-	20,863,284	20,863,284	425,769	21,289,053
Foreign currency translations		-	-	32,839,351	-	-	32,839,351	3,796,551	36,635,902
Total comprehensive income for the financial year		-	-	32,839,351	-	20,863,284	53,702,635	4,222,320	57,924,955
Transactions with owners:									
Dilution from change in stake	18	-	-	(97,096)	(20)	85,776	(11,340)	11,340	-
Deconsolidation of a subsidiary	18	-	-	-	-	-	-	171,180	171,180
Dividend paid	16	-	-	-	-	(2,604,815)	(2,604,815)	-	(2,604,815)
Issue of ordinary shares pursuant to:									
ESOS	32	1,169,840	301,450	-	(258,906)	-	1,212,384	-	1,212,384
Private Placement	32	11,832,330	5,936,237	-	-	-	17,768,567	-	17,768,567
Share option granted under ESOS	12	-	-	-	478,202	-	478,202	-	478,202
Subscription of ordinary shares by the non-controlling interests in a subsidiary	18	-	-	-	-	-	-	1,028,894	1,028,894
Total transactions with owners		13,002,170	6,237,687	(97,096)	219,276	(2,519,039)	16,842,998	1,211,414	18,054,412
At 31 December 2015		130,762,130	20,774,345	23,576,435	989,978	(849,422)	175,253,466	21,126,923	196,380,389
At 1 January 2014		115,911,170	14,409,433	(19,317,949)	513,411	(36,554,270)	74,961,795	14,594,175	89,555,970
Profit for the financial year		-	-	-	-	18,526,139	18,526,139	(369,856)	18,156,283
Foreign currency translations		-	-	10,152,129	-	-	10,152,129	963,018	11,115,147
Total comprehensive income for the financial year		-	-	10,152,129	-	18,526,139	28,678,268	593,162	29,271,430
Transactions with owners:									
Deconsolidation of a subsidiary	18	-	-	-	-	-	-	505,852	505,852
Dividends paid	16	-	-	-	-	(1,165,536)	(1,165,536)	-	(1,165,536)
Issue of ordinary shares pursuant to ESOS	32	1,848,790	127,225	-	(124,976)	-	1,851,039	-	1,851,039
Share option granted under ESOS	12	-	-	-	382,267	-	382,267	-	382,267
Total transactions with owners		1,848,790	127,225	-	257,291	(1,165,536)	1,067,770	505,852	1,573,622
At 31 December 2014		117,759,960	14,536,658	(9,165,820)	770,702	(19,193,667)	104,707,833	15,693,189	120,401,022

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Company	Note	← Non-distributable Share capital RM	Share premium RM	Share option reserve RM →	Retained earnings/ (Accumulated losses) RM	Total equity RM
At 1 January 2015		117,759,960	14,536,658	771,030	275,539	133,343,187
Profit for the financial year		-	-	-	7,100,183	7,100,183
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income for the financial year		-	-	-	7,100,183	7,100,183
Transactions with owners:						
Dividend paid	16	-	-	-	(2,604,815)	(2,604,815)
Issue of ordinary shares pursuant to:						
ESOS	32	1,169,840	301,450	(258,906)	-	1,212,384
Private Placement	32	11,832,330	5,936,237	-	-	17,768,567
Share option granted under ESOS	12	-	-	478,202	-	478,202
Total transactions with owners		13,002,170	6,237,687	219,296	(2,604,815)	16,854,338
At 31 December 2015		130,762,130	20,774,345	990,326	4,770,907	157,297,708
At 1 January 2014		115,911,170	14,409,433	513,739	(1,946,999)	128,887,343
Profit for the financial year		-	-	-	3,388,074	3,388,074
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income for the financial year		-	-	-	3,388,074	3,388,074
Transactions with owners:						
Dividends paid	16	-	-	-	(1,165,536)	(1,165,536)
Issue of ordinary shares pursuant to ESOS	32	1,848,790	127,225	(124,976)	-	1,851,039
Share option granted under ESOS	12	-	-	382,267	-	382,267
Total transactions with owners		1,848,790	127,225	257,291	(1,165,536)	1,067,770
At 31 December 2014		117,759,960	14,536,658	771,030	275,539	133,343,187

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Cash flows from operating activities					
Profit before tax		25,111,497	19,696,491	7,114,418	3,632,798
Adjustments for:					
Dividend income from a subsidiary	7	-	-	(16,058,190)	(11,997,370)
Interest income	9	(508,894)	(365,873)	(834,212)	(1,095,689)
Interest expense	10	4,402,435	6,821,065	4,117,814	6,070,502
Amortisation of intangible assets	22	3,635,136	1,165,496	-	-
Bad debts written off		158,091	29,206	-	-
Depreciation of property, plant and equipment	17	28,359,646	27,210,762	10,651	4,709
Gain on deconsolidation of a subsidiary	18	(585,457)	(1,285,379)	-	-
Gain on disposal of a joint venture	19	(5)	-	(5)	-
Gain on disposal of property, plant and equipment		(7,394)	(30,246)	-	-
Gain on remeasurement of a financial liability		(185,085)	-	(185,085)	-
Impairment losses on:					
- Due from associates	28	-	107,309	-	-
- Due from joint ventures	27	6,220	1,975	6,220	1,975
- Other receivables	25	102,417	6,510	-	-
- Property, plant and equipment	17	819,184	187,382	-	-
- Due from subsidiaries	26	-	-	-	444,920
- Trade receivables	24	153,278	401,771	-	-
Impairment losses written back on:					
- Due from associates	28	(245,697)	-	-	-
- Due from joint ventures	27	(21,000)	-	(21,000)	-
- Other receivables	25	-	(2,354)	-	-
- Property, plant and equipment	17	(5,146)	-	-	-
- Due from subsidiaries	26	-	-	(68,834)	-
- Trade receivables	24	(63,983)	(87,946)	-	-
Property, plant and equipment written off		404	69,947	-	-
Inventories written down	23	2,612,126	208,163	-	-
Share options granted under ESOS	12	478,202	382,267	311,390	208,195
Share of profit of associates	20	-	(3,353)	-	-
Unrealised foreign exchange losses		2,895,843	2,759,537	2,240,418	933,241
Operating profit/(loss) before changes in working capital		67,111,818	57,272,730	(3,366,415)	(1,796,719)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Cash flows from operating activities (Continued)					
Operating profit/(loss) before changes in working capital		67,111,818	57,272,730	(3,366,415)	(1,796,719)
Changes in working capital:					
Inventories		7,700,355	(13,275,161)	-	-
Long term receivables		(4,867,942)	(3,360,794)	-	-
Short term receivables		(3,590,754)	(16,997,654)	43,732	(42,929)
Due from subsidiaries		-	-	26,490,496	171,775
Due from joint ventures		14,780	(1,975)	14,780	(1,975)
Due from associates		(710,165)	(298,766)	-	-
Long term payables		1,871,914	1,772,356	-	-
Short term payables		(12,222,170)	26,095,871	152,630	(442,585)
Due to a minority shareholder of a subsidiary		(1,868)	57,494	-	-
Due to a subsidiary		-	-	657,486	20,607,405
Cash generated from operations		55,305,968	51,264,101	23,992,709	18,494,972
Interest paid		(784,621)	(1,250,563)	(500,000)	(500,000)
Tax paid, net		(3,591,712)	(1,407,037)	97,197	(21,074)
Net cash from operating activities		50,929,635	48,606,501	23,589,906	17,973,898
Cash flows from investing activities					
Purchase of property, plant and equipment	17	(23,888,992)	(14,573,067)	(37,949)	(3,520)
Proceeds from disposal of property, plant and equipment		2,070,200	47,280	-	-
Changes in fixed deposits pledged to licensed banks	30	7,345,278	(4,927,795)	6,709,100	(2,016,641)
Changes in bank balances pledged to licensed banks	30	(5,590,211)	(2,604,347)	(7,069,167)	19,955
Acquisition of intangible assets	22	(35,738)	(721,205)	-	-
Subscription of ordinary shares in subsidiaries	18	-	-	(15,179,995)	-
Net cash outflows from deconsolidation of a subsidiary	18	(89)	(112)	-	-
Proceeds from disposal of a joint venture	19	5	-	5	-
Interest received		508,894	365,873	356,593	257,045
Net cash used in investing activities		(19,590,653)	(22,413,373)	(15,221,413)	(1,743,161)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Cash flows from financing activities					
Proceeds from issuance of ordinary shares		18,980,951	1,851,039	18,980,951	1,851,039
Drawdown of term loans		8,591,000	6,423,000	-	-
Repayment of term loans		(5,605,660)	(1,247,735)	-	-
Proceeds from bankers' acceptances		-	3,700,000	-	-
Repayment of bankers' acceptances		-	(3,700,000)	-	-
Proceeds from onshore foreign currency loan		10,123,265	28,290,673	-	-
Repayment of onshore foreign currency loan		(20,710,006)	(27,813,617)	-	-
Net repayment of commercial papers		(25,120,264)	(17,221,802)	(25,120,264)	(17,221,802)
Repayment of hire purchase and lease creditors		(212,758)	(325,480)	-	-
Proceeds from subscription of ordinary shares by non-controlling interests	18	1,028,894	-	-	-
Dividends paid	16	(2,604,815)	(1,165,536)	(2,604,815)	(1,165,536)
Net cash used in financing activities		(15,529,393)	(11,209,458)	(8,744,128)	(16,536,299)
Net increase/(decrease) in cash and cash equivalents		15,809,589	14,983,670	(375,635)	(305,562)
Effects of foreign exchange rate changes		12,298,835	2,197,693	4	(17,008)
Cash and cash equivalents at beginning of financial year		41,032,291	23,850,928	590,112	912,682
Cash and cash equivalents at end of financial year	30	69,140,715	41,032,291	214,481	590,112

The accompanying notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

RGB International Bhd. ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The registered office of the Company is located at Suite 16-1 (Penthouse Upper), Menara Penang Garden, 42-A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia.

The principal place of business of the Company is located at 8, Green Hall, 10200 Penang, Malaysia.

The consolidated financial statements for the financial year ended 31 December 2015 comprise the Company and its subsidiaries and the interests of the Group in joint ventures and associates. These financial statements are presented in Ringgit Malaysia (“RM”), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 18 April 2016.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 18 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company set out on pages 54 to 151 have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) and the provisions of the Companies Act, 1965 in Malaysia. However, Note 47 to the financial statements set out on page 152 has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants (“MIA Guidance”) and the directive of Bursa Securities.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements in conformity with MFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors’ best knowledge of events and actions, actual results could differ from those estimates.

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) Power over the investee;

(b) Exposure, or rights, to variable returns from its involvement with the investee; and

(c) The ability to use its power over the investee to affect its returns.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Basis of consolidation (Continued)

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) The contractual arrangement with the other vote holders of the investee;

(b) Rights arising from other contractual agreements; and

(c) The voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with joint ventures and associates are eliminated against the investment to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the other entities in the Group.

Non-controlling interests represent equity in subsidiaries that are not attributable, directly or indirectly, to owners of the Parent, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Parent. Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the Parent.

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(i) The aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(ii) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, where applicable, the cost on initial recognition of an investment in associate or joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Business combinations

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

(b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and

(c) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

(a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

(b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 4.7 to the financial statements. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses. When significant parts of the property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major refurbishment is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated to write off the cost to their residual values on a straight line basis over their estimated useful lives. The principal depreciation rates are as follows:

Buildings	2%
Renovation	10%
Electrical installation	10%
Motor vehicles	10 - 20%
Gaming machines	20%
Plant, machinery, fittings and equipment	10 - 20%
Furniture, fittings and office equipment	10 - 20%

Freehold land has an unlimited useful life and is not depreciated. Leasehold land is depreciated over the period of the lease of 99 years.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.8 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Leases and hire purchase

(a) Finance leases and hire purchase

Assets acquired under finance leases and hire purchase which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the incremental borrowing rate of the Group is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

(b) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

(c) Leases of land and buildings

For leases of land and buildings, the land and buildings elements are considered separately for the purpose of lease classification and these leases are classified as operating or finance leases in the same way as leases of other assets.

The minimum lease payments including any lump-sum upfront payments made to acquire the interest in the land and buildings are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and the buildings element of the lease at the inception of the lease.

For a lease of land and buildings in which the amount that would initially be recognised for the land element is immaterial, the land and buildings are treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the buildings is regarded as the economic life of the entire leased asset.

4.6 Investments

(a) Subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost less any accumulated impairment losses. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Investments (Continued)

(a) Subsidiaries (Continued)

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

(b) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. The parties are bound by a contractual arrangement which gives two or more parties joint control of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is either a joint operation or a joint venture.

(i) Joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. These parties are known as joint operators.

(ii) Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. These parties are known as joint venturers.

In the separate financial statements of the Company, an investment in a joint venture is stated at cost less any accumulated impairment losses.

Any premium paid for an investment in a joint venture above the fair value of the share of the identifiable assets, liabilities and contingent liabilities acquired of the Group is capitalised and included in the carrying amount of the investment in joint venture. Where there is an objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in accordance with MFRS 136 *Impairment of Assets* as a single asset, by comparing its recoverable amount with its carrying amount.

The Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with MFRS 128 *Investments in Associates and Joint Ventures*.

The Group determines the type of joint arrangement in which it is involved, based on the rights and obligations of the parties to the arrangement. In assessing the classification of interests in joint arrangements, the Group considers:

(i) The structure of the joint arrangement;

(ii) The legal form of joint arrangements structured through a separate vehicle;

(iii) The contractual terms of the joint arrangement agreement; and

(iv) Any other facts and circumstances.

When there are changes in the facts and circumstances change, the Group reassesses whether the type of joint arrangement in which it is involved has changed.

NOTES TO THE FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Investments (Continued)

(c) Associates

An associate is an entity over which the Group and the Company have significant influence and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is neither control nor joint control over those policies.

In the separate financial statements of the Company, an investment in associate is stated at cost less any accumulated impairment losses.

An investment in associate is accounted for in the consolidated financial statements using the equity method of accounting. The investment in associate in the consolidated statement of financial position is initially recognised at cost and adjusted thereafter for the post acquisition change in the share of net assets of the investments of the Group.

The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long term interest that, in substance, form part of the net investment in the associate of the Group.

The share of the profit or loss of the associate by the Group during the financial year is included in the consolidated financial statements, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount could also be necessary for changes in the proportionate interest of the Group in the associate arising from changes in the associate's equity that have not been recognised in the associate's profit or loss. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The share of those changes by the Group is recognised directly in equity of the Group.

Unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the interest of the Group in the associate to the extent that there is no impairment.

When the share of losses of the Group in the associate equals to or exceeds its interest in the associate, the carrying amount of that interest is reduced to nil and the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on its behalf.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the interest of the Group in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Intangible assets

(a) Goodwill

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the interest of the Group in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount could be impaired. Objective events that would trigger a more frequent impairment review include adverse industry or economic trends, significant restructuring actions, significantly lowered projections of profitability, or a sustained decline in the acquiree's market capitalisation. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill arising on acquisition of an associate is the excess of cost of investment over the share of the net fair value of net assets of the associates' identifiable assets and liabilities by the Group at the date of acquisition.

Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. The excess of the share of the net fair value of the associate's identifiable assets and liabilities by the Group over the cost of investment is included as income in the determination of the share of the associate's profit or loss by the Group in the period in which the investment is acquired.

(b) Other intangible assets

Other intangible assets are recognised only when the identifiability, control and future economic benefit probability criteria are met.

The Group recognises at the acquisition date separately from goodwill, an intangible asset of the acquiree, irrespective of whether the asset had been recognised by the acquiree before the business combination. In-process research and development projects acquired in such combinations are recognised as an asset even if subsequent expenditure is written off because the criteria specified in the policy for research and development is not met.

Intangible assets are initially measured at cost. The cost of intangible assets recognised in a business combination is their fair values as at the date of acquisition.

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives and are assessed for any indication that the asset could be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in profit or loss and is included within the other operating expenses line item.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Intangible assets (Continued)

(b) Other intangible assets (Continued)

An intangible asset has an indefinite useful life when based on the analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the Group. Intangible assets with indefinite useful lives are tested for impairment annually and wherever there is an indication that the carrying amount may be impaired. Such intangible assets are not amortised. Their useful lives are reviewed at the end of each reporting period to determine whether events and circumstances continue to support the indefinite useful life assessment for the asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors.*

Expenditure on an intangible item that is initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset is recognised in profit or loss when the asset is derecognised.

Research and development

Expenditure on development activities of internally developed products is recognised as an intangible asset when it relates to the production of new or substantively improved products and processes and when the Group can demonstrate that it is technically feasible to develop the product or processes, adequate resources are available to complete the development and that there is an intention to complete and sell the product or processes to generate future economic benefits.

Capitalised development costs are amortised on a straight line basis over the commercial lives of the underlying products not exceeding five years. Development expenditure not satisfying the criteria mentioned and expenditure arising from research or from the research phase of internal projects are recognised in profit or loss as incurred.

Development assets are tested for impairment annually.

Gaming licenses

Gaming licenses are initially measured at cost. The cost of gaming licenses acquired in a business combination is their fair values as at the date of acquisition. Following the initial recognition, gaming licenses are carried at cost less any accumulated impairment losses. Gaming licenses have indefinite useful lives as based on all relevant factors there is no foreseeable limit to the period over which the licenses are expected to generate cash inflows. Gaming licenses are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired. The useful life of gaming licenses is also reviewed annually to determine whether the useful life assessment continues to be supportable.

Rights

Acquired rights have finite useful lives and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the unit of production method to allocate the cost of rights over its estimated useful life.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries, joint ventures and associates), inventories and non-current assets (or disposal groups) held for sale, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill or intangible asset might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the CGU or groups of CGU of the Group that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Goodwill acquired in a business combination shall be tested for impairment as part of the impairment testing of CGU to which it relates. The CGU to which goodwill is allocated shall represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and not larger than an operating segment determined in accordance with MFRS 8 *Operating Segments.*

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the formula as follows:

Gaming and amusement machines, coin and notes counting machines and binding machines	- specific identification
Spare parts, gaming and amusement accessories, table game equipment and accessories	- weighted average basis

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Financial instruments (Continued)

(a) Financial assets (Continued)

(i) Financial assets at fair value through profit or loss (Continued)

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the right of the Group to receive payment is established.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Financial instruments (Continued)

(a) Financial assets (Continued)

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three (3) months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Financial instruments (Continued)

(b) Financial liabilities (Continued)

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to financial institutions for banking facilities granted to subsidiaries and trade payables as financial liabilities at the time the guarantee is issued.

The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Corporate guarantees provided by the Company for no compensation, in relation to loans or payables of subsidiaries are initially measured at fair value and any resulting differences are recognised as contributions by the Company which form part of the cost of investment in subsidiaries.

(c) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Parent at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at the end of each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

(a) Loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments by the receivable, to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables are reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

(b) Available-for-sale financial assets

The Group collectively considers factors such as significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market as objective evidence that available-for-sale financial assets are impaired.

If any such objective evidence exists, an amount comprising the difference between the financial asset's cost (net of any principal payment and amortisation) and current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit to loss.

Impairment losses in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Instead, any increase in the fair value subsequent to the impairment loss is recognised in other comprehensive income.

Impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if the increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing cost is recognised to profit or loss in the period in which they are incurred.

4.13 Income Taxes

Income taxes include all domestic and foreign taxes on taxable profit.

Taxes in the profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset, including tax benefits arising from investment tax credits, is recognised only to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profits would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profits would be available, such reductions would be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

(i) The same taxable entity; or

(ii) Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Income Taxes (Continued)

(b) Deferred tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

4.14 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.15 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but disclose its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined contribution plans

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund and foreign subsidiaries make contributions to their respective countries' statutory pension schemes. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

(c) Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

The total amount to be expensed is determined by reference to the fair value of the options granted including any market performance conditions but excluding the impact of any non-market performance and service vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees could provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. The Group recognises the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

If the options are exercised, the Company issues new shares to the employees. The proceeds received, net of any directly attributable transaction costs are recognised in ordinary share capital at nominal value, and any excess would be recognised in share premium.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Ringgit Malaysia, which is the functional and presentation currency of the Company.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

(c) Foreign operations

Financial statements of foreign operations are translated at end of the reporting period exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to the statement of profit or loss and other comprehensive income. All resulting translation differences are recognised as a separate component of equity.

In the consolidated financial statements, exchange differences arising from the translation of net investment in foreign operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Exchange differences arising on a monetary item that forms part of the net investment of the Company in a foreign operation shall be recognised in profit or loss in the separate financial statements of the Company or the foreign operation, as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the end of each reporting period.

4.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Group as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the customer and where the Group does not have continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.18 Revenue recognition (Continued)

(b) Revenue from technical support and management

Revenue relating to technical support and management is recognised when the Group's right to receive payment is established or when services are rendered.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Interest income

Interest income is recognised as it accrues, using the effective interest method.

(e) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease. The aggregate cost of incentives provided to the lessee is recognised as reduction of rental income over the lease term on a straight line basis.

4.19 Non-current assets (or disposal group) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amounts would be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the assets (or disposal groups) shall be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. The probability of shareholders' approval (if required in the jurisdiction) is considered as part of the assessment of whether the sale is highly probable.

The sale is expected to qualify for recognition as a completed sale within one (1) year from the date of classification. However, an extension of the period required to complete the sale does not preclude the assets (or disposal groups) from being classified as held for sale if the delay is caused by events or circumstances beyond the control of the Group and there is sufficient evidence that the Group remains committed to its plan to sell the assets (or disposal groups).

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale or otherwise.

Immediately before the initial classification as held for sale, the carrying amounts of the assets (or all the assets and liabilities in a disposal group) are measured in accordance with applicable MFRSs. On initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets, and financial assets carried at fair value) are measured at the lower of its carrying amount before the initial classification as held for sale and fair value less costs to sell. The differences, if any, are recognised in profit or loss as impairment loss.

The Group measures a non-current asset (or disposal group) classified as held for distribution to owners at the lower of its carrying amount and fair value less costs to distribute.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 Non-current assets (or disposal group) held for sale (Continued)

Non-current assets (or disposal groups) held for sale are classified as current assets (and current liabilities, in the case of non-current liabilities included within disposal groups) in the statement of financial position and are stated at the lower of carrying amount immediately before initial classification and fair value less costs to sell and are not depreciated. Any cumulative income or expense recognised directly in equity relating to the non-current asset (or disposal group) classified as held for sale is presented separately.

If the Group has classified an asset (or disposal group) as held for sale but subsequently, the criteria for classification is no longer met, the Group ceases to classify the asset (or disposal group) as held for sale. The Group measures a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:

(i) Its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset (or disposal group) not been classified as held for sale; and

(ii) Its recoverable amount at the date of the subsequent decision not to sell.

4.20 Operating segments

Operating segments are defined as components of the Group that:

(a) Engage in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);

(b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.

(b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:

  (i) The combined reported profit of all operating segments that did not report a loss; and

  (ii) The combined reported loss of all operating segments that reported a loss.

(c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.20 Operating segments (Continued)

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

4.21 Earnings per share

(a) Basic

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

(b) Diluted

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

4.22 Fair value measurements

The fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

(a) The condition and location of the asset; and

(b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

(a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and

(b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

5.1 New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year.

Title	Effective Date
Amendments to MFRS 119 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Amendments to MFRSs *Annual Improvements 2010 – 2012 Cycle*	1 July 2014
Amendments to MFRSs *Annual Improvements 2011 – 2013 Cycle*	1 July 2014

Adoption of the above Amendments did not have any material impact on the financial statements of the Group and of the Company during the financial year.

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2016

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 and the Company.

Title	Effective Date
MFRS 14 *Regulatory Deferral Accounts*	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to MFRS 101 *Disclosure Initiative*	1 January 2016
Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*	1 January 2016
Amendments to MFRS 127 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to MFRSs A*nnual Improvements 2012 – 2014 Cycle*	1 January 2016
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture*	Deferred

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

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates at the end of the reporting period.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

6.2 Critical judgements made in applying accounting policies

The following are judgements made by management in the process of applying the accounting policies of the Group that have the most significant effect on the amounts recognised in the financial statements.

(a) Classification of leasehold land

The Group has assessed and classified land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group has classified the unamortised upfront payment for land use rights as finance leases in accordance with MFRS 117 *Leases*.

(b) Contingent liabilities

The determination of treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies for matters in the ordinary course of the business.

(c) Classification of non-current bank borrowings

Term loan agreements entered into by the Group include repayment on demand clauses at the discretion of financial institutions. The Group believes that in the absence of a default being committed by the Group, these financial institutions are not entitled to exercise their rights to demand for repayment. Accordingly, the carrying amount of the term loans have been classified between current and non-current liabilities based on their repayment period.

(d) Consolidation of an entity in which the Group holds less than majority of voting rights

The Group considers that it controls Chateau de Bavet Club Co., Ltd. ("CDBC") even though it owns 45.14% of the voting rights as Macrocept Sdn. Bhd. ("MCSB"), a wholly owned subsidiary of the Group, is the single largest shareholder of CDBC. In addition, MCSB entered into agreement with another shareholder of CDBC who owns a 25.6% equity interest to act in concert with MCSB in the management of CDBC. The remaining 29.26% of the equity shares in CDBC are held by two (2) shareholders. There is no history of these two shareholders collaborating to exercise their votes collectively and to control CDBC. MCSB also has three (3) representatives out of total of four (4) members in the Board of Directors of CDBC.

(e) Contingent liabilities on corporate guarantees

The Directors are of the view that the chances of the financial institutions and trade payables to call upon the corporate guarantees are remote.

(f) Classification of joint arrangements

For all joint arrangements structured in separate vehicles, the Group assesses the substance of the joint arrangement in determining whether it is classified as a joint venture or joint operation. This assessment requires the Group to consider whether there are any factors that give the Group rights to the net assets of the joint arrangements (in which case it is classified as a joint venture), or rights to specific assets, liabilities, expenses, and revenues (in which case it is classified as a joint operation). These factors include structure, legal form, contractual agreement and other facts and circumstances.

Upon consideration of these factors, the Group has determined that all of its joint arrangements structured through separate vehicles provide rights to the net assets and are therefore, classified as joint ventures.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

6.3 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Depreciation of gaming machines

The cost of gaming machines for technical support and management division is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these assets to be five (5) years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Impairment of property, plant and equipment

During the financial year, the Group has recognised impairment losses in respect of property, plant and equipment. The Group carried out the impairment test based on a variety of estimation including the value-in-use of the CGU or fair value less costs to sell to which the property, plant and equipment are allocated.

The fair value less costs to sell of the property, plant and equipment, which consist mainly of gaming machines, represents the management's best estimates and are based on recent selling prices of similar machines in similar locations.

(c) Impairment of goodwill and gaming licenses with indefinite useful lives

The Group determines whether goodwill and gaming licenses with indefinite useful lives are impaired at least on an annual basis. These require the estimation of the value-in-use of the CGU to which goodwill and intangible assets are allocated and belonged to.

(d) Impairment of investments in subsidiaries, joint ventures and associates and amounts due from subsidiaries, joint ventures and associates

During the financial year, the Company has reviewed the investments in subsidiaries, joint ventures and associates for impairment when there is an indication of impairment and assesses the impairment of receivables on the amounts owing by subsidiaries, joint ventures and associates when the receivables are long outstanding.

The recoverable amounts of the investments in subsidiaries, joint ventures and associates and amounts owing by subsidiaries, joint ventures and associates are assessed by reference to the value in use of the respective subsidiaries, joint ventures and associates.

(e) (i) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profits would be available against which the losses and capital allowances could be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

6.3 Key sources of estimation uncertainty (Continued)

(e) (ii) Income taxes

Significant judgement is required in determining the capital allowances, deductibility of certain expenses and taxability of certain income during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise tax liabilities based on estimates of whether additional taxes would be due. Where the final tax outcome is different from the amounts that were initially recorded, such differences would impact the income tax and deferred tax provisions in the period in which such determination is made.

(f) Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

(g) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recovered. Management specifically analyses sales trend and current economic trends when making this judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences would impact the carrying amount of inventories.

(h) Fair value of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. Sensitivity analysis of the effects of interest rate risk has been disclosed in Note 44 to the financial statements.

(i) Fair value measurement

The financial and non-financial assets and liabilities that are measured subsequent to initial recognition at fair value are grouped into Level 1 to Level 3 based on the degree to which the fair value inputs are observable.

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification of an item into the above levels is based on the lowest level of the inputs used in the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

7. REVENUE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Sales and marketing	145,547,146	143,155,825	-	-
Technical support and management	86,867,604	70,927,912	-	-
Dividend income from a subsidiary	-	-	16,058,190	11,997,370
Others	591,081	562,800	-	-
	233,005,831	214,646,537	16,058,190	11,997,370

8. COST OF SALES

	Group	
	2015 RM	2014 RM
Sales and marketing	122,132,880	123,087,515
Technical support and management	42,024,351	33,918,966
Others	1,794,710	1,108,765
	165,951,941	158,115,246

9. OTHER INCOME

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Interest income	508,894	365,873	834,212	1,095,689
Rental income from building	1,943,801	1,233,315	-	-
Sundry income	1,643,433	805,376	593	491
	4,096,128	2,404,564	834,805	1,096,180

10. FINANCE COSTS

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Interest on:				
- Bank overdrafts	37,819	183,075	-	-
- Bankers' acceptances	-	44,573	-	-
- Finance lease and hire purchase	15,679	16,839	-	-
- Term loans	61,041	161,406	-	-
- Commercial papers	3,617,814	5,570,502	3,617,814	5,570,502
- Medium term notes	500,000	500,000	500,000	500,000
- Onshore foreign currency loan	81,279	201,295	-	-
- Payables	88,803	143,375	-	-
Total interest expense	4,402,435	6,821,065	4,117,814	6,070,502
Bank and other charges	236,704	180,518	4,169	2,474
	4,639,139	7,001,583	4,121,983	6,072,976

11. PROFIT BEFORE TAX

Profit before tax is arrived at after charging and crediting:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Amortisation of intangible assets (Note 22)	3,635,136	1,165,496	-	-
Auditors' remuneration:	241,313	191,755	44,500	44,000
- statutory audits:				
- current year	191,396	163,801	44,500	44,000
- underprovision in prior years	9,121	1,108	-	-
- other services	40,796	26,846	-	-
Bad debts written off	158,091	29,206	-	-
Depreciation of property, plant and equipment (Note 17)	28,359,646	27,210,762	10,651	4,709
Dividend income from a subsidiary	-	-	(16,058,190)	(11,997,370)
Employee benefits expense (Note 12)	12,591,702	11,918,464	2,393,298	962,100
Gain on deconsolidation of a subsidiary (Note 18)	(585,457)	(1,285,379)	-	-
Gain on disposal of a joint venture (Note 19)	(5)	-	(5)	-
Gain on disposal of property, plant and equipment	(7,394)	(30,246)	-	-

11. PROFIT BEFORE TAX (Continued)

Profit before tax is arrived at after charging and crediting (Continued):

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Gain on remeasurement of a financial liability	(185,085)	-	(185,085)	-
Inventories written down (Note 23)	2,612,126	208,163	-	-
Impairment losses on:				
- Due from associates (Note 28)	-	107,309	-	-
- Due from joint ventures (Note 27)	6,220	1,975	6,220	1,975
- Other receivables (Note 25)	102,417	6,510	-	-
- Property, plant and equipment (Note 17)	819,184	187,382	-	-
- Due from subsidiaries (Note 26)	-	-	-	444,920
- Trade receivables (Note 24)	153,278	401,771	-	-
Impairment losses written back on:				
- Due from associates (Note 28)	(245,697)	-	-	-
- Due from joint ventures (Note 27)	(21,000)	-	(21,000)	-
- Other receivables (Note 25)	-	(2,354)	-	-
- Property, plant and equipment (Note 17)	(5,146)	-	-	-
- Due from subsidiaries (Note 26)	-	-	(68,834)	-
- Trade receivables (Note 24)	(63,983)	(87,946)	-	-
Interest income	(508,894)	(365,873)	(834,212)	(1,095,689)
Non-executive Directors' remuneration (Note 13)	690,100	553,273	685,100	548,273
Operating leases:				
- minimum lease payments for land and buildings	951,863	690,585	42,000	42,000
Property, plant and equipment written off	404	69,947	-	-
Realised foreign exchange losses/(gain)	1,136,615	409,394	(295)	-
Unrealised foreign exchange losses	2,895,843	2,759,537	2,240,418	933,241

12. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Wages and salaries	11,024,043	10,354,410	1,831,746	667,462
Social security contributions	63,181	64,756	13,196	3,928
Contributions to defined contribution plan	1,143,985	1,063,027	216,694	82,318
Short term accumulating compensated absence	(117,709)	54,004	20,272	197
Share options granted under ESOS	478,202	382,267	311,390	208,195
	12,591,702	11,918,464	2,393,298	962,100

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM3,224,086 (2014: RM3,145,549) and RM292,964 (2014: RM271,281) respectively as further disclosed in Note 13 to the financial statements.

13. DIRECTORS' REMUNERATION

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Directors of the Company:				
Executive:				
Salaries and bonus	1,937,924	1,637,309	292,964	271,281
Share options granted under ESOS	-	(11,308)	-	-
	1,937,924	1,626,001	292,964	271,281
Non-executive:				
Fees	372,220	307,150	372,220	307,150
Share options granted under ESOS	266,880	207,123	266,880	207,123
Other emoluments	46,000	34,000	46,000	34,000
	685,100	548,273	685,100	548,273
Directors of the Subsidiaries:				
Executive:				
Salaries and bonus	1,271,162	1,499,548	-	-
Fees	15,000	20,000	-	-
	1,286,162	1,519,548	-	-
Non-executive:				
Fees	5,000	5,000	-	-
Total Directors' remuneration	3,914,186	3,698,822	978,064	819,554
Analysis:				
Total Executive Directors' remuneration (Note 12)	3,224,086	3,145,549	292,964	271,281
Total Non-executive Directors' remuneration (Note 11)	690,100	553,273	685,100	548,273
	3,914,186	3,698,822	978,064	819,554

14. TAX EXPENSE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Current tax expense based on profit for the financial year:				
Malaysian income tax	897,550	258,400	54,250	31,400
Foreign income tax	3,131,413	1,190,767	-	-
	4,028,963	1,449,167	54,250	31,400
(Over)/Underprovision in prior years	(194,323)	109,279	(40,015)	213,324
	3,834,640	1,558,446	14,235	244,724
Deferred tax (Note 37):				
Relating to origination and reversal of temporary differences	(5,293)	(40,416)	-	-
Relating to changes in tax rates	(6,858)	-	-	-
(Over)/Underprovision in prior years	(45)	22,178	-	-
	(12,196)	(18,238)	-	-
Tax expense	3,822,444	1,540,208	14,235	244,724

Malaysian income tax is calculated at the statutory tax rate of twenty-five percent (25%) (2014: 25%) of the estimated taxable profits for the fiscal year. The Malaysian statutory tax rate will be reduced to twenty-four percent (24%) for the fiscal year of assessment 2016 onwards.

The tax expense of a subsidiary is fixed at RM20,000 per annum under the Labuan Business Activity Tax Act, 1990 Section 7(1). Any non-offshore business activity carried out by the subsidiary shall be subjected to the provisions of the Income Tax Act, 1967 (“ITA”). Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

14. TAX EXPENSE (Continued)

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Tax at Malaysian statutory tax rate of 25% (2014: 25%)	6,277,874	4,924,123	1,778,604	908,200
Tax effects in respect of:				
Different tax rates in other countries and for Labuan trading activities	(4,644,919)	(6,863,532)	-	-
Share of profit of associates	-	(839)	-	-
Non-taxable income	(671,471)	(145,456)	(4,061,042)	(3,000,345)
Non-allowable expenses	2,897,456	3,402,995	2,336,688	2,123,545
Changes in tax rate	(6,858)	-	-	-
Deferred tax asset not recognised in respect of current year's tax losses and unabsorbed capital allowances	164,730	91,460	-	-
	4,016,812	1,408,751	54,250	31,400
(Over)/Underprovision of income tax in prior years	(194,323)	109,279	(40,015)	213,324
(Over)/Underprovision of deferred tax in prior years	(45)	22,178	-	-
	3,822,444	1,540,208	14,235	244,724

15. EARNING PER SHARE

(a) Basic

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

	Group	
	2015	2014
Profit for the financial year attributable to owners of the Parent (RM)	20,863,284	18,526,139
Weighted average number of ordinary shares in issue	1,257,411,000	1,164,528,000
Basic earnings per ordinary share (sen)	1.66	1.59

15. EARNING PER SHARE (Continued)

(b) Diluted

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

	Group 2015	Group 2014
Profit for the financial year attributable to owners of the Parent (RM)	20,863,284	18,526,139
Weighted average number of ordinary shares in issue	1,257,411,000	1,164,528,000
Effect of dilution:		
- Employee share options	22,348,000	22,281,000
Adjusted weighted average number of ordinary shares	1,279,759,000	1,186,809,000
Diluted earnings per ordinary share (sen)	1.63	1.56

16. DIVIDENDS

	Group and Company 2015 Gross dividend per share sen	2015 Amount of dividend net of tax RM	2014 Gross dividend per share sen	2014 Amount of dividend net of tax RM
Dividends paid:				
In respect of financial year ended 31 December 2014:				
Interim single tier dividend	-	-	0.05	585,830
Final single tier dividend	0.20	2,604,815	-	-
In respect of financial year ended 31 December 2013:				
Final single tier dividend	-	-	0.05	579,706
	0.20	2,604,815	0.10	1,165,536

An interim single-tier dividend of 0.25 sen per ordinary share amounting to RM3,295,175 in respect of the financial year ended 31 December 2015 was paid on 15 April 2016.

A final single-tier dividend of 0.25 sen per ordinary share in respect of the financial year ended 31 December 2015 has been proposed by the Directors after the reporting period for shareholders' approval at the forthcoming Annual General Meeting.

The financial statements for the current financial year do not reflect these dividends. These dividends, when accrued for payment or approved by shareholders respectively, would be accounted for as an appropriation of retained earnings for the financial year ending 31 December 2016.

17. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Long term leasehold land RM	Buildings RM	Renovation RM	Electrical installation RM	Motor vehicles RM	Gaming machines RM	Plant, machinery, fittings and equipment RM	Furniture, fittings and office equipment RM	Total RM
At 31 December 2015										
Cost										
At 1 January 2015	1,610,000	1,700,000	42,068,947	1,292,294	70,148	2,087,647	472,054,179	809,951	23,395,110	545,088,276
Additions	-	-	-	201,101	-	-	23,247,278	10,602	430,011	23,888,992
Disposal/written off	-	-	-	-	-	-	(26,964,900)	-	(4,571,897)	(31,536,797)
Movement of assets transferred to assets held for sale	-	-	1,199,230	-	-	-	-	-	250,343	1,449,573
Transfer to inventory	-	-	-	-	-	-	(9,372,570)	-	-	(9,372,570)
Exchange differences	-	-	8,498,045	205,431	-	345,604	108,222,097	-	3,103,839	120,375,016
At 31 December 2015	1,610,000	1,700,000	51,766,222	1,698,826	70,148	2,433,251	567,186,084	820,553	22,607,406	649,892,490
Accumulated depreciation and impairment losses										
At 1 January 2015	-	106,251	4,930,641	912,523	70,147	1,594,661	410,612,961	690,862	18,095,545	437,013,591
Depreciation charge for the financial year (Note 11)	-	26,563	977,518	99,224	-	145,738	26,180,614	42,702	887,287	28,359,646
Disposal/written off	-	-	-	-	-	-	(26,927,734)	-	(2,545,853)	(29,473,587)
Movement of assets transferred to assets held for sale	-	-	144,297	-	-	-	-	-	146,068	290,365
Transfer to inventory	-	-	-	-	-	-	(5,572,295)	-	-	(5,572,295)
Impairment loss recognised in profit or loss (Note 11)	-	-	-	-	-	-	814,038	-	-	814,038
Exchange differences	-	-	1,107,779	143,658	-	247,948	95,910,380	-	2,473,252	99,883,017
At 31 December 2015	-	132,814	7,160,235	1,155,405	70,147	1,988,347	501,017,964	733,564	19,056,299	531,314,775
Analysed as:										
Accumulated depreciation	-	132,814	6,625,355	882,323	70,147	1,983,848	450,678,610	733,564	14,700,836	475,807,497
Accumulated impairment losses	-	-	534,880	273,082	-	4,499	50,339,354	-	4,355,463	55,507,278
At 31 December 2015	-	132,814	7,160,235	1,155,405	70,147	1,988,347	501,017,964	733,564	19,056,299	531,314,775
Net carrying amount										
At 31 December 2015	1,610,000	1,567,186	44,605,987	543,421	1	444,904	66,168,120	86,989	3,551,107	118,577,715

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group	Freehold land RM	Long term leasehold land RM	Buildings RM	Renovation RM	Electrical installation RM	Motor vehicles RM	Gaming machines RM	Plant, machinery, fittings and equipment RM	Furniture, fittings and office equipment RM	Total RM
At 31 December 2014										
Cost										
At 1 January 2014	1,610,000	1,700,000	39,862,195	1,180,782	70,148	2,052,312	456,794,037	798,901	22,060,721	526,129,096
Additions	-	-	-	96,404	-	431,842	13,709,135	11,050	646,030	14,894,461
Disposal/written off	-	-	-	(29,483)	-	(464,772)	(25,085,400)	-	(339,518)	(25,919,173)
Movement of assets transferred to assets held for sale	-	-	(72,950)	-	-	667	-	-	(15,229)	(87,512)
Transfer to inventory	-	-	-	-	-	-	(2,503,601)	-	-	(2,503,601)
Exchange differences	-	-	2,279,702	44,591	-	67,598	29,140,008	-	1,043,106	32,575,005
At 31 December 2014	1,610,000	1,700,000	42,068,947	1,292,294	70,148	2,087,647	472,054,179	809,951	23,395,110	545,088,276
Accumulated depreciation and impairment losses										
At 1 January 2014	-	79,688	3,842,568	819,103	70,147	1,909,737	387,150,762	623,685	16,453,825	410,949,515
Depreciation charge for the financial year (Note 11)	-	26,563	841,411	65,049	-	70,393	24,902,266	67,177	1,237,903	27,210,762
Disposal/written off	-	-	-	(9,025)	-	(447,738)	(25,036,961)	-	(338,468)	(25,832,192)
Movement of assets transferred to assets held for sale	-	-	(31,506)	-	-	467	-	-	(28,659)	(59,698)
Transfer to inventory	-	-	-	-	-	-	(2,175,042)	-	-	(2,175,042)
Impairment loss recognised in profit or loss (Note 11)	-	-	-	-	-	-	187,382	-	-	187,382
Exchange differences	-	-	278,168	37,396	-	61,802	25,584,554	-	770,944	26,732,864
At 31 December 2014	-	106,251	4,930,641	912,523	70,147	1,594,661	410,612,961	690,862	18,095,545	437,013,591
Analysed as:										
Accumulated depreciation	-	106,251	4,508,583	689,919	70,147	1,590,994	367,786,672	690,862	14,521,520	389,964,948
Accumulated impairment losses	-	-	422,058	222,604	-	3,667	42,826,289	-	3,574,025	47,048,643
At 31 December 2014	-	106,251	4,930,641	912,523	70,147	1,594,661	410,612,961	690,862	18,095,545	437,013,591
Net carrying amount										
At 31 December 2014	1,610,000	1,593,749	37,138,306	379,771	1	492,986	61,441,218	119,089	5,299,565	108,074,685

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Furniture, fittings and office equipment RM
At 31 December 2015	
Cost	
At 1 January 2015	118,819
Addition	37,949
At 31 December 2015	156,768
Accumulated depreciation	
At 1 January 2015	101,666
Depreciation charge for the financial year (Note 11)	10,651
At 31 December 2015	112,317
Net carrying amount	
At 31 December 2015	44,451
At 31 December 2014	
Cost	
At 1 January 2014	115,299
Addition	3,520
At 31 December 2014	118,819
Accumulated depreciation	
At 1 January 2014	96,957
Depreciation charge for the financial year (Note 11)	4,709
At 31 December 2014	101,666
Net carrying amount	
At 31 December 2014	17,153

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) The net carrying amounts of property, plant and equipment which have been charged to licensed banks as security for the Company's commercial papers and credit facilities granted to the subsidiaries as disclosed in Note 35 to the financial statements are as follows:

	Group	
	2015 RM	**2014 RM**
Freehold land	1,610,000	1,610,000
Long term leasehold land	1,567,186	1,593,749
Buildings	5,091,559	4,293,095
	8,268,745	7,496,844

(b) A motor vehicle of the Group with a net carrying amount of RM375,694 (2014: RM386,141) is held in trust for a subsidiary in the name of a Director.

(c) During the financial year, the Group acquired property, plant and equipment at aggregate costs of RM23,888,992 (2014: RM14,894,461) of which RM Nil (2014: RM321,394) was acquired under hire purchase. A motor vehicle of the Group with net carrying amounts of RM375,694 (2014: RM386,141) is held under hire purchase agreement and the gaming machines of the Group with net carrying amounts of RM Nil (2014: RM179,139) are held under finance lease agreement.

(d) The Group has carried out a review of the recoverable amount of its property, plant and equipment during the financial year. The review has led to the recognition of an impairment loss of RM814,038 (2014: RM187,382). The recoverable amount was based on value-in-use of the CGU to which the property, plant and equipment are allocated.

The value-in-use calculations use the discounted cash flow projections based on financial forecasts approved by management covering the remaining estimated useful lives of the property, plant and equipment.

Key assumptions and management's approach to determine the values used in value-in-use calculations are as follows:

(i) Net revenue

The estimated net revenue with no growth rate used to calculate the cash inflows from operations is the estimated net collections from the placement of machines for each outlet.

(ii) Discount rate

The discount rate used was pre-tax and reflect specific risks relating to the relevant assets and segment to which the assets are allocated to. The discount rate used is 6.6%.

18. INVESTMENTS IN SUBSIDIARIES

	Company 2015 RM	Company 2014 RM
Unquoted shares at cost	55,677,196	40,497,201
Share option paid to employees of subsidiaries	4,770,204	4,603,392
Equity loan to a subsidiary	96,337,224	126,507,459
	156,784,624	171,608,052

The amount due from a subsidiary is classified as equity loan to a subsidiary, which is unsecured, interest-free and has no fixed terms of repayment and, is considered to be part of the Company's net investment in the subsidiary.

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Proportion of ownership interest 2015 %	Proportion of ownership interest 2014 %	Principal activities
Held by the Company:				
RGB Sdn. Bhd.	Malaysia	100	100	Manufacturing, refurbishment, technical support and maintenance, sales and marketing of gaming and amusement machines and equipment, sales and marketing of security surveillance products and systems for local and overseas markets.
RGB Ltd.	Malaysia	100	100	Investment holding, sales and marketing, technical support and management of gaming and amusement machines and equipment solely for the overseas markets.
Data Touch Sdn. Bhd.	Malaysia	100	100	Renting of property.
RGB (Singapore) Pte. Ltd.* (Formerly known as Dreamgate (Singapore) Pte. Ltd.)	Singapore	100	100	Trading, maintenance and management of gaming and amusement machine and equipment.
Macrocept Sdn. Bhd.	Malaysia	100	100	Investment holding.

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Proportion of ownership interest 2015 %	2014 %	Principal activities
Held through subsidiaries:				
RGB (Macau) Limited @	Macau	100	100	Import and export including sales and marketing and technical support and management of gaming and amusement machines and equipment.
Media Horizon Holdings Limited ^	Hong Kong	100	-	Trading of gaming machines and equipment.
Chateau de Bavet Club Co., Ltd. # @	Cambodia	45.14	48.34	Renting of property.
RGB OMMCO Ltd.	Malaysia	-	65	Technical support and management of gaming and amusement machines and equipment solely for the overseas markets.

* Audited by BDO member firms.
^ Audited by firm other than BDO member firms.
# Consolidated using management financial statements up to 31 December 2015.
@ The financial statements of these subsidiaries are not required to be audited in its country of incorporation.

(a) On 3 July 2015, RGB (Macau) Limited ("RGBML"), a wholly owned subsidiary of RGB Ltd. which in turn is a wholly owned subsidiary of the Company, had acquired 100% equity stake in Media Horizon Holdings Limited ("MHHL") represented by one (1) ordinary share with face value of HKD1 for a total cash consideration of HKD1 (equivalent to approximately RM0.49) from Cheong Wai Yan. Following the acquisition, MHHL becomes a wholly owned subsidiary of RGBML.

(i) The fair value of the identifiable assets and liabilities of MHHL as at the date of acquisition are as follows:

	2015 RM
Trade receivables	25,548
Total identifiable assets	25,548
Trade payables	(8,047)
Other payables	(888,013)
Total identifiable liabilities	(896,060)
Total identifiable net assets acquired	(870,512)
Goodwill arising from acquisition (Note 22)	870,512
	-

18. INVESTMENTS IN SUBSIDIARIES (Continued)

(a) (ii) MHHL contributed the following results to the Group:

	2015 **RM**
Revenue	88,537
Loss for the financial year	(1,612)

(b) During the financial year, the Company completed the following transactions involving ordinary shares:

(i) Subscription of 3,300,000 ordinary shares of RM1 each in Data Touch Sdn. Bhd. for cash at par; and

(ii) Subscription of 4,949,998 ordinary shares of RM1 each in Macrocept Sdn. Bhd. for cash at RM2.40 per ordinary share.

(c) Pursuant to the termination of Sale and Purchase Agreement dated 22 June 2011 for the remaining 6.4% equity interest in Chateau de Bavet Club Co., Ltd. (“CDBC”), the balance of 115,200 shares representing 3.2% of the entire capital of CDBC valued at RM1,028,894 where the consideration for the said shares had been received by Macrocept Sdn. Bhd. (“MCSB”) were transferred to the acquirer on 9 April 2015. As a result, MCSB holds 45.14% of CDBC as at 31 December 2015. The transfer of shares has given rise to a dilution of change in stake of RM11,340 to the owners of the Parent.

The Group considers that it controls CDBC even though it owns 45.14% of the voting rights as MCSB is the single largest shareholder of CDBC. MCSB entered into an agreement with another shareholder of CDBC who owns a 25.6% equity interest to act in concert with MCSB in the management of CDBC. MCSB also has three (3) representatives out of total of four (4) members in the Board of Directors of CDBC.

The 38.74% equity interest in CDBC is pledged to a licensed bank as security for the Company's commercial papers as disclosed in Note 35 to the financial statements.

18. INVESTMENTS IN SUBSIDIARIES (Continued)

(d) RGB OMMCO Ltd., a 65% sub-subsidiary of the Company, was struck off from the register with effect from 3 January 2015 pursuant to Section 151(4) of the Labuan Companies Act, 1990. The deconsolidation of RGB OMMCO Ltd. in 2015 and Movieland Entertainment Co., Ltd. in 2014 had the following effects on the financial position of the Group as at the end of each financial year:

	2015 RM	2014 RM
Other receivables	517,873	-
Cash and bank balances	89	112
Other payables	(74,433)	(1,124,228)
Due to a minority shareholder of a subsidiary	(932,613)	-
Net liabilities deconsolidated	(489,084)	(1,124,116)
Transfer from foreign currency translation reserve	(267,553)	(667,115)
Non-controlling interest at deconsolidation date	171,180	505,852
	(585,457)	(1,285,379)
Total proceeds from deconsolidation	-	-
Gain on deconsolidation to the Group (Note 11)	(585,457)	(1,285,379)
Cash outflow arising on deconsolidation:		
Cash and cash equivalents of subsidiaries deconsolidated	(89)	(112)
Net cash outflow on deconsolidation	(89)	(112)

(e) The subsidiaries in which the Group has material non-controlling interests ('NCI') are as follows:

	Chateau de Bavet Club Co., Ltd.	Other individual immaterial subsidiaries	Total
2015			
NCI percentage of ownership interest and voting interest	54.86%		
Carrying amount of NCI (RM)	21,126,923	-	21,126,923
Profit/(Loss) allocated to NCI (RM)	451,065	(25,296)	425,769

18. INVESTMENTS IN SUBSIDIARIES (Continued)

(e) The subsidiaries in which the Group has material non-controlling interests ('NCI') are as follows (Continued):

	Chateau de Bavet Club Co., Ltd.	Other individual immaterial subsidiaries	Total
2014			
NCI percentage of ownership interest and voting interest	51.66%		
Carrying amount of NCI (RM)	15,840,201	(147,012)	15,693,189
(Loss)/Profit allocated to NCI (RM)	(397,600)	27,744	(369,856)

The NCI of all other subsidiaries that are not wholly owned by the Group are deemed to be immaterial.

(f) The summarised financial information before intra-group elimination of a subsidiary in which the Group has a material NCI as at the end of the financial year is as follows:

	Chateau de Bavet Club Co., Ltd 2015 RM	2014 RM
Assets and liabilities		
Non-current assets	41,893,035	37,100,626
Current assets	4,280,448	3,027,904
Current liabilities	(7,662,868)	(9,466,120)
Net assets	38,510,615	30,662,410
Results		
Profit/(Loss) for the financial year	829,791	(769,645)
Total comprehensive income	7,848,205	1,873,685
Cash flows (used in)/from operating activities	(1,109,282)	598,901
Cash flows from/(used in) investing activities	2,025,588	(241,063)
Net increase in cash and cash equivalents	916,306	357,838

19. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Unquoted shares at cost	1	50,001	1	50,001
Share of post-acquisition reserves	(1)	(50,001)	-	-
	-	-	1	50,001
Less: Impairment losses	-	-	(1)	(50,001)
	-	-	-	-

Details of the joint ventures are as follows:

Name of joint ventures	Country of incorporation	Proportion of ownership interest 2015 %	2014 %	Principal activities
RGB Xtale Sdn. Bhd.	Malaysia	50	50	Dormant.
Rasa Perpaduan Malaysia Sdn. Bhd. ^	Malaysia	-	50	Dormant.

^ Rasa Perpaduan Malaysia Sdn. Bhd. ceased to be a joint venture of the Group and the Company after it was disposed of for a consideration of RM5 on 25 August 2015.

(a) The disposal of Rasa Perpaduan Malaysia Sdn. Bhd. had the following effects on the financial statements of the Group and the Company for the financial year:

	2015 RM
Group	
Cost of investment	50,000
Share of post-acquisition reserves	(50,000)
	-
Net proceeds from disposal	(5)
Gain on disposal (Note 11)	(5)

19. INVESTMENTS IN JOINT VENTURES (Continued)

(a) The disposal of Rasa Perpaduan Malaysia Sdn. Bhd. had the following effects on the financial statements of the Group and the Company for the financial year (Continued):

	2015 RM
Company	
Cost of investment	50,000
Impairment losses	(50,000)
Net proceeds from disposal	-
Gain on disposal (Note 11)	(5)
Gain on disposal (Note 11)	(5)

(b) The summarised financial information of the joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are as follows:

	Group	
	2015 RM	2014 RM
Assets and liabilities		
Current assets	1,013	20,183
Current liabilities	(1,132,234)	(1,211,835)
Net liabilities	(1,131,221)	(1,191,652)
Proportion of the ownership of the Group	50%	50%
Carrying amount of the investments in joint ventures	-	-
Results		
Administrative expenses	(1,883)	(4,159)
Other expenses, net	-	(746)
Finance costs	-	(25)
Loss before tax	(1,883)	(4,930)
Loss for the financial year	(1,883)	(4,930)
Share of loss by the Group for the financial year	-	-

(c) The unrecognised share of losses of joint ventures amounted to RM942 (2014: RM2,465) in the current financial year and RM565,611 (2014: RM595,826) cumulatively. The Group has ceased recognising its share of losses since there is no further obligation in respect of those losses using the equity method of accounting.

20. INVESTMENTS IN ASSOCIATES

	Group 2015 RM	Group 2014 RM
Unquoted shares at cost	39,894	39,894
Share of post-acquisition reserves	82,537	82,537
	122,431	122,431
Exchange differences	48,925	17,251
	171,356	139,682

Details of the associates are as follows:

Name of associates	Country of incorporation	Proportion of ownership interest 2015 %	Proportion of ownership interest 2014 %	Principal activities
Held through subsidiaries:				
Dreamgate Holding Co., Ltd.	Cambodia	49	49	Property investment holding.
Players Club Co., Ltd.	Cambodia	35	35	Dormant.
Rainbow World Club Ltd.	Cambodia	20	20	Dormant.
Goldenmac., Ltd.	Cambodia	25	25	Dormant.
Cash Box Entertainment Co., Ltd.	Cambodia	20	20	Dormant.
Olympic Entertainment Co., Ltd.	Cambodia	20	20	Dormant.
Golden Beach Club Ltd.	Cambodia	50	50	Dormant.
Rasa Sayang Restaurant Co., Ltd. ^	Cambodia	-	56	Dormant.

^ As a consequence of disposal of Rasa Perpaduan Malaysia Sdn. Bhd. ("RPMSB") as disclosed in Note 19 to the financial statements, Rasa Sayang Restaurant Co., Ltd., being the subsidiary of RPMSB, has ceased to be the associate of the Group.

(a) All the above associates are accounted for using the equity method in the consolidated financial statements.

20. INVESTMENTS IN ASSOCIATES (Continued)

(b) The summarised financial information of the associates are as follows:

	Dreamgate Holding Co., Ltd. RM	Other individual immaterial associates RM	Total RM
2015			
Assets and liabilities			
Non-current assets	4,300,002	-	4,300,002
Current assets	146,637	901,750	1,048,387
Current liabilities	(6,054,123)	(6,443,451)	(12,497,574)
Net liabilities	(1,607,484)	(5,541,701)	(7,149,185)
Results			
Revenue	20,568	-	20,568
Profit for the financial year	14,605	-	14,605
Total comprehensive income	14,605	-	14,605
Cash flows used in operating activities	(40,180)	-	(40,180)
Net decrease in cash and cash equivalents	(40,180)	-	(40,180)
2014			
Assets and liabilities			
Non-current assets	3,514,180	-	3,514,180
Current assets	152,285	735,067	887,352
Current liabilities	(4,989,037)	(5,258,768)	(10,247,805)
Net liabilities	(1,322,572)	(4,523,701)	(5,846,273)
Results			
Revenue	17,133	-	17,133
Loss for the financial year	(111,579)	(830)	(112,409)
Total comprehensive loss	(111,579)	(830)	(112,409)
Cash flows from/(used in) operating activities	125,649	(9,747)	115,902
Cash flows used in investing activities	(4,435)	-	(4,435)
Net increase/(decrease) in cash and cash equivalents	121,214	(9,747)	111,467

20. INVESTMENTS IN ASSOCIATES (Continued)

(c) The reconciliation of net assets of the associates to the carrying amount of the investments in associates are as follows:

	Dreamgate Holding Co., Ltd. RM	Other individual immaterial associates RM	Total RM
As at 31 December 2015			
Share of net assets of the Group	-	171,356	171,356
Carrying amount in the statement of financial position	-	171,356	171,356
Share of results of the Group for the financial year ended 31 December 2015			
Share of profit of the Group	-	-	-
Share of total comprehensive income of the Group	-	-	-
As at 31 December 2014			
Share of net assets of the Group	-	139,682	139,682
Carrying amount in the statement of financial position	-	139,682	139,682
Share of results of the Group for the financial year ended 31 December 2014			
Share of profit of the Group	-	3,353	3,353
Share of total comprehensive income of the Group	-	3,353	3,353

(d) The unrecognised share of profit of associates amounted to RM7,157 (2014: unrecognised share of loss amounted to RM54,674) in the current financial year. As a result, the accumulated unrecognised share of loss of associates amounted to RM1,875,986 (2014: RM1,883,143). The Group has ceased recognising its share of profit/losses since there is no further obligation/entitlement in respect of those profits/losses using the equity method of accounting.

21. OTHER INVESTMENT

	Group 2015 RM	2014 RM
Available-for-sale financial assets		
- Unquoted shares at cost	4,000	4,000
Less: Impairment losses	(4,000)	(4,000)
	-	-

22. INTANGIBLE ASSETS

Group	Goodwill RM	Development costs RM	Gaming licenses RM	Rights RM	Total RM
At 31 December 2015					
Cost					
At 1 January 2015	271,839	5,931,367	847,363	3,659,067	10,709,636
Additions	-	35,738	-	-	35,738
Acquisition of a subsidiary (Note 18)	870,512	-	-	-	870,512
Movement of assets transferred to assets held for sale	-	-	28,012	-	28,012
Exchange differences	-	730,774	198,500	829,731	1,759,005
At 31 December 2015	1,142,351	6,697,879	1,073,875	4,488,798	13,402,903
Accumulated amortisation and impairment					
At 1 January 2015	271,839	2,445,733	-	1,601,870	4,319,442
Amortisation (Note 11)	-	1,343,924	-	2,291,212	3,635,136
Exchange differences	-	140,310	-	595,716	736,026
At 31 December 2015	271,839	3,929,967	-	4,488,798	8,690,604
Net carrying amount					
At 31 December 2015	870,512	2,767,912	1,073,875	-	4,712,299
At 31 December 2014					
Cost					
At 1 January 2014	271,839	5,257,034	572,988	3,436,483	9,538,344
Additions	-	476,100	245,105	-	721,205
Movement of assets transferred to assets held for sale	-	-	(9,070)	-	(9,070)
Exchange differences	-	198,233	38,340	222,584	459,157
At 31 December 2014	271,839	5,931,367	847,363	3,659,067	10,709,636
Accumulated amortisation and impairment					
At 1 January 2014	271,839	2,296,669	-	473,997	3,042,505
Amortisation (Note 11)	-	145,460	-	1,020,036	1,165,496
Exchange differences	-	3,604	-	107,837	111,441
At 31 December 2014	271,839	2,445,733	-	1,601,870	4,319,442
Net carrying amount					
At 31 December 2014	-	3,485,634	847,363	2,057,197	6,390,194

22. INTANGIBLE ASSETS (Continued)

(a) Impairment tests for goodwill and gaming licenses with indefinite useful lives

Allocation of goodwill and gaming licenses

The goodwill and gaming licenses have been allocated to the Group's others segment CGU, which constitutes a separately reportable segment in Note 45 to the financial statements.

Key assumptions used in value-in-use calculations

The recoverable amount of the CGU have been determined based on value-in-use calculations using cash flow projections based on financial forecasts approved by management covering a 3-year period. Cash flows beyond the 3-year period are extrapolated assuming zero growth rates.

Key assumptions and management's approach to determine the values used in value-in- use calculations are as follows:

(i) Net revenue

The estimated net revenue with no growth rate used to calculate the cash inflows for impairment tests for goodwill and gaming licenses is the estimated net collections from similar operations in the Philippines and the estimated leasing income receivable from the leasing of casino building together with the gaming license to a casino operator in Cambodia respectively.

(ii) Exchange rate

The exchange rate used to translate foreign currencies transactions into the other segment's functional currency is based on the exchange rates obtained immediately before the forecast year. Values assigned are consistent with external sources of information.

(iii) Discount rate

The discount rate used was 6.6% based on the Group's weighted average cost of capital.

(b) Rights relate to the use of Manny Pacman's design and theme in the development of games and jackpot display for gaming machines. The rights are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated using the unit of production method to allocate the cost of rights over its estimated useful lives.

(c) Development costs refer to development of games and platform unit for the production of gaming machines. Upon the completion of the project, the development costs would be amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years.

23. INVENTORIES

	Group 2015 RM	Group 2014 RM
At cost		
Gaming machines	582,077	606,212
Spare parts, gaming and amusement accessories, table game equipment and accessories	1,058,683	349,915
Goods at third party premises	5,704,788	14,737,409
Goods in transit	26,685	3,852
	7,372,233	15,697,388
At net realisable value		
Gaming and amusement machines, coin and notes counting machines and binding machines	1,316,328	527,228
Spare parts, gaming and amusement accessories, table game equipment and accessories	2,553,731	1,529,882
	3,870,059	2,057,110
	11,242,292	17,754,498

During the financial year, inventories of the Group recognised as cost of sales amounted to RM119,562,890 (2014: RM113,404,565).

Inventories where the net realisable value is expected to be below the carrying amount were written down. The amount written down during the financial year was RM2,612,126 (2014: RM208,163) for the Group.

24. TRADE RECEIVABLES

	Group 2015 RM	Group 2014 RM
Trade receivables		
Third parties	58,966,872	60,920,992
Related parties	945,760	346,972
	59,912,632	61,267,964
Less: Impairment losses		
Third parties	(1,869,837)	(1,517,833)
Related parties	-	(45)
Trade receivables, net	58,042,795	59,750,086
Representing trade receivables:		
- Current	49,819,238	56,375,473
- Non-current	8,223,557	3,374,613
	58,042,795	59,750,086

"Trade receivables third parties" which will be paid by monthly instalments, interest-free and are payable as follows:

	Group 2015 RM	Group 2014 RM
Current	10,724,273	7,284,923
Non-current	1,024,763	-
	11,749,036	7,284,923

"Trade receivables third parties" with variable instalments terms, which are based on an agreed percentage on the gross collections generated from the machines sold, interest-free and are payable as follows:

	Group 2015 RM	Group 2014 RM
Current	11,076,069	11,905,150
Non-current	7,198,794	3,374,613
	18,274,863	15,279,763

Normal trade credit terms granted to the customers range from one (1) month to three (3) months. Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition. Credit terms granted to related parties range from six (6) months to twelve (12) months.

24. TRADE RECEIVABLES (Continued)

The currency exposure profile of trade receivables are as follows:

	Group 2015 RM	Group 2014 RM
United States Dollar	41,871,626	43,834,420
The Philippines Peso	9,764,476	12,540,830
Ringgit Malaysia	3,369,797	310,964
Thai Baht	2,996,030	2,459,146
Hong Kong Dollar	-	560,752
Singapore Dollar	40,866	43,974
	58,042,795	59,750,086

Ageing analysis of trade receivables

The ageing analysis of trade receivables of the Group are as follows:

	Group 2015 RM	Group 2014 RM
Neither past due nor impaired	33,302,538	39,276,137
1 to 30 days past due not impaired	16,106,889	9,158,926
31 to 60 days past due not impaired	3,763,108	4,954,192
61 to 90 days past due not impaired	883,651	1,256,982
91 to 120 days past due not impaired	1,904,951	605,530
More than 120 days past due not impaired	2,081,658	4,498,319
	24,740,257	20,473,949
Impaired	1,869,837	1,517,878
	59,912,632	61,267,964

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to RM24,740,257 (2014: RM20,473,949) that are past due at the reporting date but not impaired of which RM2,081,658 (2014: RM4,498,319) are due more than 120 days.

The management had assessed and concluded that those receivables are recoverable as these accounts are still active.

24. TRADE RECEIVABLES (Continued)

Trade receivables that are past due and impaired

Movement in impairment accounts:

	Group	
	2015 RM	2014 RM
At 1 January	1,517,878	1,121,339
Charge for the financial year (Note 11)	153,278	401,771
Reversal of impairment losses (Note 11)	(63,983)	(87,946)
Written off	(59,015)	-
Exchange differences	321,679	82,714
At 31 December	1,869,837	1,517,878

Trade receivables that are individually determined to be impaired at the reporting date are those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Further details on related party transactions are disclosed in Note 40 to the financial statements.

Information on financial risks of trade receivables is disclosed in Note 44 to the financial statements.

25. OTHER RECEIVABLES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Deposits	14,736,526	4,916,371	7,000	45,683
Interest receivables	162,609	155,493	65,462	70,511
Sundry receivables	3,189,720	4,527,406	-	-
	18,088,855	9,599,270	72,462	116,194
Less: Impairment losses	(361,220)	(310,357)	-	-
	17,727,635	9,288,913	72,462	116,194
Prepayments	2,085,790	1,293,843	-	-
	19,813,425	10,582,756	72,462	116,194
Representing other receivables:				
- Current	19,749,505	10,436,692	72,462	116,194
- Non-current	63,920	146,064	-	-
	19,813,425	10,582,756	72,462	116,194

25. OTHER RECEIVABLES (Continued)

The currency exposure profile of other receivables excluding prepayments are as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
United States Dollar	13,342,123	6,773,830	-	-
Thai Baht	1,556,959	13,935	-	-
Euro	997,351	318,600	-	-
Ringgit Malaysia	768,006	680,641	72,462	116,194
Hong Kong Dollar	653,019	738,145	-	-
The Philippines Peso	266,304	544,605	-	-
Japanese Yen	91,385	146,434	-	-
Others	52,488	72,723	-	-
	17,727,635	9,288,913	72,462	116,194

Movement in impairment accounts:

	Group	
	2015	**2014**
	RM	**RM**
At 1 January	310,357	293,798
Charge for the financial year (Note 11)	102,417	6,510
Reversal of impairment losses (Note 11)	-	(2,354)
Written off	(98,169)	-
Exchange differences	46,615	12,403
At 31 December	361,220	310,357

Included in non-current receivables are an amount of RM63,920 (2014: RM146,064) which is secured by unquoted shares pledged to the Group, interest-free and not receivable within the next one year.

Information on financial risks of other receivables is disclosed in Note 44 to the financial statements.

26. DUE FROM/(TO) SUBSIDIARIES

	Company	
	2015 RM	2014 RM
Due from subsidiaries	18,480,269	24,626,117
Less: Impairment losses	(47,124)	(10,452,444)
	18,433,145	14,173,673
Representing amount due from subsidiaries:		
- Current	18,433,145	3,192,213
- Non-current	-	10,981,460
	18,433,145	14,173,673
Due to a subsidiary:		
- Non-current	-	(13,127,002)

The currency exposure profile of amounts due from/(to) subsidiaries are as follows:

	Company	
	2015 RM	2014 RM
<u>Due from subsidiaries</u>		
United States Dollar	18,220,178	3,502
Ringgit Malaysia	39,412	14,033,803
Singapore Dollar	197,776	136,368
Hong Kong Dollar	(24,221)	-
	18,433,145	14,173,673
<u>Due to a subsidiary:</u>		
United States Dollar	-	(13,100,897)
Hong Kong Dollar	-	(19,722)
Singapore Dollar	-	(6,383)
	-	(13,127,002)

26. DUE FROM/(TO) SUBSIDIARIES (Continued)

Movement in impairment accounts:

	Company 2015 RM	Company 2014 RM
At 1 January	10,452,444	10,007,524
Charge for the financial year (Note 11)	-	444,920
Reversal of impairment losses (Note 11)	(68,834)	-
Written off	(10,336,486)	-
At 31 December	47,124	10,452,444

The amounts due from/(to) subsidiaries are non-trade in nature, interest-free, unsecured, repayable on demand and to be settled in cash except for amounts due from subsidiaries for the year ended 31 December 2014 amounting to RM6,379,200 and RM1,600,000 on which interest is charged at 10% and 5% per annum respectively.

27. DUE FROM JOINT VENTURES

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Due from joint ventures	924,595	990,441	924,595	990,441
Less: Impairment losses	(924,595)	(990,441)	(924,595)	(990,441)
	-	-	-	-

Movement in impairment accounts:

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
At 1 January	990,441	988,466	990,441	988,466
Charge for the financial year (Note 11)	6,220	1,975	6,220	1,975
Reversal of impairment losses (Note 11)	(21,000)	-	(21,000)	-
Written off	(51,066)	-	(51,066)	-
At 31 December	924,595	990,441	924,595	990,441

The amounts due from joint ventures are non-trade in nature, interest-free, unsecured, repayable on demand and to be settled in cash.

Information on financial risks of due from joint ventures is disclosed in Note 44 to the financial statements.

28. DUE FROM/(TO) ASSOCIATES

	Group 2015 RM	Group 2014 RM
Due from associates	6,609,129	5,445,787
Less: Impairment losses	(2,427,537)	(2,304,417)
	4,181,592	3,141,370
Due to associates	(91,956)	(74,958)

The currency exposure profile of amounts due from/(to) associates are as follows:

	Group 2015 RM	Group 2014 RM
Due from associates		
United States Dollar	4,181,592	3,148,247
Thai Baht	-	(6,877)
	4,181,592	3,141,370
Due to associates		
United States Dollar	(91,956)	(74,958)

Movement in impairment accounts:

	Group 2015 RM	Group 2014 RM
At 1 January	2,304,417	2,100,269
Charge for the financial year (Note 11)	-	107,309
Reversal of impairment losses (Note 11)	(245,697)	-
Exchange differences	368,817	96,839
At 31 December	2,427,537	2,304,417

The amounts due from/(to) associates are non-trade in nature, interest-free, unsecured, repayable on demand and to be settled in cash.

Information on financial risks of due from/(to) associates is disclosed in Note 44 to the financial statements.

29. DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The currency exposure profile of amount due to a minority shareholder of a subsidiary was as follows

	Group 2014 RM
United States Dollar	934,481

The amount due to a minority shareholder of a subsidiary was non-trade in nature, interest-free, unsecured, repayable on demand and to be settled in cash.

Information on financial risks of due to a minority shareholder of a subsidiary is disclosed in Note 44 to the financial statements.

30. CASH AND BANK BALANCES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Deposits with licensed banks	9,651,120	15,847,420	1,947,152	8,656,252
Cash and bank balances	75,527,787	44,793,061	7,297,118	603,582
	85,178,907	60,640,481	9,244,270	9,259,834

The currency exposure profile of cash and bank balances are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
United States Dollar	41,723,156	30,733,869	21	-
Ringgit Malaysia	16,380,282	13,504,372	9,244,249	9,259,834
The Philippines Peso	14,639,219	4,328,367	-	-
Thai Baht	11,310,865	9,953,511	-	-
Japanese Yen	195,894	972,188	-	-
Hong Kong Dollar	539,314	544,357	-	-
Singapore Dollar	319,745	519,982	-	-
Others	70,432	83,835	-	-
	85,178,907	60,640,481	9,244,270	9,259,834

30. CASH AND BANK BALANCES (Continued)

For the purpose of the statements of cash flows, cash and cash equivalents comprise of the followings as at the end of the financial year:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Deposits with licensed banks	9,651,120	15,847,420	1,947,152	8,656,252
Cash and bank balances	75,527,787	44,793,061	7,297,118	603,582
Bank overdrafts (Note 35)	-	(1,815,147)	-	-
	85,178,907	58,825,334	9,244,270	9,259,834
Cash and bank balances for disposal group classified as held for sale (Note 31)	-	216	-	-
Less: Fixed deposits pledged to licensed banks	(7,716,829)	(15,062,107)	(1,947,152)	(8,656,252)
Bank balances pledged to licensed banks	(8,321,363)	(2,731,152)	(7,082,637)	(13,470)
	69,140,715	41,032,291	214,481	590,112

(a) Included in the deposits with licensed banks of the Group and the Company are an amount of RM7,716,829 (2014: RM15,062,107) and RM1,947,152 (2014: RM8,656,252) pledged to licensed banks as security for the Company's commercial papers and banking facilities granted to certain subsidiaries as disclosed in Note 35 to the financial statements.

(b) Included in the cash and bank balances of the Group and the Company are an amount of RM8,321,363 (2014: RM2,731,152) and RM7,082,637 (2014: RM13,470) pledged to licensed banks as security for the Company's commercial papers as disclosed in Note 35 to the financial statements.

(c) Other information on financial risks of cash and bank balances are disclosed in Note 44 to the financial statements.

31. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 22 June 2011, Macrocept Sdn. Bhd. (“MCSB”) had entered into a Sale and Purchase Agreement (“SPA”) to dispose of 32% equity interest in Chateau de Bavet Club Co., Ltd. (“CDBC”) over a period of 36 months. In 2014, the parties to the SPA mutually agreed to terminate the remaining unfulfilled obligation of 6.4% equity interest in CDBC under the SPA subject to the transfer of the balance of 115,200 ordinary shares in CDBC by MCSB to Diplomat Technology Co., Ltd. ("DTCL") as the consideration for the said shares had been received from DTCL. The schedule of the transfer of shares is as follows:

Details of transfer	Ownership interest %	Consideration RM
April and September 2012	12.8	4,812,230
November 2013	9.6	2,704,697
April 2015	3.2	1,052,662
	25.6	8,569,589

31. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (Continued)

The transfer of shares had been completed in year 2015. As at 31 December 2014, the assets and liabilities of CDBC classified as held for sale are as below:

	2014 RM
Assets of disposal group classified as held for sale	
Property, plant and equipment	1,159,208
Intangible assets	28,012
Other receivables	12,317
Due from associates	84,360
Cash and bank balances	216
	1,284,113
Liabilities of disposal group classified as held for sale	
Other payables	87,691
	87,691

32. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares of RM0.10 each		Amount	
	2015	2014	2015 RM	2014 RM
Authorised:				
At 1 January/31 December	1,500,000,000	1,500,000,000	150,000,000	150,000,000
Issued and fully paid:				
At 1 January	1,177,599,600	1,159,111,700	117,759,960	115,911,170
Issue of ordinary shares pursuant to:				
ESOS	11,698,400	18,487,900	1,169,840	1,848,790
Private Placement	118,323,300	-	11,832,330	-
At 31 December	1,307,621,300	1,177,599,600	130,762,130	117,759,960

32. SHARE CAPITAL (Continued)

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one (1) vote per share at the meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

During the financial year, the issued and paid-up ordinary share capital of the Company was increased from RM117,759,960 to RM130,762,130 by way of:

(i) Issuance of 11,698,400 new ordinary shares of RM0.10 each for cash pursuant to the exercise of Employees' Share Option Scheme ("ESOS") at a weighted average issue price of RM0.104 per ordinary share; and

(ii) Issuance of 118,323,300 new ordinary shares of RM0.10 each for cash pursuant to the exercise of Private Placement at RM0.154 per ordinary share.

33. RESERVES

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Non-distributable:				
Share premium	20,774,345	14,536,658	20,774,345	14,536,658
Foreign currency translation reserve	23,576,435	(9,165,820)	-	-
Share option reserve	989,978	770,702	990,326	771,030
	45,340,758	6,141,540	21,764,671	15,307,688
Distributable:				
(Accumulated losses)/Retained earnings	(849,422)	(19,193,667)	4,770,907	275,539
	44,491,336	(13,052,127)	26,535,578	15,583,227

(a) Foreign currency translation reserve

The exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group.

(b) Share option reserve

The share option reserve represents the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on the grant date of share options.

34. EMPLOYEE BENEFITS

Employees' Share Option Scheme ("ESOS")

The Company's ESOS is governed by the Bye-Laws approved by the shareholders at the Extraordinary General Meeting held on 16 October 2009. The ESOS was implemented on 21 October 2009 and is to be in force for a period of 5 years from the date of implementation. On 24 August 2012, the Company has extended the ESOS for another 5 years until 20 October 2019.

The main features of the ESOS are as follows:

(i) The ESOS Committee appointed by the Board of Directors to administer the ESOS may at any time and from time to time recommend to the Board any addition or amendment to or deletion of these Bye-Laws as it shall in its discretion think fit and the Board shall have the power by resolution to add, to amend or delete all or any of these Bye-Laws upon such recommendation.

(ii) Subject to the discretion of the ESOS Committee, any employee of the Group who is at least eighteen (18) years of age, whose employment has been confirmed and any Executive Director or Non-executive Director of the Company, shall be eligible to participate in the ESOS.

(iii) The total number of shares to be issued under the ESOS shall not exceed 10% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS and out of which not more than 60% of the shares shall be allocated, in aggregate, to Executive and Non-executive Directors and senior management. In addition, not more than 10% of the shares available under the ESOS shall be allocated to any individual Director or eligible employee who, either singly or collectively through persons connected with the eligible employees, holds 20% or more in the issued and paid-up capital of the Company.

(iv) The option price for each share shall be based on the higher of the following:

(a) the weighted average market price of the Company's shares for five market days preceding the date of offer, with a discount that does not exceed 10% or such other percentage of discount as may be permitted by Bursa Securities or any other relevant authorities from time to time during the period of the scheme; or

(b) the par value of the Company's shares.

(v) The ESOS shall be in force for a period of five (5) years from the date of commencement. The ESOS Committee shall have the absolute discretion, without the need for any approvals of the Company's shareholders, to extend the duration of the ESOS for up to another five (5) years immediately from the expiry of the first five (5) years. The Scheme may be terminated by the Company prior to the expiry of the duration of the ESOS provided that the Company had obtained prior approval of the Company's shareholders and written consent of all Grantees who have yet to exercise their Options, either in part or in whole. Any extension or renewal of the duration of the ESOS beyond ten (10) years from the date of commencement may only be made by the ESOS Committee with the approval of the relevant authorities and the Company's shareholders and without contravening any applicable laws prevailing at the time of such extension or renewal.

(vi) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.

(vii) The shares granted will only be vested to the eligible employees and/or Directors of the Group who have duly accepted the offer under the ESOS, remain in employment with the Group as at vesting dates.

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34. EMPLOYEE BENEFITS (Continued)

The Company granted options over ordinary shares amounting to 4,875,200 to eligible employees of the Group at an exercise price of RM0.104 per share under the Company's ESOS on 12 October 2015.

The details of the options over ordinary shares of the Company are as follows:

	← Number of options over ordinary shares of RM0.10 each →					
Grant Date	**Outstanding at 1 January '000**	**Granted '000**	**Exercised '000**	**Forfeited '000**	**Outstanding at 31 December '000**	**Exercisable at 31 December '000**
2015						
2010 Options:						
Grant 1	31,664	-	(6,602)	-	25,062	25,062
2012 Options:						
Grant 2	1,678	-	-	(196)	1,482	1,482
Grant 3	6,244	-	(2,193)	-	4,051	4,051
2013 Options:						
Grant 4	3,491	-	(503)	(206)	2,782	1,883
2014 Options:						
Grant 5	11,837	-	(2,340)	(787)	8,710	3,228
2015 Options:						
Grant 6	-	4,875	(60)	(166)	4,649	1,117
	54,914	4,875	(11,698)	(1,355)	46,736	36,823
WAEP* (RM)	0.104	0.104	0.104	0.111	0.104	0.102
2014						
2010 Options:						
Grant 1	52,678	-	(16,115)	(4,899)	31,664	31,664
2012 Options:						
Grant 2	2,520	-	(340)	(502)	1,678	1,678
Grant 3	10,533	-	(1,639)	(2,650)	6,244	4,293
2013 Options:						
Grant 4	4,683	-	(371)	(821)	3,491	1,570
2014 Options:						
Grant 5	-	12,038	(23)	(178)	11,837	2,952
	70,414	12,038	(18,488)	(9,050)	54,914	42,157
WAEP* (RM)	0.100	0.117	0.100	0.101	0.104	0.101

* WAEP represents Weighted Average Exercise Price

34. EMPLOYEE BENEFITS (Continued)

The details of share options outstanding at the end of the reporting period are as follows:

	Exercise price 2015 RM	Exercise price 2014 RM	Exercise period
2010 Options:			
Grant 1	0.100	0.100	25.11.2010 – 20.10.2019
2012 Options:			
Grant 2	0.100	0.100	13.02.2012 – 20.10.2019
Grant 3	0.100	0.100	01.11.2012 – 20.10.2019
2013 Options:			
Grant 4	0.105	0.105	11.12.2013 – 20.10.2019
2014 Options:			
Grant 5	0.117	0.117	01.10.2014 – 20.10.2019
2015 Options:			
Grant 6	0.104	-	12.10.2015 – 20.10.2019

Share options exercised during the financial year resulted in the issuance of 11,698,400 (2014: 18,487,900) ordinary shares at an average price of RM0.104 (2014: RM0.100) each. The related weighted average ordinary share price at the date of exercise was RM0.163 (2014: RM0.160).

The fair value of the share options granted under ESOS during the financial year is estimated at the grant date using a binomial options pricing model, taking into account the terms and conditions upon which the instruments were granted. The risk-free rate is based on Malaysian Government Securities.

The fair value of share options are measured at grant date and the assumptions are as follows:

2015

	Grant 6			
	Batch 1	**Batch 2**	**Batch 3**	**Batch 4**
Fair value of share options granted on 12 October 2015 (RM)	0.043	0.059	0.067	0.072
Share price (RM)	0.138	0.138	0.138	0.138
Exercise price (RM)	0.104	0.104	0.104	0.104
Dividend yield (%)	1.28	1.28	1.28	1.28
Expected volatility (%)	62.33	62.33	62.33	62.33
Risk-free interest rate (% p.a.)	3.62	3.62	3.62	3.62
Option life (years)	4.03	4.03	4.03	4.03
Cliff vesting period (years)	0	1	2	3
Expected employee exit rate (%)	17.30	17.30	17.30	17.30
Expected early exercise price multiple (times)	1.47	1.47	1.47	1.47

34. EMPLOYEE BENEFITS (Continued)

The fair value of share options are measured at grant date and the assumptions are as follows (Continued):

2014

	Grant 5			
	Batch 1	**Batch 2**	**Batch 3**	**Batch 4**
Fair value of share options granted on 1 October 2014 (RM)	0.057	0.076	0.086	0.093
Share price (RM)	0.163	0.163	0.163	0.163
Exercise price (RM)	0.117	0.117	0.117	0.117
Dividend yield (%)	0.62	0.62	0.62	0.62
Expected volatility (%)	62.85	62.85	62.85	62.85
Risk-free interest rate (% p.a.)	3.62	3.62	3.62	3.62
Option life (years)	5.06	5.06	5.06	5.06
Cliff vesting period (years)	0	1	2	3
Expected employee exit rate (%)	17.30	17.30	17.30	17.30
Expected early exercise price multiple (times)	1.47	1.47	1.47	1.47

The expected employee exit rate and the expected early exercise price multiple are based on historical data and is not necessary indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

35. BORROWINGS

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Short term borrowings (secured):				
Bank overdrafts (Note 30)	-	1,815,147	-	-
Onshore foreign currency loan	-	10,586,741	-	-
Commercial papers	16,732,676	13,198,436	16,732,676	13,198,436
Hire purchase and lease creditors (Note 36)	57,608	219,235	-	-
Term loans	1,718,200	2,072,840	-	-
	18,508,484	27,892,399	16,732,676	13,198,436
Long term borrowings (secured):				
Commercial papers	-	25,221,775	-	25,221,775
Hire purchase and lease creditors (Note 36)	178,900	230,031	-	-
Term loans	6,872,800	3,532,820	-	-
	7,051,700	28,984,626	-	25,221,775

35. BORROWINGS (Continued)

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Long term borrowings (unsecured):				
Medium term notes	10,000,000	10,000,000	10,000,000	10,000,000
	17,051,700	38,984,626	10,000,000	35,221,775
Total borrowings:				
Bank overdrafts (Note 30)	-	1,815,147	-	-
Onshore foreign currency loan	-	10,586,741	-	-
Commercial papers	16,732,676	38,420,211	16,732,676	38,420,211
Hire purchase and lease creditors (Note 36)	236,508	449,266	-	-
Medium term notes	10,000,000	10,000,000	10,000,000	10,000,000
Term loans	8,591,000	5,605,660	-	-
	35,560,184	66,877,025	26,732,676	48,420,211

The currency exposure profile of borrowings are as follows:

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Ringgit Malaysia	26,969,184	50,843,792	26,732,676	48,420,211
United States Dollar	8,591,000	16,033,233	-	-
	35,560,184	66,877,025	26,732,676	48,420,211

The secured borrowings, other than hire purchase and lease creditors, are secured by the following:

(a) legal charges over certain freehold land, leasehold land and buildings of the Group as disclosed in Note 17(a) to the financial statements;

(b) certain bank balances and deposits with licensed banks as disclosed in Note 30 to the financial statements;

(c) corporate guarantees of RM42.18 million (2014: RM46.22 million) by the Company;

(d) a third party debenture covering fixed and floating assets on present and future assets of a subsidiary; and

(e) legal charges over unquoted shares of a subsidiary as disclosed in Note 18(c) to the financial statements.

Other information on financial risks of borrowings are disclosed in Note 44 to the financial statements.

36. HIRE PURCHASE AND LEASE CREDITORS

	Group 2015 RM	Group 2014 RM
Minimum hire purchase and lease payments:		
- Not later than one (1) year	67,370	228,058
- Later than one (1) year and not later than five (5) years	190,851	258,203
Total minimum hire purchase and lease payments	258,221	486,261
Less: Future interest charges	(21,713)	(36,995)
Present value of minimum hire purchase and lease payments	236,508	449,266
Repayable as follows:		
Current liabilities		
- Not later than one (1) year	57,608	219,235
Non-current liabilities		
- Later than one (1) year and not later than five (5) years	178,900	230,031
	236,508	449,266

37. DEFERRED TAX LIABILITIES

	Group 2015 RM	Group 2014 RM
At 1 January	171,502	189,740
Recognised in profit or loss (Note 14)	(12,196)	(18,238)
At 31 December	159,306	171,502

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Development costs RM	Property, plant and equipment RM	Total RM
At 1 January 2015	99,750	515,002	614,752
Recognised in profit or loss	-	(19,746)	(19,746)
At 31 December 2015	99,750	495,256	595,006
At 1 January 2014	99,750	525,740	625,490
Recognised in profit or loss	-	(10,738)	(10,738)
At 31 December 2014	99,750	515,002	614,752

37. DEFERRED TAX LIABILITIES (Continued)

Deferred tax assets of the Group:

	Unused tax losses, unabsorbed capital allowances and tax incentives RM	Accruals RM	Other investments, lease receivables, trade and other receivables RM	Property, plant and equipment expensed out RM	Total RM
At 1 January 2015	(350,750)	(10,250)	(66,500)	(15,750)	(443,250)
Recognised in profit or loss	2,520	(4,630)	7,350	2,310	7,550
At 31 December 2015	(348,230)	(14,880)	(59,150)	(13,440)	(435,700)
At 1 January 2014	(345,750)	(10,750)	(61,000)	(18,250)	(435,750)
Recognised in profit or loss	(5,000)	500	(5,500)	2,500	(7,500)
At 31 December 2014	(350,750)	(10,250)	(66,500)	(15,750)	(443,250)

The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Unused tax losses	4,027,000	3,058,000	-	-
Unabsorbed capital allowances	57,000	56,000	39,000	39,000
	4,084,000	3,114,000	39,000	39,000

The unused tax losses and unabsorbed capital allowances of the Group amounting to RM4,027,000 (2014: RM3,058,000) and RM18,000 (2014: RM17,000) respectively which are derived from Singapore operations are available for offsetting against future taxable profits of a subsidiary in Singapore, subject to the agreement with the tax authority.

The unabsorbed capital allowances of the Company are available for offsetting against future taxable profits subject to no substantial change in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

38. TRADE PAYABLES

	Group 2015 RM	Group 2014 RM
Trade payables		
Third parties	38,253,490	55,444,614
Related parties	406,337	331,228
	38,659,827	55,775,842
Representing trade payables:		
- Current	34,839,054	53,918,990
- Non-current	3,820,773	1,856,852
	38,659,827	55,775,842

The currency exposure profile of trade payables are as follows:

	Group 2015 RM	Group 2014 RM
United States Dollar	38,527,748	55,189,201
Ringgit Malaysia	90,218	24,010
Euro	28,060	64,364
Australian Dollar	4,381	40,811
Hong Kong Dollar	9,420	439,940
Others	-	17,516
	38,659,827	55,775,842

“Trade payables third parties” which will be paid by monthly instalments, interest-free and are repayable as follows:

	Group 2015 RM	Group 2014 RM
Current	4,865,569	10,924,042
Non-current	667,137	-
	5,532,706	10,924,042

Included in “trade payables third parties” is an amount of RM238,285 (2014: RM2,131,871) which will be paid by monthly instalments and on which interest is charged at 5.3% (2014: 5.3%) per annum.

38. TRADE PAYABLES (Continued)

"Trade payables third parties" with variable instalments terms, which are based on an agreed percentage on the gross collections generated from the machines purchased, interest-free and are repayable as follows:

	Group	
	2015	2014
	RM	RM
Current	12,863,123	9,758,725
Non-current	3,153,636	1,856,852
	16,016,759	11,615,577

Trade payables are interest-free and the normal trade credit terms granted to the Group range from one (1) month to three (3) months.

Amount owing to related parties are unsecured, interest-free and payable upon demand in cash and cash equivalents.

Further details on related party transactions are disclosed in Note 40 to the financial statements.

Other information on financial risk of trade payables are disclosed in Note 44 to the financial statements.

39. OTHER PAYABLES

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Accruals	15,142,494	11,874,428	528,770	383,012
Deposits received	14,518,388	8,752,528	7,403	1,034
Sundry payables	1,068,196	2,641,900	503	-
Deferred revenue	152,920	222,695	-	-
	30,881,998	23,491,551	536,676	384,046
Representing other payables:				
- Current	30,849,352	23,366,898	536,676	384,046
- Non-current	32,646	124,653	-	-
	30,881,998	23,491,551	536,676	384,046

39. OTHER PAYABLES (Continued)

The currency exposure profile of other payables are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
United States Dollar	22,321,249	18,837,236	-	-
The Philippines Peso	4,456,776	2,283,825	-	-
Ringgit Malaysia	1,421,947	1,044,765	536,676	384,046
Thai Baht	1,402,688	1,227,552	-	-
Hong Kong Dollar	1,208,385	30,182	-	-
Others	70,953	67,991	-	-
	30,881,998	23,491,551	536,676	384,046

40. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other parties.

The Company has controlling related party relationship with its direct and indirect subsidiaries.

(b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	2015 RM	2014 RM
Group		
Related parties*:		
- Sales of products	3,026,795	173,888
- Technical service fee received	2,520	-
- Management fee received	153,426	-
- Technical support and management income	3,224,527	-

40. RELATED PARTY DISCLOSURES (Continued)

(b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year (Continued):

	2015 RM	2014 RM
Company		
Subsidiaries:		
- Dividend income	16,058,190	11,997,370
- Interest income	477,619	838,644
- Operating lease expense	42,000	42,000

* Related parties are corporations in which certain Directors of the Company and certain subsidiaries have substantial interest in these corporations. Related parties also include clubs or associations in which certain Directors of the Company and certain subsidiaries are committee members.

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

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and the Company.

The remuneration of Directors and other members of key management personnel during the financial year was as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Short-term employee benefits	4,170,714	3,541,441	933,826	583,336
Post-employment benefits:				
Defined contribution plans	361,699	338,423	52,030	29,095
Share-based payments	270,924	198,511	266,880	207,123
	4,803,337	4,078,375	1,252,736	819,554

40. RELATED PARTY DISCLOSURES (Continued)

(c) Compensation of key management personnel (Continued)

Included in the total remuneration of key management personnel are:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Directors' remuneration (Note 13)	3,914,186	3,698,822	978,064	819,554

Executive and Non-executive Directors of the Group and the Company and other members of key management have been granted the following number of options under the ESOS.

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
At 1 January	38,239,000	52,636,000	37,600,000	49,900,000
Granted	177,200	8,000,000	-	8,000,000
Exercised	(9,050,000)	(15,440,000)	(9,050,000)	(14,300,000)
Forfeited	-	(6,957,000)	-	(6,000,000)
At 31 December	29,366,200	38,239,000	28,550,000	37,600,000

The share options were granted to the same terms and conditions as those offered to other employees of the Group as disclosed in Note 34 to the financial statements.

41. CAPITAL COMMITMENTS

	Group	
	2015 RM	2014 RM
Capital expenditure		
Approved but not contracted for:		
Property, plant and equipment	18,600,000	15,670,000

42. CONTINGENT LIABILITIES

(a) The Company has given unsecured corporate guarantees to certain financial institutions for banking facilities granted to its subsidiaries for a limit of up to RM42.18 million (2014: RM46.22 million) of which RM9,670,373 (2014: RM18,682,740) was utilised at the end of reporting period.

(b) The Company has given unsecured corporate guarantees to certain trade payables of its subsidiaries for a limit of up to RM103.09 million (2014: RM84.04 million) of which RM29,009,806 (2014: RM47,614,073) was utilised at reporting date.

The Directors are of the view that the chances of the financial institutions and trade payables calling upon the corporate guarantees are unlikely.

43. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concerns whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2015 and 31 December 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep lower gearing ratio. The Group includes within net debt, borrowings, trade and other payables, less cash and cash equivalents. Capital represents equity attributable to the owners of the Parent.

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
Borrowings (current and non-current)	35	35,560,184	66,877,025	26,732,676	48,420,211
Trade payables (current and non-current)	38	38,659,827	55,775,842	-	-
Other payables (current and non-current)	39	30,881,998	23,491,551	536,676	384,046
Liabilities of disposal group classified as held for sale, net of cash and bank balances	31	-	87,691	-	-
Less:					
Cash and bank balances	30	(85,178,907)	(60,640,481)	(9,244,270)	(9,259,834)
Net debt		19,923,102	85,591,628	18,025,082	39,544,423
Equity attributable to the owners of the Parent, represent total capital		175,253,466	104,707,833	157,297,708	133,343,187
Capital and net debt		195,176,568	190,299,461	175,322,790	172,887,610
Gearing ratio		10%	45%	10%	23%

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Securities, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the twenty-five percent (25%) of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement during the financial year ended 31 December 2015.

43. FINANCIAL INSTRUMENTS (Continued)

(b) Financial instruments

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Loans and receivables					
Trade receivables (current and non-current)	24	58,042,795	59,750,086	-	-
Other receivables (current and non-current), excluding prepayments	25	17,727,635	9,288,913	72,462	116,194
Due from subsidiaries (current and non-current)	26	-	-	18,433,145	14,173,673
Due from associates	28	4,181,592	3,141,370	-	-
Cash and bank balances	30	85,178,907	60,640,481	9,244,270	9,259,834
		165,130,929	132,820,850	27,749,877	23,549,701
Other financial liabilities					
Trade payables (current and non-current)	38	38,659,827	55,775,842	-	-
Other payables (current and non-current)	39	30,881,998	23,491,551	536,676	384,046
Borrowings (current and non-current)	35	35,560,184	66,877,025	26,732,676	48,420,211
Due to a subsidiary	26	-	-	-	13,127,002
Due to associates	28	91,956	74,958	-	-
Due to a minority shareholder of a subsidiary	29	-	934,481	-	-
		105,193,965	147,153,857	27,269,352	61,931,259

(c) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

(i) Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are a reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the current position of fixed rate loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair value of these borrowings is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

43. **FINANCIAL INSTRUMENTS (Continued)**

(c) Methods and assumptions used to estimate fair value (Continued)

(ii) Amounts due from subsidiaries, joint ventures and associates

The fair value of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of each reporting period.

(d) Fair value hierarchy

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

The following tables set out the financial instruments not carried at fair value for which fair value is disclosed, together with their carrying amounts shown in the statement of financial position.

	Financial instruments not carried at fair value			
	Group		Company	
	Fair value (Level 2) RM	Carrying amount RM	Fair value (Level 2) RM	Carrying amount RM
2015				
Financial liabilities				
Hire purchase and lease creditors	185,922	178,900	-	-
Medium term notes	9,804,119	10,000,000	9,804,119	10,000,000
	9,990,041	10,178,900	9,804,119	10,000,000
2014				
Financial liabilities				
Commercial papers	25,011,199	25,221,775	25,011,199	25,221,775
Hire purchase and lease creditors	243,435	230,031	-	-
Medium term notes	9,813,446	10,000,000	9,813,446	10,000,000
	35,068,080	35,451,806	34,824,645	35,221,775

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors and does not trade in derivative financial instruments. Financial risk management is carried out through risk review programmes, internal control systems, insurance programmes and adherence to the Group financial risk management policies. The Group is exposed mainly to credit risk, liquidity and cash flow risk, interest rate risk and foreign currency risk. Information on the management of the related exposures is detailed below.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from receivables and amounts due from subsidiaries respectively. For other financial assets (including investment securities and cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with the recognised and creditworthy third parties. It is the Group's policy that all customers who trade on credit terms are subject to credit verification procedures by the Credit Control and Risk Assessment Department. In addition, the Credit Control and Risk Assessment Department analyses and reviews the creditworthiness and standing of all customers regularly. Receivable balances are monitored on an ongoing basis via the Group's management reporting procedures.

As at 31 December 2015, other than the amounts owing by subsidiaries constituting approximately 100% (2014: 100%) of the total receivables of the Company, the Group also has a significant concentration of credit risk that may arise from exposures to groups of receivables which contributed approximately 85% (2014: 77%) of the total trade receivables as at reporting date. These customers contributed approximately 55% (2014: 62%) of the total revenue of the Group.

<u>Credit risk concentration profile</u>

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the trade receivables of the Group at the end of each reporting period are as follows:

	Group			
	2015 RM	% of total	2014 RM	% of total
By segment:				
Sales and marketing	43,201,761	76%	40,426,873	68%
Technical support and management	14,762,441	24%	16,616,129	28%
Others	78,593	0%	2,707,084	4%
	58,042,795	100%	59,750,086	100%

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (Continued)

Credit risk concentration profile (Continued)

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the trade receivables of the Group at the end of each reporting period are as follows (Continued):

	Group			
	2015 RM	% of total	2014 RM	% of total
By country:				
The Philippines	46,324,184	80%	52,199,817	87%
Malaysia	3,924,810	7%	498,878	1%
Cambodia	4,191,265	7%	3,461,349	5%
Macau	50,663	0%	605,703	1%
Vietnam	1,387,482	2%	421,067	1%
Laos	1,708,498	3%	1,507,450	3%
Other countries	455,893	1%	1,055,822	2%
	58,042,795	100%	59,750,086	100%

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 24 to the financial statements. Deposits with banks and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding trade receivables that are either past due or impaired is disclosed in Note 24 to the financial statements.

(b) Liquidity and cash flow risk

Liquidity and cash flow risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arising primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group and the Company manages their debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash equivalents to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity and cash flow risk (Continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the end of each reporting period based on contractual undiscounted repayment obligations.

	2015 RM			
	On demand or within one year	**One to five years**	**Over five years**	**Total**
Group				
Financial liabilities:				
Trade and other payables	65,689,971	3,853,419	-	69,543,390
Borrowings	19,891,850	19,156,512	-	39,048,362
Due to associates	91,956	-	-	91,956
Total undiscounted financial liabilities	85,673,777	23,009,931	-	108,683,708
Company				
Financial liabilities:				
Trade and other payables	536,676	-	-	536,676
Borrowings	17,723,531	11,750,000	-	29,473,531
Total undiscounted financial liabilities	18,260,207	11,750,000	-	30,010,207

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity and cash flow risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	2014 RM			
	On demand or within one year	One to five years	Over five years	Total
Group				
Financial liabilities:				
Trade and other payables	77,345,128	1,981,505	-	79,326,633
Borrowings	32,607,767	34,577,381	10,250,000	77,435,148
Due to associates	74,958	-	-	74,958
Due to a minority shareholder of a subsidiary	934,481	-	-	934,481
Total undiscounted financial liabilities	110,962,334	36,558,886	10,250,000	157,771,220
Company				
Financial liabilities:				
Trade and other payables	384,046	-	-	384,046
Borrowings	17,723,531	30,763,562	10,250,000	58,737,093
Due to a subsidiary	-	13,127,002	-	13,127,002
Total undiscounted financial liabilities	18,107,577	43,890,564	10,250,000	72,248,141

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group’s and the Company’s financial instruments would fluctuate because of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Interest rates of bank borrowings are mainly subject to fluctuations in the banks' base lending rates.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Interest rate risk (Continued)

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the financial instruments of Group and of the Company that are exposed to interest rate risk:

	Note	Weighted average effective interest rate (%)	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	Total RM
At 31 December 2015									
Group									
Fixed rate									
Medium term notes	35	5.0	-	-	-	-	(10,000,000)	-	(10,000,000)
Hire purchase and lease creditors	35	2.5	(57,608)	(60,500)	(63,393)	(55,007)	-	-	(236,508)
Commercial papers	35	7.0	(16,732,676)	-	-	-	-	-	(16,732,676)
Trade payables	38	5.3	(238,285)	-	-	-	-	-	(238,285)
Floating rate									
Deposits with licensed banks	30	2.3	9,651,120	-	-	-	-	-	9,651,120
Term loans	35	3.2	(1,718,200)	(1,718,200)	(5,154,600)	-	-	-	(8,591,000)
Company									
Fixed rate									
Medium term notes	35	5.0	-	-	-	-	(10,000,000)	-	(10,000,000)
Commercial papers	35	7.0	(16,732,676)	-	-	-	-	-	(16,732,676)
Floating rate									
Deposits with licensed banks	30	3.3	1,947,152	-	-	-	-	-	1,947,152

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Interest rate risk (Continued)

	Note	Weighted average effective interest rate (%)	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	More than 5 years RM	Total RM
At 31 December 2014									
Group									
Fixed rate									
Medium term notes	35	5.0	-	-	-	-	-	(10,000,000)	(10,000,000)
Hire purchase and lease creditors	35	5.1	(219,235)	(60,008)	(60,008)	(60,008)	(50,007)	-	(449,266)
Commercial papers	35	10.0	(13,198,436)	(12,680,102)	(12,541,673)	-	-	-	(38,420,211)
Trade payables	38	5.3	(2,131,871)	-	-	-	-	-	(2,131,871)
Floating rate									
Deposits with licensed banks	30	2.3	15,847,420	-	-	-	-	-	15,847,420
Bank overdrafts	35	8.2	(1,815,147)	-	-	-	-	-	(1,815,147)
Onshore foreign currency loan	35	2.0	(10,586,741)	-	-	-	-	-	(10,586,741)
Term loans	35	2.2	(2,072,840)	(3,438,425)	(94,395)	-	-	-	(5,605,660)
Company									
Fixed rate									
Due from subsidiaries	26	9.0	7,979,200	-	-	-	-	-	7,979,200
Medium term notes	35	5.0	-	-	-	-	-	(10,000,000)	(10,000,000)
Commercial papers	35	10.0	(13,198,436)	(12,680,102)	(12,541,673)	-	-	-	(38,420,211)
Floating rate									
Deposits with licensed banks	30	3.0	8,656,252	-	-	-	-	-	8,656,252

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Interest rate risk (Continued)

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group and the Company if interest rates at the end of each reporting period changed by ten (10) basis points with all other variables held constant:

	Effect on profit after tax 2015 RM	Effect on profit after tax 2014 RM
Group		
Increase by 0.1%		
Deposits with licensed banks	4,786	7,108
Bank overdrafts	-	(1,362)
Onshore foreign currency loan	-	(10,596)
Term loans	(8,578)	(5,536)
Decrease by 0.1%		
Deposits with licensed banks	(4,786)	(7,108)
Bank overdrafts	-	1,362
Onshore foreign currency loan	-	10,596
Term loans	8,578	5,536
Company		
Increase by 0.1%		
Deposits with licensed banks	1,445	1,728
Decrease by 0.1%		
Deposits with licensed banks	(1,445)	(1,728)

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

Subsidiaries operating in the Philippines, Cambodia, Laos, Macau, Vietnam and Singapore have assets and liabilities together with expected cash flows from anticipated transactions denominated in foreign currencies that give rise to foreign exchange exposures.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity analysis of the Group and the Company to a reasonably possible change in the United States Dollar (“USD”), The Philippines Peso ("Peso") and Thai Baht ("THB") exchange rates against the respective functional currencies of the Group entities, with all other variables held constant:

	Effect on profit after tax			
	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Strengthened 5%				
USD/RM	118,152	79,148	911,010	(654,870)
Peso/USD	1,010,610	795,720	-	-
THB/USD	723,013	559,568	-	-
Weakened 5%				
USD/RM	(118,152)	(79,148)	(911,010)	654,870
Peso/USD	(1,010,610)	(795,720)	-	-
THB/USD	(723,013)	(559,568)	-	-

45. OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

(i)	Sales and marketing	Sales and marketing of gaming and amusement machines and systems and related products.
(ii)	Technical support and management	Technical support, maintenance and management of gaming and amusement machines and equipment.
(iii)	Others	Renting of property, manufacturing, research and development.

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring losses, such as goodwill impairment.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment assets exclude tax assets and assets used primarily for corporate purposes.

Segment liabilities exclude tax liabilities and unallocated liabilities. Even though loans and borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors (e.g. funding requirements) except for the portion of commercial papers and medium term notes used to finance the investments in subsidiaries is included in the unallocated liabilities.

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45. OPERATING SEGMENTS (Continued)

	Sales and marketing RM	Technical support and management RM	Others RM	Consolidated RM
2015				
Revenue				
Total revenue	145,547,146	86,867,604	843,081	233,257,831
Inter-segment sales	-	-	(252,000)	(252,000)
Revenue from external customers	145,547,146	86,867,604	591,081	233,005,831
Results				
Segment results	16,847,527	23,481,217	(1,703,910)	38,624,834
Finance costs	(157,426)	(152,780)	16,216	(293,990)
	16,690,101	23,328,437	(1,687,694)	38,330,844
Unallocated expenses				
- Unallocated finance costs				(4,345,149)
- Other unallocated expenses				(8,874,198)
Profit before tax				25,111,497
Tax expense				(3,822,444)
Profit for the financial year				21,289,053
Assets				
Segment assets	100,053,443	132,597,761	56,684,124	289,335,328
Investments in associates	-	-	171,356	171,356
Unallocated assets				12,413,697
Total assets				301,920,381
Liabilities				
Segment liabilities	46,503,431	28,356,712	2,075,863	76,936,006
Tax liabilities				346,027
Unallocated liabilities				28,257,959
Total liabilities				105,539,992

45. OPERATING SEGMENTS (Continued)

	Sales and marketing RM	Technical support and management RM	Others RM	Consolidated RM
Other information				
Addition to non-current assets				
- Reportable segments	68,376	23,605,680	38,942	23,712,998
- Unallocated				211,732
				23,924,730
Interest income				
- Reportable segments	-	20,038	-	20,038
- Unallocated				488,856
				508,894
Depreciation and amortisation				
- Reportable segments	1,402,107	28,879,150	1,582,236	31,863,493
- Unallocated				131,289
				31,994,782
Impairment of property, plant and equipment				
- Reportable segments	-	814,038	-	814,038
				814,038
Other non-cash items				
- Reportable segments	402,176	1,865,673	585,785	2,853,634
- Unallocated				(451,517)
				2,402,117

45. OPERATING SEGMENTS (Continued)

	Sales and marketing RM	Technical support and management RM	Others RM	Consolidated RM
2014				
Revenue				
Total revenue	143,155,825	70,927,912	754,800	214,838,537
Inter-segment sales	-	-	(192,000)	(192,000)
Revenue from external customers	143,155,825	70,927,912	562,800	214,646,537
Results				
Segment results	14,819,451	19,413,360	(1,865,258)	32,367,553
Finance costs	(352,525)	(2,028,688)	(92,300)	(2,473,513)
Share of profit of associates	-	-	3,353	3,353
	14,466,926	17,384,672	(1,954,205)	29,897,393
Unallocated expenses				
- Unallocated finance costs				(4,528,070)
- Other unallocated expenses				(5,672,832)
Profit before tax				19,696,491
Tax expense				(1,540,208)
Profit for the financial year				18,156,283
Assets				
Segment assets	93,326,193	108,616,821	54,078,899	256,021,913
Investments in associates	-	-	139,682	139,682
Tax assets				56,207
Unallocated assets				11,596,270
Total assets				267,814,072
Liabilities				
Segment liabilities	68,832,108	36,005,419	4,642,286	109,479,813
Tax liabilities				171,502
Unallocated liabilities				37,761,735
Total liabilities				147,413,050

45. OPERATING SEGMENTS (Continued)

	Sales and marketing RM	Technical support and management RM	Others RM	Consolidated RM
Other information				
Addition to non-current assets				
- Reportable segments	845,650	14,276,016	319,328	15,440,994
- Unallocated				174,672
				15,615,666
Interest income				
- Reportable segments	4	17,243	-	17,247
- Unallocated				348,626
				365,873
Depreciation and amortisation				
- Reportable segments	256,975	26,259,970	1,742,489	28,259,434
- Unallocated				116,824
				28,376,258
Impairment of property, plant and equipment written back				
- Reportable segments	-	187,382	-	187,382
				187,382
Other non-cash items				
- Reportable segments	358,576	340,480	108,949	808,005
- Unallocated				(1,006,782)
				(198,777)

45. OPERATING SEGMENTS (Continued)

Reconciliations

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities to the corresponding amounts of the Group are as follows:

	2015 RM	2014 RM
Revenue		
Total revenue for reportable segments	233,257,831	214,838,537
Elimination of inter-segmental revenue	(252,000)	(192,000)
Revenue of the Group per consolidated statement of profit or loss and other comprehensive income	233,005,831	214,646,537
Profit for the financial year		
Total profit for the reportable segments	38,330,844	29,897,393
Unallocated expenses		
- Realised foreign exchange loss	(1,136,615)	(409,394)
- Unrealised foreign exchange loss	(2,895,843)	(2,759,537)
- Legal and professional fees	(641,320)	(586,437)
- Finance costs	(4,345,149)	(4,528,070)
- Other corporate expenses	(4,200,420)	(1,917,464)
Profit before tax	25,111,497	19,696,491
Tax expense	(3,822,444)	(1,540,208)
Profit for the financial year of the Group per consolidated statement of profit or loss and other comprehensive income	21,289,053	18,156,283
Assets		
Total assets for reportable segments	289,506,684	256,161,595
Tax assets	-	56,207
Unallocated assets	12,413,697	11,596,270
Assets of the Group per consolidated statement of financial position	301,920,381	267,814,072
Liabilities		
Total liabilities for reportable segments	76,936,006	109,479,813
Tax liabilities	346,027	171,502
Unallocated liabilities	28,257,959	37,761,735
Liabilities of the Group per consolidated statement of financial position	105,539,992	147,413,050

45. OPERATING SEGMENTS (Continued)

Geographical information

The manufacturing facilities, sales offices and concession outlets of the Group are mainly based in Malaysia, Cambodia, the Philippines, Laos and Macau.

In presenting information on the basis of geographical areas, segment revenue is based on the geographical location of customers.

Segment assets are based on the geographical location of the assets of the Group. The non-current assets do not include tax assets and assets used primarily for corporate purposes.

	Revenues from external customers		Non-current assets	
	2015 RM	2014 RM	2015 RM	2014 RM
The Philippines	156,297,963	169,357,671	39,205,010	34,566,437
Cambodia	28,008,785	27,153,150	61,969,435	53,953,898
Malaysia	12,022,206	2,842,351	11,580,343	16,420,293
Laos	12,439,270	8,946,076	6,688,113	6,153,805
Macau	765,571	(184,531)	62,682	1,511,665
Vietnam	17,620,484	3,054,765	-	-
Timor Leste	3,260,859	171,078	734,345	-
Nepal	844,567	-	836,390	-
Other countries	1,746,126	3,305,977	2,213,696	1,858,781
	233,005,831	214,646,537	123,290,014	114,464,879

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position.

	Note	2015 RM	2014 RM
Property, plant and equipment	17	118,577,715	108,074,685
Intangible assets	22	4,712,299	6,390,194
		123,290,014	114,464,879

Major customers

Revenue from major customers amounting to RM103,198,780 (2014: RM116,691,272) and RM35,861,200 (2014: RM24,543,409) arose from sales and marketing segment and technical support and management segment respectively.

46. SIGNIFICANT EVENT SUBSEQUENT TO THE FINANCIAL YEAR

There were no material subsequent events from the end of reporting period up till the date the financial statements are authorised for issue except the Company has allotted a total of 10,448,800 ordinary shares of RM0.10 each for cash pursuant to the exercise of ESOS at a weighted average issue price of RM0.10 per ordinary share.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

47. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The (accumulated losses)/retained earnings as at the end of each reporting period may be analysed as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Total (accumulated losses)/retained earnings of the Company and its subsidiaries:				
- Realised	(75,356,226)	(141,186,525)	10,094,301	3,358,515
- Unrealised	(620,137)	2,567,365	(5,323,394)	(3,082,976)
Total share of accumulated losses from joint ventures:				
- Realised	(1)	(58,125)	-	-
- Unrealised	-	306	-	-
Total share of retained earnings from associates:				
- Realised	82,537	253,297	-	-
- Unrealised	-	(265,341)	-	-
	(75,893,827)	(138,689,023)	4,770,907	275,539
Add:				
Consolidation adjustments	75,044,405	119,495,356	-	-
(Accumulated losses)/Retained earnings as per financial statements	(849,422)	(19,193,667)	4,770,907	275,539

LIST OF GROUP PROPERTIES

31 DECEMBER 2015

Registered Owner/ Address/Location	Description	Use	Tenure	Approximate Age of Building (Years)	Built-up Area (Sq. Metres)	Audited Carrying Amount (RM)	Date of Last Revaluation
RGB Sdn. Bhd.							
1. 65 Sims Avenue #08-04 Yi Xiu Factory Building Singapore	Building	Office cum Factory	Freehold	33	113	901,283	1 January 2011
2. No. 2017 Solok Perusahaan 3 Kawasan Perusahaan Perai 13600 Perai, Penang Malaysia	Land & Building	Factory	Leasehold – 99 years expiring on 12 December 2074	42	1,035.03	1,524,149	1 January 2011
3. No. 2018 Solok Perusahaan 3 Kawasan Perusahaan Perai 13600 Perai, Penang Malaysia	Land & Building	Factory	Leasehold – 99 years Expiring on 12 December 2074	42	1,109.71	1,567,941	1 January 2011
Data Touch Sdn. Bhd.							
4. No. 8 Green Hall 10200 Penang Malaysia	Land & Building	Office	In Perpetuity	37	2,387.16	4,275,372	1 January 2011
Chateau De Bavet Club Co., Ltd.							
5. No. 1, National Road Bavet Commune Chantrea District Svay Rieng Province Kingdom of Cambodia	Building	Hotel & Casino	Freehold	7	23,727	39,514,428	-
Total						**47,783,173**	

The Group does not have a formal revaluation policy for its landed properties.

LIST OF ASSOCIATE'S PROPERTIES

AS AT 31 DECEMBER 2015

	Registered Owner/ Address/Location	Description	Use	Tenure	Approximate Age of Building (Years)	Built-up Area (Sq. Metres)	Audited Carrying Amount (RM)	Date of Last Revaluation
	Dreamgate Holding Co., Ltd.							
1.	No. 13 & 14, Block C E0, E1, Chantrea Bavet Sway Rieng Kingdom of Cambodia	Shoplot	Office	Freehold	9	128	406,098	-
2.	No. 1, National Road Bavet Commune Chantrea District Svay Rieng Province Kingdom of Cambodia	Land	Hotel & Casino	Freehold	-	-	3,890,005	-
	Total						**4,296,103**	

Utilisation of Proceeds

There were no proceeds raised from any corporate proposals during the current financial year except for private placement of 118,323,300 placement shares at an issue price of RM0.154 per placement share on 13 May 2015 for repayment of borrowings, working capital and expansion program. All proceeds raised from the private placement have been fully utilised on 14 March 2016.

Share Buybacks

During the financial year, the Company has not conducted any share buy-backs.

Options, Warrants or Convertible Securities

During the FYE 31 December 2015, a total of 4,875,200 options over ordinary shares were granted pursuant to the ESOS and of which 1,218,800 have been vested and hence exercisable by eligible employees.

The ESOS allocations to directors and chief executive during the financial year 2015 and since the commencement of the ESOS as at 31 December 2015 are as follows:

Directors and Chief Executive	Aggregate options granted	Aggregate options exercised	Aggregate options lapsed	Aggregate options outstanding
During the financial year 2015	-	-	-	-
Since the commencement of the ESOS	56,000,000	22,850,000	6,000,000	27,150,000

As at 31 December 2015, the aggregate maximum and actual allocation of the ESOS to directors and senior management during the financial year 2015 and since the commencement of the ESOS are as follows:

Directors and senior management	Aggregate maximum allocation (%)	Actual allocation (%)
During the financial year 2015	-	-
Since the commencement of the ESOS	53.00	46.11

A breakdown of the options granted to and exercised by non-executive directors as at 31 December 2015 is as follows:

Non-Executive Directors	Amount of options granted	Amount of options exercised
Dato' Mahinder Singh Dulku	4,000,000	-
Ng Eng Tong	4,000,000	3,000,000
Lam Voon Kean	4,000,000	-
Dato' Wira Norazman Hamidun	4,000,000	2,000,000
Total	16,000,000	5,000,000

ADDITIONAL COMPLIANCE INFORMATION

American Depository Receipt (“ADR”) or Global Depository Receipt (“GDR”) Programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

Imposition of Sanctions/Penalties

The Company is not aware of any sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies that have not been made public.

Non-audit Fees

During the year, non-audit fees amounting to RM55,709 were paid by the Company and its subsidiaries to the Company’s external auditors and its affiliates as professional fees.

Variation in Results

There was no significant variance between the audited results for the financial year and the unaudited results previously announced.

Profit Guarantees

During the year, there were no profit guarantees given by the Company.

Material Contracts

During the year under review, there were no material contracts of the Company involving the interests of major shareholders and/or directors save for the termination of acquisition of 30% equity stake in Timor Holding, Lda (“THL”) by RGB (Macau) Limited from Datuk Lim Tow Boon for a total cash consideration of USD214,286 which was arrived at on a willing-buyer willing-seller basis after taking into consideration of the intangible assets and potentials of THL vis-à-vis the gaming industry in Timor-Leste. The contract was rescinded on 24 July 2015 as the relevant gaming license has yet to be issued by the Timor-Leste authority.

Contract Relating to Loans

During the year, there were no contracts relating to loans entered into by the Company involving the interests of major shareholders and/or directors.

STATISTICS OF SHAREHOLDINGS
as at 31 March 2016

Share Capital

Authorised	:	RM150,000,000
Issued and fully paid up	:	RM131,807,010
Class of Shares	:	Ordinary Shares of RM0.10 each
Voting Rights	:	One Vote per Ordinary Share

Distribution of shareholdings

Size of holdings	No. of Holders	% of Holders	No. of Shares	% of Shares
1 - 99	10	0.13	378	0.00
100 - 1,000	211	2.65	137,484	0.01
1,001 - 10,000	2,402	30.17	15,106,698	1.15
10,001 -100,000	4,130	51.87	183,509,545	13.92
100,001 - 65,903,504 (*)	1,207	15.16	645,933,719	49.01
65,903,505 and above (**)	2	0.02	473,382,276	35.91
Total	7,962	100.00	1,318,070,100	100.00

Remarks :
* Less than 5% of issued shares
** 5% and above of issued shares

Substantial Shareholders holding 5% or more in the share capital

	Direct Interest		Indirect Interest	
Name	No. of Shares	% of Shares	No. of Shares	% of Shares
Datuk Chuah Kim Seah	344,350,290	26.13	1,603,800[a]	0.12
Gerak Juara Sdn Bhd	129,031,986	9.79	-	-
Mazlan Ismail	-	-	129,031,986[b]	9.79
Ahmad Anwar Bin Mohd Nor	-	-	129,031,986[b]	9.79

[a] Deemed interested by virtue of holding more than 15% in the shares of Manju Sdn Bhd.
[b] Deemed interested by virtue of holding more than 15% in the shares of Gerak Juara Sdn Bhd.

STATISTICS OF SHAREHOLDINGS

as at 31 March 2016

Directors' interests in the ordinary shares of the Company

	Direct Interest		Indirect Interest		No of unexercised
	No. of Shares	% of Shares	No. of Shares	% of Shares	ESOS options
Dato' Mahinder Singh Dulku	40,000	0.00	-	-	3,000,000[d]
Datuk Chuah Kim Seah	344,350,290	26.13	1,753,800[a]	0.13	4,000,000[d]
Datuk Lim Tow Boon	6,640,500	0.50	-	-	-
Mazlan Ismail	-	-	129,031,986[b]	9.79	-
Chuah Kim Chiew	26,764,194	2.03	1,603,800[c]	0.12	3,000,000[d]
Ng Eng Tong	-	-	-	-	1,000,000[e]
Lam Voon Kean	-	-	-	-	4,000,000[f]
Dato' Wira Norazman Hamidun	2,000,000	0.15	-	-	2,000,000[f]

[a] Deemed interested by virtue of holding more than 15% in the shares of Manju Sdn Bhd and 150,000 ordinary shares held by his spouse, Datin Tan Soon Kim.
[b] Deemed interested by virtue of holding more than 15% in the shares of Gerak Juara Sdn Bhd.
[c] Deemed interested by virtue of holding more than 15% in the shares of Manju Sdn Bhd.
[d] The ESOS option was granted on 25 November 2010.
[e] The ESOS option was granted on 1 November 2012.
[f] The ESOS option was granted on 1 October 2014.

By virtue of his interest in the shares of the Company, Datuk Chuah Kim Seah is also deemed to have an interest in the shares of the subsidiary companies to the extent the Company has an interest.

THIRTY LARGEST SHAREHOLDERS

as at 31 March 2016

NO.	NAME	HOLDINGS	%
1	CHUAH KIM SEAH	123,087,830	9.34
2	GERAK JUARA SDN BHD	112,938,816	8.57
3	CHUAH KIM SEAH	111,355,630	8.45
4	CHUAH KIM SEAH	109,906,830	8.34
5	CHUAH KIM CHIEW	26,764,194	2.03
6	LEE WEI MING	18,000,000	1.37
7	GERAK JUARA SDN BHD	16,093,170	1.22
8	YEOH MEI MEI	12,000,000	0.91
9	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHAMMED AZLAN BIN HASHIM	11,450,000	0.87
10	AMSEC NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR PACIFIC PEARL FUND (UT-PM-PPF)	11,002,900	0.83
11	LEE WAI YUEN	9,000,000	0.68
12	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)	8,000,000	0.61
13	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FONG JONG YAN	7,500,000	0.57
14	LIM TOW BOON	6,640,500	0.50
15	HLIB NOMINEES (TEMPATAN) SDN BHD HONG LEONG BANK BHD FOR CHIA SIEW LING	6,004,500	0.46
16	GOH SIN TIEN	6,000,000	0.46
17	PUBLIC INVEST NOMINEES (ASING) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENTS)	5,420,400	0.41
18	UNG CHI FONG	5,361,400	0.41
19	RHB NOMINEES (TEMPATAN) SDN BHD FONG WOON YIN	5,300,000	0.40
20	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEOH TEIK SOON	5,000,000	0.38
21	MAYBANK NOMINEES (TEMPATAN) SDN BHD NG CHEE WAI	4,785,000	0.36
22	FIRST GENESIS SDN BHD	4,400,000	0.33
23	LAU KIM WAH	4,135,000	0.31
24	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN CHEE YOUNG (MY2263)	4,130,000	0.31
25	LEE WEI TAT	4,040,000	0.31
26	WONG KIM HAI	3,615,000	0.27
27	PM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG LIP CHEE (B)	3,575,000	0.27
28	LIM TEONG SOON	3,400,000	0.26
29	YEOH OOI JONG	3,297,000	0.25
30	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH BOON POH (008)	3,065,200	0.23
	TOTAL	**655,268,370**	**49.71**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 13th Annual General Meeting of the Company will be held at Sri Perak 1 & 2, Level 4, Bayview Hotel Georgetown Penang, 25A Farquhar Street, 10200 Penang, Malaysia on Thursday, 26 May 2016 at 10.00 am for the following purposes:

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 and the Reports of Directors and Auditors thereon.

2. To approve the payment of a final single-tier dividend of 0.25 sen per ordinary share in respect of the financial year ended 31 December 2015 as recommended by the Board of Directors. **Resolution 1**

3. To approve the payment of Directors' Fees of RM372,220 for the financial year ended 31 December 2015. **Resolution 2**

4. To re-elect the following directors retiring in accordance with Article 100(1) of the Company's Articles of Association.

   (a) Datuk Chuah Kim Seah **Resolution 3**
   (b) Mr. Mazlan Ismail **Resolution 4**

5. To consider and if thought fit, to pass the following Ordinary Resolutions in accordance with Section 129(6) of the Companies Act, 1965:

   (a) "THAT Dato' Mahinder Singh Dulku, retiring pursuant to Section 129(6) of the Companies Act, 1965, be and is hereby re-appointed as Director of the Company to hold office until the conclusion of next annual general meeting of the Company." **Resolution 5**

   (b) "THAT Mr. Ng Eng Tong, retiring pursuant to Section 129(6) of the Companies Act, 1965, be and is hereby re-appointed as Director of the Company to hold office until the conclusion of next annual general meeting of the Company." **Resolution 6**

6. To re-appoint Messrs. BDO as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

As Special Business:

To consider and, if thought fit, to pass the following Resolutions with or without modifications:

7. **Ordinary Resolution** **Resolution 8**
   Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares

   "THAT pursuant to Section 132D of the Companies Act, 1965 and subject to the Company's Articles of Association and the approvals of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the annual general meeting commencing next after the date on which the next annual general meeting after that date is required by law to be held whichever is earlier; but any approval may be previously revoked or varied by the Company in general meeting."

8. **Ordinary Resolution** **Resolution 9**
   Continuation in office as an Independent Non-Executive Director

   "THAT Dato' Mahinder Singh Dulku, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, be retained and continued to act as an Independent Non-Executive Chairman of the Company in accordance with the Malaysian Code on Corporate Governance 2012 until the conclusion of the next annual general meeting of the Company."

9. To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the shareholders' approval for the payment of a final single-tier dividend of 0.25 sen per ordinary share in respect of the financial year ended 31 December 2015 ("the Dividend") under Resolution 1 at the 13th Annual General Meeting of the Company, the Dividend will be paid to the shareholders on 15 July 2016. The entitlement date for the Dividend shall be 30 June 2016.

Shareholders of the Company will only be entitled to the Dividend in respect of:
(a) securities transferred into their securities account before 4.00 pm on 30 June 2016 for transfers; and
(b) securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

WOON MEI LING (MAICSA 7047736)
Company Secretary

Penang
29 April 2016

Notes:

Appointment of Proxy

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b)&(c) of the Companies Act, 1965 shall not apply to the Company.
2. For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company, Suite 16-1 (Penthouse Upper), Menara Penang Garden, 42-A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
4. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy.
5. If the appointor is a corporation, the Form of Proxy must be executed under the corporation's seal or under the hand of an officer or attorney duly authorised.
6. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
8. In respect of deposited securities, only members whose names appear on the Record of Depositors on 19 May 2016 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

Explanatory Notes on Special Business:

Resolution 8 – Authority to Issue Shares

The proposed Resolution 8, if passed, will give the Directors of the Company authority to issue shares in the Company up to an amount not exceeding 10% of the total issued capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next annual general meeting.

As of the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 29 May 2015 and which will lapse at the conclusion of the 13th Annual General Meeting.

The renewed general mandate for issue of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for the purpose of funding future investment, working capital and/or acquisition.

Resolution 9 – Continuation in office as an Independent Non-Executive Director

The proposed Resolution 9, if passed, will allow Dato' Mahinder Singh Dulku to be retained as an Independent Non-Executive Director in line with the Recommendation No. 3.2 of the Malaysian Code on Corporate Governance 2012 and continued as an Independent Non-Executive Chairman of the Company.

Full details of the Board's justifications and recommendations for the retention of Dato' Mahinder Singh Dulku are set out under Corporate Governance Statement in the Company's Annual Report 2015.

STATEMENT ACCOMPANYING NOTICE OF 13TH ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.27(2) OF BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS

No individual is standing election as a Director at the forthcoming 13th Annual General Meeting of the Company.

FORM OF PROXY

No. of Shares Held	
CDS Account No.	

RGB International Bhd.
(603831-K)

*I/We .... NRIC No./Company No. ....
(FULL NAME IN BLOCK CAPITALS)

of ....
(FULL ADDRESS)

being a *member/members of RGB International Bhd. (603831-K) ("the Company"), hereby appoint ....

.... NRIC No. ....
(FULL NAME IN BLOCK CAPITALS)

of..
(FULL ADDRESS)

or failing *him/her, ...NRIC No. ....
(FULL NAME IN BLOCK CAPITALS)

of ....
(FULL ADDRESS)

or failing *him/her, the *CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us and on *my/our behalf at the 13th Annual General Meeting of the Company to be held at Sri Perak 1 & 2, Level 4, Bayview Hotel Georgetown Penang, 25A Farquhar Street, 10200 Penang, Malaysia on Thursday, 26 May 2016 at 10.00 am and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided below as to how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.)

RESOLUTIONS	1	2	3	4	5	6	7	8	9
FOR									
AGAINST									

Signed this .... day of 2016

	No. of Shares	%
Proxy 1		
Proxy 2		
Total		100

……..
Common Seal/Signature of Member

Note:
1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b)&(c) of the Companies Act, 1965 shall not apply to the Company.
2. For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company, Suite 16-1 (Penthouse Upper), Menara Penang Garden, 42-A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
4. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy.
5. If the appointor is a corporation, the Form of Proxy must be executed under the corporation's seal or under the hand of an officer or attorney duly authorised.
6. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account its holds.
8. In respect of deposited securities, only members whose names appear on the Record of Depositors on 19 May 2016 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.
9. By submitting the duly executed Form of Proxy, the member and his/her proxy(ies) consent to the Company and/or its agents/service providers to collect, use and disclose the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the Annual General Meeting of the Company and any adjournment thereof.

* Strike out whichever is not applicable.

Fold this flap for sealing

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Affix
Stamp

The Company Secretary

RGB INTERNATIONAL BHD. (603831-K)
Suite 16-1 (Penthouse Upper), Menara Penang Garden
42-A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia

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