Dreamgate Corporation Bhd (603831-K)

ANNUAL REPORT 2006

NEW FRONTIERS OF GAMING

www.dreamgatecorp.com
8, Green Hall, 10200 Penang, Malaysia.
T +604-263 1111 / 818 2100 (Hunting Line) • F +604-263 1188

The products and services provided by Dreamgate's subsidiaries expand beyond the shores of Malaysia, servicing overseas markets such as Cambodia, Macau, Philippines, Singapore, Vietnam, Laos and Korea. The Group hopes to continue its progress by maintaining its focus on simple but yet effective winning strategies, based on quality and a people-oriented approach towards our businesses.

The sky's the limit is a saying that fits the world of business perfectly. For Dreamgate Corporation Bhd, it is a saying that is proven true every year as the Group continues to grow from strength to strength.

The cover design draws inspiration from this premise. Vast vistas of a blue sky represent the vast opportunities that the future holds. The Group is depicted as flying above the clouds, symbolising that Dreamgate offers a standard of excellence above the rest as it moves towards a bright and promising future.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Ooi Teng Chew
Chairman / Independent Non-Executive Director

Datuk Chuah Kim Seah, JP
Managing Director

Mazlan Bin Ismail
Chuah Kim Chiew
Steven Lim Tow Boon
Wong Chee Fai
Executive Directors

Chng Hee Kok
Independent Non-Executive Director
Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.
Senior Independent Non-Executive Director

COMPANY SECRETARIES

Lam Voon Kean (MIA 4793)
Lee Yap Kuan (MAICSA 7003482)

REGISTERED OFFICE

Suite 2-1, 2nd Floor, Menara Penang Garden
42-A Jalan Sultan Ahmad Shah, 10050 Penang
Tel : 604-229 4390
Fax : 604-226 5860

SHARE REGISTRARS

Symphony Share Registrars Sdn. Bhd.
Level 26, Menara Multi Purpose, Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia
Tel : 603-2721 2222
Fax : 603-2721 2530 / 2721 2531

AUDITORS

Ernst & Young (AF 0039)
Chartered Accountants

PRINCIPAL BANKERS

Malayan Banking Berhad
Maybank International (L) Ltd.
Hong Leong Bank Berhad

STOCK EXCHANGE LISTING

Mesdaq Market of Bursa Malaysia Securities Berhad

SPONSOR

Aseambankers Malaysia Berhad
31st Floor, Menara Maybank
100, Jalan Tun Perak, 50050 Kuala Lumpur, Malaysia
Tel : 603-2059 1888
Fax : 603-2070 6521 / 2078 4220

CORPORATE STRUCTURE

Dreamgate Corporation Bhd
(Company No. 603831-K)
(Incorporated in Malaysia)

INVESTMENT HOLDING

RGB SDN BHD
(Incorporated in Malaysia)
100%
Manufacturing, refurbishment, technical support and maintenance and management servies for operation of gaming and amusement machines, 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
(Incorporated in Labuan)
100%
Sales and marketing, technical support and maintenance, and management services for operation of gaming and amusement machines and equipment solely for the overseas markets

- **STAR RGB CORPORATION**
  (Incorporated in Philippines)
  40%
  Dormant
- **RGB(MACAU)LTD**
  (Incorporated in Macau, SAR)
  96%
  Import and export including sales and marketing of gaming and amusement machines and equipment
- **CRON CORPORATION**
  (Incorporated in Japan)
  50%
  Research & development and manufacturing of gaming and amusement machines and equipment, sales and marketing of gaming and amusement machines and equipment
- **RGB(CAMBODIA)LTD**
  (Incorporated in Cambodia)
  100%
  Sales and marketing, technical support and maintenance of gaming machines and equipment
- **RGB LTD**
  (Philippine Branch)
  Leasing of equipments in Philippines

DATA TOUCH SDN BHD
(Incorporated in Malaysia)
100%
Renting of properties

MACROCEPT SDN BHD
(Incorporated in Malaysia)
100%
Investment holding

DREAMGATE (SINGAPORE) PTE LTD
(Incorporated in Singapore)
100%
Manufacturing, sales and marketing of gaming and amusement machines and equipment, technical support and maintenance, and management services for operation of gaming and amusement machines and equipment, sales and marketing of security surveillance products and systems

CDI CORPORATION SDN BHD
(Incorporated in Malaysia)
60%
Designing of digital graphic, signages and trading of signages and systems

RGB ABBIATI PTE LTD
(Incorporated in Singapore)
50%
Trading in casino products and equipment

FINANCIAL HIGHLIGHTS

Proforma Consolidated Income Statement for year Ended 31 Dec 2003 and Audited Consolidated Income Statement for Years Ended 31 Dec 2004, 31 Dec 2005 and 31 Dec 2006

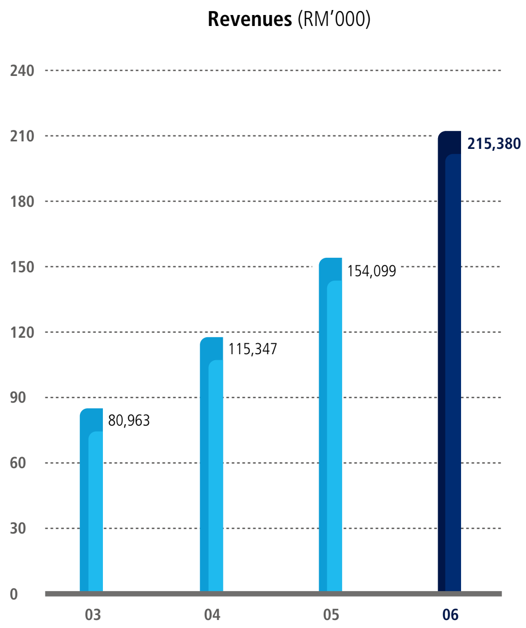
	2003	2004	2005	2006
	RM'000	RM'000	RM'000	RM'000
Revenues	80,963	115,347	154,099	215,380
EBITDA *	17,069	26,480	49,184	69,529
Amortisation	-	-	(71)	(143)
Depreciation	(3,051)	(7,780)	(19,304)	(31,230)
Interest	(283)	(251)	(1,937)	(4,877)
Pretax Profit	13,735	18,449	27,872	33,279
Taxation	(1,076)	(211)	(80)	(1,809)
Minority Interest	1	-	-	-
Net Profit	12,660	18,238	27,792	31,470
EBITDA* Margin	21%	23%	32%	32%
Pretax Profit Margin	17%	16%	18%	15%
Weighted Average Number of Ordinary Share in Issue ('000)	205,572	280,000	280,000	281,210
EPS (sen) - Basic	6.16	6.53	9.93	11.19
EPS (sen) - Diluted	-	-	9.92	11.00
Revenue Growth	90%	42%	34%	40%
Net Profit Growth	34%	44%	52%	13%

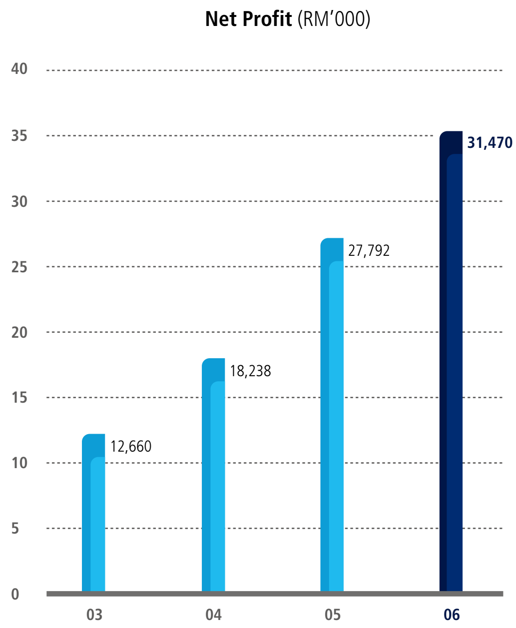
*Earning Before Interest, Taxation, Depreciation & Amortisation

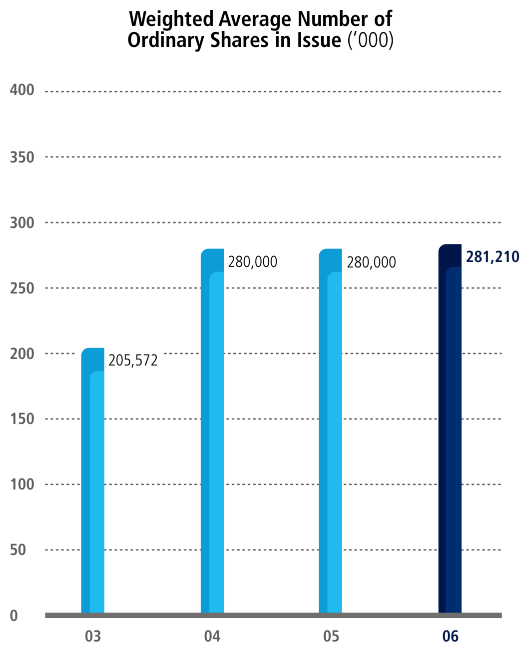
Proforma Consolidated Segmental Information for Year Ended 31 Dec 2003 and Audited Consolidated Segmental Information for Years Ended 31 Dec 2004, 31 Dec 2005 and 31 Dec 2006

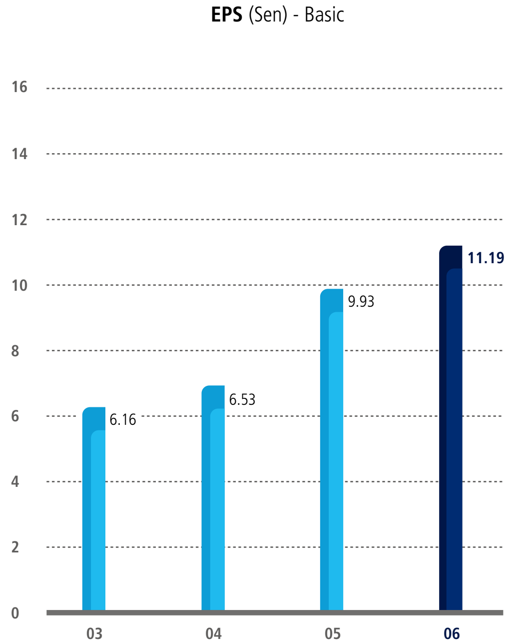
	2003	2004	2005	2006
	RM'000	RM'000	RM'000	RM'000
Revenues				
Sales & Marketing	59,887	89,047	93,145	121,299
Technical Support & Management	14,796	26,355	61,361	90,080
Others	6,280	977	1,028	4,927
Eliminations		(1,032)	(1,435)	(926)
	80,963	115,347	154,099	215,380
Pretax Profit				
Sales & Marketing	6,588	8,539	5,104	9,348
Technical Support & Management	6,806	12,800	27,815	37,142
Others	341	(2,890)	(5,047)	(13,211)
	13,735	18,449	27,872	33,279

FINANCIAL HIGHLIGHTS









Board of Directors

from left to right

Wong Chee Fai
Executive Director

Chng Hee Kok
Independent Non-Executive Director

Mazlan Bin Ismail
Executive Director

Chuah Kim Chiew
Executive Director

Ooi Teng Chew
Chairman / Independent Non-Executive Director

Datuk Chuah Kim Seah, JP
Managing Director

Steven Lim Tow Boon
Executive Director

Dato' Mahinder Singh Dulku, D.S.P.N.,P.K.T.
Senior Independent Non-Executive Director

PROFILE OF DIRECTORS

Ooi Teng Chew, age 61

Chairman / Independent Non-Executive Director

Mr. Ooi Teng Chew, a Malaysian, joined the Board of the Company as Non-Executive Director on 30 October 2003 and was subsequently appointed as Chairman of the Company on 17 March 2004. He serves as Chairman of the Audit Committee and as a member of the Remuneration Committee, Nomination Committee and Employee Share Option Scheme ("ESOS") Committee of the Company.

Mr. Ooi is a qualified accountant with over 31 years of experience in public practice as a partner of Ernst & Young. He retired from Ernst & Young in 2001. He is a member of the Institute of Chartered Accountants of England and Wales, the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

Mr. Ooi does not have any family relationship with any Director and/or major Shareholder of the Company nor any conflict of interest with the Company. He has no convictions for any offences in the past 10 years.

Datuk Chuah Kim Seah, JP, age 54

Managing Director

Datuk Chuah Kim Seah, JP, a Malaysian, was appointed to the Board as the Managing Director of the Company on 30 October 2003. He is a member of the Remuneration Committee and ESOS Committee of the Company.

Datuk Chuah is a qualified accountant with many years of experience in public practice. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants. He has an extensive experience in the amusement and gaming machines industry.

Datuk Chuah is the elder brother of Mr. Chuah Kim Chiew who is an Executive Director of the Company. He has no conflict of interest with the Company save as disclosed in the Circular to Shareholders dated 4 June 2007. He has not been convicted for any offences in the past 10 years.

PROFILE OF DIRECTORS

Mazlan Bin Ismail, age 44

Executive Director

En. Mazlan Bin Ismail, a Malaysian, was appointed as an Executive Director of the Company on 30 October 2003. He also serves as a member of the Audit Committee and ESOS Committee of the Company.

He obtained a Diploma in Management from the Malaysian Institute of Management in 1998 and is an associate member of the Malaysian Institute of Management since 1999.

En. Mazlan started his career in 1988 as a Senior Audit Assistant at Chuah & Associates and in 1997, he joined Institute Teknologi Dan Pengurusan Lebuh Victoria Sdn Bhd, a higher learning institute as a Director.

He is responsible for regulatory compliance and investor relations activities of the Group.

Encik Mazlan does not have any family relationship with any Director and/or major Shareholder of the Company nor any conflict of interest with the Company. He has no convictions for any offences in the past 10 years.

Steven Lim Tow Boon, age 46

Executive Director

Mr. Steven Lim Tow Boon, a Malaysian, was appointed as an Executive Director of the Company on 30 October 2003.

He graduated in 1985 with a Bachelor of Arts Degree, majoring in Administrative Studies from Brock University, Canada. He was the General Manager of RGB Sdn. Bhd. ("RGBSB") before assuming directorships in RGBSB and RGB Ltd in 1999. Overall, he has accumulated 18 years of experience in the gaming and amusement machine industry.

His responsibilities include managing the Sales & Marketing Division and Technical Support & Management Division as well as business development of the Group.

Mr. Steven Lim does not have any family relationship with any Director and/or major Shareholder of the Company. He has no conflict of interest with the Company save as disclosed in the Circular to Shareholders dated 4 June 2007. He has not been convicted for any offences in the past 10 years.

Profile of Directors

Chuah Kim Chiew, age 44

Executive Director

Mr. Chuah Kim Chiew, a Malaysian, was appointed as an Executive Director of the Company on 30 October 2003.

He graduated with a Bachelor in Business Administration from the University of Waseda, Tokyo, Japan in 1988. He has 19 years of experience in the gaming and amusement machines industry.

Mr Chuah is the driving force of the Group's Research and Development Division.

Mr Chuah is the youngest brother of Datuk Chuah Kim Seah, JP. He has no conflict of interest with the Company save as disclosed in the Circular to Shareholders dated 4 June 2007. He has not been convicted for any offences in the past 10 years.

Wong Chee Fai, age 53

Executive Director

Mr. Wong Chee Fai, a Malaysian, was appointed as an Executive Director of the Company on 30 October 2003. He started his career in 1974 as a Director of Yansoon Sdn. Bhd., a trading company before leaving in 1994 to join RGBSB and hence has been in the industry for 12 years.

He is in charge of the Group's Treasury Division and overall operations of the Group's regional office in Kuala Lumpur.

Mr. Wong does not have any family relationship with any Director and/or major Shareholder of the Company nor any conflict of interest with the Company. He has no convictions for any offences in the past 10 years.

PROFILE OF DIRECTORS

Chng Hee Kok, age 59

Independent Non-Executive Director

Mr. Chng Hee Kok, a Singaporean, joined the Company as an Independent Non-Executive Director on 30 October 2003. He serves as Chairman of the Company's Remuneration Committee and ESOS Committee and also serves as a member of the Audit Committee and Nomination Committee of the Company.

He graduated with a Bachelor of Engineering (Mechanical) from the University of Singapore in 1972. He obtained a Masters in Business Administration from the National University of Singapore in 1984.

Mr. Chng was a member of the Parliament of Singapore from 1984 to 2001. At present, he is the Chief Executive Officer of NTUC Club. He is a Director of various public listed corporations listed in Singapore, such as Auston International Group Ltd., Brilliant Manufacturing Ltd., CHT (Holdings)Ltd., Full Apex (Holdings) Ltd., Joinn Holdings Ltd., Luxking Group Holdings Ltd., Pacific Century Regional Developments Ltd., People's Food Holdings Ltd., Samudera Shipping Line Ltd. and Sunray Holdings Ltd..

Mr. Chng does not have any family relationship with any Director and/or major Shareholder of the Company nor any conflict of interest with the Company. He has no convictions for any offences in the past 10 years.

Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T., age 64

Senior Independent Non-Executive Director

Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T., a Malaysian, was appointed as an Independent Non-Executive Director of the Company on 28 April 2006, and subsequently appointed as the Senior Independent Non-Executive Director of the Board on 18 April 2007.

Dato' Mahinder is the Chairman of the Company's Nomination Committee and a member of the Audit Committee, ESOS Committee and Remuneration Committee.

Dato' Mahinder was conferred the Degree of an Utter Barrister in 1972 by Lincoln's Inn, London and in 1973 was admitted as an Advocate & Solicitor, Malaya. He has been practising law since then and todate, has over 33 years of experience in the legal field specialising in Corporate, Contract and Land Laws. Dato' Mahinder was twice elected as the Chairman of the Penang Bar Committee and in such capacity became a member of the Bar Council, Malaysia.

Dato' Mahinder does not have any family relationship with any Director and/or major Shareholder of the Company nor any conflict of interest with the Company. He has no convictions for any offences in the past 10 years.

Chairman's Statement

Dear Shareholder,

On behalf of the Board, it is my pleasure to present to you the Annual Report for the year ended 31 December 2006.

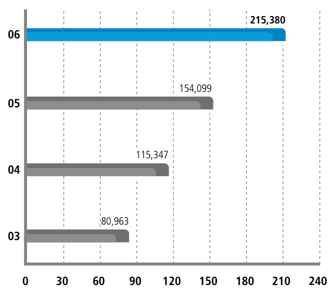
Financial Performance

The Group delivered yet another strong financial performance for the year under review.

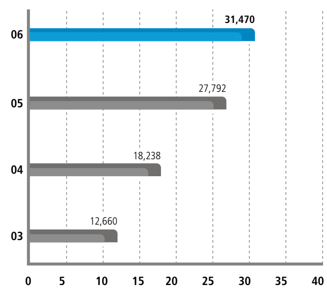
In 2006, the Group achieved a remarkable 40% increase in turnover to RM215.4 million in 2006 (2005: RM154.1 million) which resulted in the net profit increase of 13% to RM31.5 million (2005: RM27.8 million). Over the last two financial years, the Group's revenue and pre-tax profit have reflected an encouraging compounded annual growth rate of 37% and 33% respectively.

Earnings per share rose to 11.19 sen for the year compared to 9.93 sen in 2005 while net asset per share was 49 sen compared to 37 sen as at 31 December 2005.

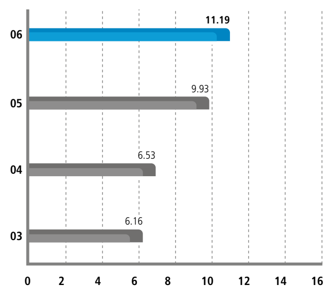
The Group's results were mainly spearheaded by the Technical Support and Management ("TSM") Division which saw the number of gaming machines deployed rise to about 3400 at the end of December 2006 while the Sales and Marketing Division also enjoyed about 9% growth in the number of gaming machines being sold.



Revenues (RM'000)



Net Profit (RM'000)



EPS (Sen) - Basic

Chairman's Statement

The Group's ability to create value for shareholders was recognised in 2006 when it was ranked No. 1 in the leisure sector and No. 18 overall among all Public Listed Companies in the KPMG/The Edge Shareholders Value Awards 2005.

The Directors receiving the Award from KPMG/ The Edge

KPMG/The Edge Shareholder Value Award 2005 received by the Company

Dividend

Based on the Group's strong performance, the Board has recommended for shareholders' approval, a first and final dividend of 1.7 sen per share less 27% tax for the year ended 31 December 2006 (31 December 2005: 1.5 sen per share less 28%). This dividend will be tax exempt in the hands of shareholders.

Corporate Developments

Additions in the composition of the Group during the year are as follows:

- Wholly owned subsidiaries
  - i Macrocept Sdn Bhd
  - ii Dreamgate (Singapore) Pte Ltd
- Branch in Philippines
  RGB Ltd (Philippine Branch)

Macrocept Sdn Bhd will be the Group's investment holding company in respect of the equity participation in the gaming ventures while Dreamgate (Singapore) Pte Ltd reflects the Group's optimism in the prospects and potential of the gaming and amusement industry in Singapore.

Subsequent to the year end, a wholly owned subsidiary, RGB (Cambodia) Ltd was incorporated to undertake some of our new technical support and management services activities in Cambodia and a representative office of the Group was set up in Vietnam to undertake market research activities there.

RGB Abbiati Pte Ltd, an associate company was also incorporated in the Republic of Singapore recently to trade in casino products and equipment.

CHAIRMAN'S STATEMENT

Subsequent to the year end, the Group also announced the following:

- Raising RM200 million in corporate debt securities (approved by the Securities Commission on 10 May 2007)
- Bonus Issue of 2 for 1
- Transfer to Main Board

The Bonus Issue and Transfer to Main Board are pending approval of the authorities and the shareholders.

Pertinent details of other key events or transactions during the year are disclosed under "Review of Operations" and "Corporate Highlights" in this Annual Report.

Research Facilities and Technology Development

As a technology solutions provider, the Group places very high emphasis on research and development ("R&D") in order to stay ahead and sustain its competitive edge in the fast evolving gaming and amusement industry. By making R&D a priority, the Group is able to offer premium products and services that are not only relevant to the tastes and needs of customers, but are also dynamic in nature.

The Group's current and on-going R&D work is focused on software and systems development for gaming machines particularly with the following objectives:

i Creating new gaming machine software
ii Customising new games to suit local jurisdictions

As further proof of the Group's desire to achieve greater innovations, it increased its expenditure for R&D purposes to approximately RM1.62 million in 2006 from RM600,000 in 2005. This investment was channelled primarily to purchases of plant and equipment for the Group's new R&D centre in Penang and the implementation of intensive training programs for employees.

Our R&D Team in Penang

Chairman's Statement

The Division is also carrying out ongoing exercises to increase its human capital and to date six additional R&D personnel have come on board to enable the Group to fully implement the above mentioned objectives.

The Group's R&D efforts are further strengthened by close collaboration with our associate company, Cron Corporation ("Cron"). To date, working hand-in-hand with Cron, a total of 19 games have been developed.

A series of games developed by R&D Team and Cron

Outlook

Whilst we are encouraged by the anticipated upswing in the Asian gaming market, even without placing significant emphasis on the potential liberalisation, the Group can leverage on its existing markets for healthy growth. We are determined to chart consistent growth for the coming years by establishing a solid foundation and by nurturing our existing synergistic working relationships with business partners and suppliers.

Accordingly, it is vitally important that the Group continues to invest strategically in the Region. In this regard, about RM70 million of the corporate debt securities to be raised is earmarked for the purchase of machines for the TSM Division while about RM30 million will be set aside for the Group's obligations in relation to its equity stakes in proposed and future club/casino ventures in Cambodia.

Overall, the Group is well positioned to continue to achieve positive growth in the coming year.

Acknowledgement

On behalf of the Group, I thank our shareholders, financiers, business partners, and clients for your continued confidence in the Group. I would also like to express my sincere appreciation to my fellow directors, the management team and our employees for their hard work, dedication and commitment.

Ooi Teng Chew
Chairman

SENIOR MANAGEMENT

from left to right

Wentworth Macquarie Hill
Chief Executive Officer
CDI Corporation Sdn. Bhd.

Chuah Kee Yong
Director, Technology
RGB Sdn. Bhd.

Maxine Lee Yap Kuan
Director, Corporate
RGB Sdn. Bhd.

Teh Mun Hui
Director, Finance
RGB Sdn. Bhd.

Ganaser A/L Kaliappen
General Manager, Regulatory and Compliance

David Overton
Operations Director
RGB (Cambodia) Ltd.

Chiang Lai Fatt
Sales Manager, Sales and Marketing

Profile Of Senior Management

Wentworth Macquarie Hill

Mr. Wentworth Macquarie Hill, an Australian, is the Chief Executive Officer of CDI Corporation Sdn. Bhd. ("CDI"). He graduated in 1976 with a Bachelor of Arts (Economics) and in 1982 graduated with a Master of Commerce, both from the University of New South Wales, Sydney, Australia.

He has accumulated 19 years of experience in the gaming industry in slot machine marketing and manufacturing, gaming signage design, marketing and manufacturing, and progressive systems marketing.

He co-founded CDI in 2002 to develop gaming signage, 3-D gaming animations and slot machine content for the Asian market.

Chuah Kee Yong

Mr. Chuah Kee Yong, was the General Manager for the Technology Division of the Group, before being promoted to the position of Technology Director of the Group on 1 March 2007. He was also appointed as a Director of RGB Sdn Bhd ("RGBSB") and RGB Ltd ("RGBL") on 18 July 2006 and Macrocept Sdn Bhd ("Macrocept") on 28 July 2006. He graduated with a Bachelor of Applied Science Degree in 1996 and obtained his Masters in Business Administration in year 2003 both from University Sains Malaysia. He is an Affiliate Member of the IEEE Computer Society, USA, to which he was admitted in 2002. Mr. Chuah was formerly with Intel Technology Sdn Bhd before joining RGBSB in 1999.

He heads the Technical Services, Information Technology and Factory Operation of the Group by providing technical guidance and assistance to the team as well as role modeling.

PROFILE OF SENIOR MANAGEMENT

Maxine Lee Yap Kuan

Madam Maxine Lee Yap Kuan, is the Company Secretary and was General Manager of the Corporate Division of the Group, before being promoted as a Director of Corporate Department of the Group on 1 March 2007. She also sits on the Board of RGBL and was appointed as a Director of RGBSB on 18 July 2006 and Macrocept on 28 July 2006. Medam Lee is an Associate Member of the Institute of Chartered Secretaries and Administrators, U.K. since 1993 and has 17 years of experience in company secretarial field in both accounting and commercial firms.

Her responsibilities in the Group include handling of Corporate Secretarial matters in ensuring compliance with Bursa Malaysia Securities Berhad's ("Bursa Securities") Listing Requirements, statutory and other relevant regulatory requirements as well as management of corporate affairs, administration, training and human resources matters.

Teh Mun Hui

Madam Teh Mun Hui, was the General Manager for the Finance and Treasury Division of the Group, before her promotion on 1 March 2007 to her current position as the Director of Finance of the Group. Madam Teh was also appointed as a Director of RGBSB, RGBL and Macrocept on 27 April 2007. She graduated with a First Class Honours Degree in Accountancy from University of Malaya in 1997 and is a member of both Malaysian Institute of Accountant and The Malaysian Institute of Certified Public Accountants since 2000. She joined Arthur Anderson & Co. in 1997 and was an Audit Experience Senior before joining the Group in 2001.

Her responsibility is to direct and control the Group's financial accounting besides ensuring compliance with Bursa Securities Listing Requirements and other regulatory requirements. In addition, she is also involved in corporate and investor relations activities.

PROFILE OF SENIOR MANAGEMENT

Ganaser A/L Kaliappen

Mr. Ganaser Kaliappen, is the General Manager for the Regulatory & Compliance Division of the Group. He graduated with Bachelor of Arts from University of Malaya in 1978, Diploma in Public Management from National Institute of Public Training in 1985 and Masters in Public & International Affairs from University of Pittsburgh, USA in 1999. Prior to joining the Group, he was in the Administrative and Diplomatic Service of the Government for 25 years. He has served in various divisions of the Ministry of Finance for 19 years handling financial control, gaming licensing and regulatory compliance matters. He graduated with Bachelor of Arts from University of Malaya in 1978, Diploma in Public Management from National Institute of Public Training in 1985 and Masters in Public & International Affairs from University of Pittsburgh, USA in 1999.

He was a Director with Ministry of Defence before joining the Group in 2004. Overall his responsibilities include licensing compliance with all regulatory authorities and internal requirements within the Group.

David Overton

Mr. Overton is the Operations Director of RGB (Cambodia) Ltd, in charge of the Group's Technical Support and Management ("TSM") operations in Phnom Penh, Cambodia.

He has a total of 22 years experience in the gaming industry including, Slot Machine Statistical Design, Product Analysis, Sales & Marketing, and TSM.

Chiang Lai Fatt

Mr. Chiang Lai Fatt, is the Sales Manager of the Group. He graduated with Bachelor of Commerce from University of Southern Queensland, Australia in 1997. Mr. Chiang was the Head of Industrial Packaging Division with Rex Group of Companies from 2002 before joining the Group in October 2004.

He is responsible for sales, service and marketing activities of the Group in Malaysia, South Korea and Macau.

Review Of Operations

Dear Shareholder,

The year under review has been challenging but successful for the Group. This has been achieved through our continued focus and commitment in making us stand out and apart from the crowd. Forging ahead, the Group was at its best to ensure that it made good progress in this industry through expansion into new markets while maintaining and strengthening its foothold in existing and current markets. It is therefore gratifying that the Group was able to round off another year with growth in revenue and profit, helped particularly by our excellent range of products and services, in addition to the dedication and commitment shown by our people.

Macau Team

Kuala Lumpur Team

Xtale's Roulette multi terminal displayed at Manila show

Sales & Marketing Division

The Sales and Marketing ("SM") Division registered a segment profit of RM9.3 million in 2006 (2005: RM5.1 million) reflecting a significant increase of 83%. This was achieved on the back of a turnover of RM121.3 million, a growth of 30%, when compared to RM93.1 million registered in 2005. In 2006, gaming machines sold by the Group was about 9% higher than last year.

The positive results generated by this Division were primarily due to the popularity and consistent performance of the range of gaming machines supplied by the Group for the various markets, particularly the Philippines, Cambodia and Macau.

During the year, the Group commenced marketing products from Xtale, a well-known United Kingdom manufacturer of multi-terminal baccarat, roulette, horse racing and other server-based casino games. Xtale develops a range of new-style casino attractions to supplement live table gaming and monitor systems in the form of server based platform games using remote terminals working from live tables. This concept has proved to be popular and the

REVIEW OF OPERATIONS

Group saw the opportunity and potential of this market segment and decided to forge ahead into collaboration with Xtale. It is expected that this move will translate into bigger and better things to come, fuelled by strong business networks of the Group coupled with the continuous brilliant expertise of Xtale. A Reseach and Development collaboration may even be underway in order to bring the Group to new heights and control a bigger segment of the gaming market share. Also joining the ranks of business collaboration is Abbiati Casino Equipment, an Italian manufacturer of Chips, Jetons and Gaming Tables. Abbiati manufactures one of the finest gaming tables the Group has ever seen, produced with skilled craftsmanship and using the strictest precision in engineering excellence. Their products boast of quality and style, which is clearly an Italian trait right down to the texture and looks. Their beautiful and elegant product was enough to convince the Group that a tie-up with this manufacturer would bring about a new class and range of products for the market.

Chips produced by Abbiati

An Abbiati gaming table on display at the Manila Trade Show

The Group in its effort to continually provide an excellent range of products and services, has successfully established sound business relationships with various gaming machine manufacturers worldwide such as WMS Gaming Inc., Atronic International GmbH, Aruze Corporation, Alfastreet Gaming Instruments and Ainsworth Gaming Technology, while the Group's own brand of Cron machines continue to receive positive response from our customers.

Sales and Marketing staff in HQ, Penang

Review Of Operations

Latest range of gaming machines exhibited at the 16th Annual Australasian Gaming Expo in Sydney

The Group also now distributes Orion machines, which is a Netherlands based gaming machine manufacturer recently acquired by WMS.

In support of our SM Division, the Group continues to participate in international trade expos in an effort to build brand awareness, foster closer relationships with industry participants as well as deliver sales by exhibiting the latest in gaming machines and products. 2006 saw the Group exhibiting at major international gaming trade expos, namely the Asia's Gaming and Entertainment Plus Leisure Expo in Manila, the Asian Gaming Expo in Macau, and the Australasian Gaming Expo in Sydney.

RGB"s booth at the Asia's Gaming and Entertaiment Plus Leisure Expo in Manila

Technical Services Division

This Division continues to provide technical services, installation and after-sales support to the SM and Technical Support and Management ("TSM") Divisions on 24/7 basis.

Our Engineers and Technicians on call on 24 hours 7 days basis

Review Of Operations

Technical Support and Management Division

The TSM Division had another excellent year and continues to be the key contributor for the Group, achieving a pre-tax profit of about RM37.1 million in year ended 2006 (2005: RM27.8 million) on a revenue contribution of RM90.1 million (2005: RM61.4 million). Overall, this Division contributed approximately 42% to the total revenue of the Group during the year under review.

Vietnam Team

In line with the Group's consistent effort to expand our revenue-sharing model in our primary markets, as at the end of 2006, it had 46 active technical services and management concessions in Cambodia, the Philippines and Vietnam. This revenue-sharing programme has grown by about 26% from 2,700 units in 2005 to about 3,400 units in 2006. The Group continued to invest extensively in our people and in additional human resources for the management office in Phnom Penh. This was done by developing their skills and enhancing knowledge through aggressive product trainings by our manufacturers and exposing them to new experiences through visiting international trade shows in London and Las Vegas, in order to offer better support, facilitate and efficiently supervise and manage the daily operations of the concession businesses in the country. The Group also conducted a review of the profitability of the concessions and

Multi Terminal Roulette Machine with Mystery Progressive Jackport placed at TSM Conssesion

TSM Team in Cambodia

Review Of Operations

embarked on a rationalisation and consolidation drive whereby contracts for non-performing outlets were either renegotiated or terminated where it saw necessary.

Moving forward, the Group has proposed an acquisition of USD2.4 million or 40% equity stake in Cambodia based, Chateau de Bavet Club Co Ltd, with the intention of setting-up and operating a club cum casino. Prospects for this initiative bear much potential, not just in terms of share of gaming machine revenue but also dividend income.

Various range of table game layouts produced by the Group

Manufacturing Division

The Group is pleased to announce the acquisition of new machinery and equipment totalling approximately RM240,000 for the assembly of Premier range of slot machines from Cron Corporation ("Cron") in addition to the refurbishment and reconditioning of gaming equipment and machines for new opportunities in business potentials, following the renewal of its service agreement with Sega Corporation.

Cron's Premier series games assembled at our factory

Demand for wool layout continues to be strong and the Group managed to sell RM1.5 million (2005: RM38,162) wool layouts to various casinos in this region, which featured various designs and sizes for all types of table games generally found in casinos.

During the year, the Group acquired a new 20,000 square feet factory (adjacent to our existing factory) to consolidate all our manufacturing operations in one convenient location as well as to meet the current and future growing needs of the operation. This new additional facility is expected to commence operations in the third quarter of 2007.

Review Of Operations

Animation, Graphic and Signage Division

Signages produced by CDI

CDI was able to turn around and break even in 2006 due to growing demands for CDI's creative concepts, designs and uniquely attractive signages specially customized and designed for Asian clubs and casinos. CDI has revamped the manufacturing process to ensure an international standard finished product whilst tightening the fabrication and production costs of the signages in general.

Prospects Ahead

The Asian gaming market has grown tremendously ever since Macau awarded new gaming licences in 2004. In addition, the Singaporean government which recently awarded licences for 2 integrated resorts/casinos to be built, has further contributed to the upswing in the industry. We expect demand from Macau, Malaysia, Philippines and Cambodia to continue to be strong due to a combination of population growth, increasing wealth and industry development.

We expect the TSM Division to remain the Group's lead growth driver, as its revenue continues to be spurred by the maturing of existing concessions and additions of new concessions and/or gaming machines. We also expect a steady growth in sales for the SM Division in the year ahead and look forward to a continued and successful business year in 2007.

We have made good progress in the marketplace and I want to thank all our people for their dedication and hard work in believing with the Group's vision and I look forward with confidence to reporting further progress in the coming year.

Datuk Chuah Kim Seah, JP
Managing Director

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The Board of Directors appreciates the importance of adopting high standards of corporate governance within the Group. Good corporate governance is a fundamental part of the Group's responsibility to protect, realise and enhance long-term shareholders' value and the financial performance of the Group, whilst taking into account the interests of other stakeholders.

The Statement below sets out how the Group has applied the Key Principles contained in Part 1 of the Malaysian Code on Corporate Governance ("the Code") and the extent of its compliance with the Best Practices as set out in Part 2 of the Code. These principles and best practices have been applied and complied with as at the date of this Annual Report.

A Board of Directors

i The Board of Directors

The composition equips the Board with the necessary skills, experiences and knowledge for the Board to direct and supervise the Group's business activities as well as to provide clear and effective leadership to the Group.

The Board currently consists of eight (8) members; comprising one (1) Chairman / Independent Non-Executive Director, one (1) Managing Director, four (4) Executive Directors and two (2) Independent Non-Executive Directors. The Company complied with Bursa Malaysia Securities Berhad's ("Bursa Securities") Listing Requirements for Mesdaq Market which states that a listed company must have at least two (2) independent directors or 1/3 of the Board of Directors must be independent directors, whichever is higher.

There is a clear division of responsibilities between the Chairman / Independent Non-Executive Director and the Managing Director to ensure balance of power and authority. Further to the clear separation of roles and duties between the Chairman and Managing Director, the Board has identified Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T. as the Senior Independent Non-Executive Director of the Board on 18 April 2007, to whom concerns of shareholders may be conveyed.

The Independent Non-Executive Directors are independent of management and free from any business or other relationships that could materially interfere with the exercise of their independent judgement.

A brief profile of each Director is presented on pages 8 to 11 of this Annual Report.

ii Board Meetings

The Board meets at least four (4) times a year, with additional meetings convened as necessary. During the financial year ended 31 December 2006, seven (7) meetings were held. Details of the attendance of the Directors at the Board of Directors' Meetings are as follows:-

CORPORATE GOVERNANCE STATEMENT

A Board of Directors (continued)

ii Board Meetings (continued)

Directors	No. of meetings attended
Ooi Teng Chew	7/7
Datuk Chuah Kim Seah, JP	7/7
Mazlan Bin Ismail	7/7
Chuah Kim Chiew	7/7
Steven Lim Tow Boon	7/7
Wong Chee Fai	7/7
Chng Hee Kok	7/7
Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.	5/5

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 to be made. Where a potential conflict arises in any transactions involving Director's interest, such Director is required to declare his interest and abstain from further discussion and the decision-making process.

iii Supply of information

The Directors have full and timely access to information concerning the Company and the Group. Agenda and discussion papers are circulated prior to the Board Meetings to allow the Directors to study and evaluate the matters to be discussed.

The Directors are regularly updated by the Company Secretaries on new statutory as well as regulatory requirements 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 Secretaries and senior management staff in the Group and may obtain independent professional advice at the Company's expense in the furtherance of their duties.

iv Appointment to the Board

The Nomination Committee is responsible for making recommendation for any appointments to the Board. The terms of reference of the Nomination Committee is set out on Pages 28 to 30.

Corporate Governance Statement

A Board of Directors (continued)

v Re-election of Directors

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 Annual General Meeting. ("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.

vi Directors' Training

All Directors have attended at least one (1) relevant training programme during the financial year ended 31 December 2006 as required by Bursa Securities for all directors of listed companies.

The Directors will continue to undergo relevant training programmes to further enhance their skills and knowledge to assist them in discharging their duties and keep abreast with developments in the market place.

vii Board Committee

To assist the Board in the discharge of its duties effectively, the Board has delegated certain functions to certain Committees, namely the Nomination Committee, Remuneration Committee, Employee Share Option Scheme ("ESOS") Committee and Audit Committee, each operating within its clearly defined terms of reference. The Chairman of the various Committees will report to the Board 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 Nomination Committee

Chairman : Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.

Members : Ooi Teng Chew
Chng Hee Kok

CORPORATE GOVERNANCE STATEMENT

A Board of Directors (continued)

vii Board Committee (continued)

a Nomination Committee (continued)

The primary function of the Nomination Committee is to identify and recommend to the Board the technically competent persons of integrity and a strong sense of professionalism to be appointed to the Board.

The Nomination Committee will assess the suitability of an individual to be appointed to the Board by taking into account the individual's other commitments, resources and time available for input to the Board before recommendation is made for the Board's approval. The actual decision as to who shall be nominated remains the responsibility of the Board after taking into consideration the recommendations of the Nomination Committee. The Committee shall review annually the required mix of skill and experience and other qualities and competencies of its Directors and shall review the composition, structure and size of the Board. The Committee also assesses the contribution of each individual Director, the effectiveness of the Board as a whole and the Committees of the Board.

During the financial year, three (3) meetings were held. Details of the attendance of the members at the Nomination Committee Meetings are as follows:-

Members	No. of meetings attended
Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.	1/1
Ooi Teng Chew	3/3
Chng Hee Kok	3/3

During the financial year ended 31 December 2006, the Committee met and deliberated on the following matters:-

i candidates for appointment to the Board ;

ii size of the Board and the impact of the number upon its effectiveness;

iii balance of Executive and Non-Executive Directors (including Independent Directors) with an aim of achieving a balance of views on the Board;

Corporate Governance Statement

A Board of Directors (continued)

vii Board Committee (continued)

a Nomination Committee (continued)

iv required mix of skills and experience and other qualities, including core competencies of the members of the Board; and

v contribution of each individual Director, the effectiveness of the Board as a whole and the committees of the Board.

b Remuneration Committee

Chairman : Chng Hee Kok

Members : Ooi Teng Chew
Datuk Chuah Kim Seah, JP
Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.

The Committee is responsible for recommending to the Board from time to time, the remuneration framework and remuneration package of the Executive Directors of the Group in all forms to commensurate with the respective contributions of the Executive Directors. The Committee seeks to establish a remuneration policy which should be sufficient to attract, retain and motivate Directors of caliber 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.

The Board as a whole decides the remuneration of Non-Executive Directors, including Non-Executive Chairman. The individuals concerned shall abstain from discussion of their own remuneration package and the shareholders at the AGM must approve the Directors' fees.

During the financial year, two (2) meetings were held. Details of the attendance of the members at the Remuneration Committee Meetings are as follows:-

Members	No. of meetings attended
Chng Hee Kok	2/2
Ooi Teng Chew	2/2
Datuk Chuah Kim Seah, JP	2/2
Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.	1/1

CORPORATE GOVERNANCE STATEMENT

A Board of Directors (continued)

vii Board Committee (continued)

c Audit Committee

The composition and the terms of reference of the Audit Committee are set out in the Audit Committee Report on pages 34 to 38 of this Annual Report.

d Employee Share Option Scheme ("ESOS") Committee

Chairman : Chng Hee Kok

Members : Ooi Teng Chew
Datuk Chuah Kim Seah, JP
Mazlan Bin Ismail
Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.

The ESOS Committee was established to administer the ESOS of the Company in accordance with the By-laws of the scheme.During the financial year ended 31 December 2006, two(2) meetings were held. Details of attendance of the members at the ESOS Committee Meetings are as follows:-

Members	No. of meetings attended
Chng Hee Kok	2/2
Ooi Teng Chew	2/2
Datuk Chuah Kim Seah, JP	2/2
Mazlan bin Ismail	2/2
Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.	1/1

B Directors' Remuneration

The Directors are satisfied that the current level of remuneration are in line with the responsibilities expected in the Group.

The aggregate Directors' Remuneration paid or payable to all Directors of the Company by the Group and categorised into appropriate components for the financial year ended 31 December 2006 are as follows:

CORPORATE GOVERNANCE STATEMENT

B Directors' Remuneration (continued)

Directors	Salaries / Other Emoluments (RM)	Fees (RM)	Share Options Granted Under ESOS	Total (RM)
Executive Directors	1,560,023	-	-	1,560,023
Non-Executive Directors	42,000	140,000	369,000	551,000

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

	Number of Directors	
	Executive	Non-Executive
RM50,001 - RM100,000		2
RM150,001 - RM200,000	1	
RM200,001 - RM250,000	2	
RM400,001 - RM450,000	1	1
RM550,001 - RM600,000	1	

C Shareholders

i Relationship with Shareholders and Investors

The Company 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. All shareholders have an opportunity to participate in discussion with the Board on matters relating to the Company's operation and performance at the Company's AGM. Alternatively, they may obtain the Company's latest announcements via the Bursa Securities' website at HYPERLINK "http://www.bursamalaysia.com". In addition, the Company has also established a website at HYPERLINK "http://www.dreamgatecorp.com"to which shareholders can access for up to date information.

ii Annual General Meeting (AGM)

The AGM is the principal forum for dialogue with shareholders. The shareholders are encouraged to participate in the open question and answer sessions in the AGM pertaining to the resolutions being proposed at the meeting and the financial performance and business operation in general.

CORPORATE GOVERNANCE STATEMENT

D Accountability and Audit

i Financial Reporting

The Directors have taken reasonable steps to provide a balanced and understandable assessment of the Group's financial performance and prospects. In this respect, the Audit Committee assists the Board with the overseeing of the Group's financial reporting process and the quality of the financial reporting.

ii Statement of Directors' Responsibilities in Relation to the Financial Statements

The Directors are responsible for the preparation of the Annual Audited Financial Statements of the Group and of the Company which give a true and fair view of the state of affairs of the Group and of the Company and will ensure that they are presented in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

In the preparation of the financial statements for the year ended 31 December 2006, the Directors are satisfied that the Group had used appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgement and estimates.

iii Internal Control

The Board recognises the importance of internal control systems whereby shareholders' investment and the Company's assets can be safeguarded. The Statement on Internal Control sets out on pages 39 to 41 of this Annual Report provides an overview of the state of internal control of the Group.

iv Relationship with the 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 on pages 34 to 38 of this Annual Report.

This statement is issued in accordance with a Directors' Resolution passed at a Board of Directors' Meeting held on 18 April 2007.

AUDIT COMMITTEE REPORT

Chairman : Ooi Teng Chew
Members : Chng Hee Kok
Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.
Mazlan Bin Ismail

The Committee is governed by the following terms of reference:

i Membership

The Committee shall be appointed by the Board from amongst the Directors excluding Alternate Directors, and shall consist of not less than three (3) members, 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 term of office and performance of the Committee and each of its member shall be reviewed by the Board at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

ii Authority

The Committee is granted the authority to investigate any activity of the Group and the Company within its terms of reference, to obtain the resources which it needs, and to have full and unrestricted access to information and all employees are directed to co-operate 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. 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 Bursa Malaysia Securities Berhad's ("Bursa Securities") Listing Requirements for the Mesdaq Market, the Committee shall promptly report such matter to Bursa Securities.

AUDIT COMMITTEE REPORT

iii Responsibility

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 Company and the sufficiency of auditing relating thereto. It is to be 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.

iv Duties

The duties of the Committee are:

a to review with the external and internal auditors whether the employees of the Group and the Company have given them the appropriate assistance in discharging their duties;

b to review the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;

c to review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken by management on the recommendations of the internal auditors;

d to appraise the performance of the head of internal audit and review the appraisals of senior staff members of the internal audit;

e 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;

f to review the quarterly results and year end financial statements of the Group and the Company, prior to the approval by the Board, whilst ensuring that they are prepared in a timely and accurate manner, focusing particularly on :

- changes in or implementation of major accounting policies;
- significant adjustments and unusual events;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements;

AUDIT COMMITTEE REPORT

iv Duties (continued)

g to review any related party transaction and conflict of interest situation that may arise within the Group or the Company including any transaction, procedure or course of conduct that raises questions of management integrity;

h to review with the external auditors, the nature and scope of their audit plan and their evaluation of the system of internal accounting controls;

i 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;

j to review the co-ordination of the audit approach and ensure co-ordination where more than one audit firm of external auditors is involved and the co-ordination between the external and internal auditors;

k to discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);

l to review the external auditor's management letter and management's response;

m to consider the major findings of internal investigations and management's response;

n to review and verify the allocation of share options to employees under the Employee Share Option Scheme; and

o to perform any other functions as authorised by the Board.

v 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. In order to form a minimum quorum of two (2) members for any meeting of the Committee, the majority of members present must be Independent Non-Executive Directors. 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.

AUDIT COMMITTEE REPORT

v Meetings (continued)

The Director of Finance of the Company and the representative of internal auditors shall be in attendance at meetings of the Committee. The Committee may invite the external auditors, the Finance Manager, any other directors or members of the management and employees of the Group to be in attendance during meetings to assist in its deliberations. Upon request by the external auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matters the external auditors believe should be brought to the attention of the directors or shareholders of the Company. At least once a year, the Committee shall meet with the external auditors without the presence of any Executive Director. The Secretary of the Committee shall be the Company Secretary. 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.

vi Attendance of Meetings

For the financial year ended 31 December 2006, a total of seven (7) Audit Committee Meetings were held, details of which are as follows:

Name	Number of meetings attended
Ooi Teng Chew	7/7
Mazlan Bin Ismail	7/7
Chng Hee Kok	7/7
Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.	4/4

vii Summary of Activities

The main activities undertaken by the Committee for the financial year ended 31 December 2006 were as follows:-

a Reviewed the research reports and quarterly unaudited financial statements of the Group and recommended them to the Board of Directors for approval and for announcement to Bursa Securities;

b Reviewed the internal audit plan and its scope of work ;

AUDIT COMMITTEE REPORT

vii Summary of Activities (continued)

c 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;

d Reviewed the annual report and the audited financial statement of the Company prior to the submission to the Board for their consideration and approval. The review was, inter-alia, to ensure compliance with the provisions of the Companies Act, 1965, Listing Requirements of Bursa Securities, applicable approved accounting standards in Malaysia and other legal and regulatory requirements;

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 Reviewed the recurrent related party transactions of a revenue or trading nature entered into by the Group; and

g Considered the re-appointment of external auditors.

viii Internal Audit Function

The Company has outsourced its internal audit to an independent professional accounting firm to carry out the internal audit function of the Group in order to assist the Committee in discharging its duties and responsibilities. During the financial year, the internal audit activities have been carried out according to the internal audit plan which have been approved by the Audit Committee.

Statement by Audit Committee in Relation to Esos Allocation

Pursuant to Rule 8.24 (3) of the Listing Requirements of Bursa Securities, the Audit Committee verified and confirmed that the allocation of options to eligible employees during the financial year ended 31 December 2006, has been made in accordance with the allocation criteria of the scheme.

A breakdown of the options offered to and exercised by the Non-Executive Directors pursuant to the ESOS in respect of the financial year is disclosed in pages 56 and 67 of the Directors' Report.

Statement On Internal Control

The Malaysian Code on Corporate Governance stipulates that the Board of Directors of listed companies should maintain a sound system of internal control to safeguard Shareholders' investment and the Group's assets. The Board of Directors is pleased to provide the following statement on the state of internal control of the Group, which has been prepared in accordance with the Statement on Internal Control: Guidance for Directors of Public Listed Companies ("Internal Control Guidance") issued by the Task Force of Internal Control and adopted by Bursa Malaysia Securities Berhad.

Responsibility For Risk And Internal Control

The Board recognises the importance of a sound system of internal control and a structured risk management framework to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal control and for reviewing the adequacy and integrity of those systems. Due to the limitations that are inherent in any system of internal control, those systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced, or potentially exposed to, by the Group in pursuing its business objectives. This process has been in place throughout the financial year and up to the date of approval of the annual report. The adequacy and effectiveness of this process have been continually reviewed by the Board and are in accordance with the Internal Control Guidance.

Risk Management

The Board and management practice proactive significant risks identification on a quarterly basis or earlier as appropriate, particularly any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment which may entail different risks, and put in place the appropriate risk response strategies and controls until those risks are managed and maintained at, a level acceptable to the Board.

Statement On Internal Control

Internal Audit Function

The Board acknowledges the importance of internal audit function and has engaged the services of an independent professional accounting and consulting firm to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control.

The internal audit function adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the Audit Committee. The audit focuses on areas with high risk and weak controls to ensure that an adequate action plan is in place to improve the controls. For those areas with high risk and strong controls, the audit ascertains that the risks are effectively mitigated by the controls. On a quarterly basis or earlier as appropriate, the internal auditors report to the Audit Committee on areas for improvement and will subsequently follow up to determine the extent of their recommendations that have been implemented.

Internal Control

Apart from risk management and internal audit, the Group has put in place the following key elements of internal control:-

- An organisation structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority;
- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- A set of documented internal policies and procedures for operational, financial and human resource management, which is subject to regular review and improvement;
- Regular and comprehensive information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;
- A comprehensive business plan and detailed budgeting process where operating units prepare budgets for the coming year which are approved both at operating unit level and by the Board; and
- Regular visits to operating units by members of the Board and senior management.

Statement On Internal Control

Internal Control (continued)

Based on the internal auditors' report for the financial year ended 31 December 2006, there is a reasonable assurance that the Group's systems of internal control are generally adequate and appear to be working satisfactorily. A number of minor internal control weaknesses were identified during the financial year, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

The Board continues to review and implement measures to strengthen the internal control environment of the Group.

This statement is issued in accordance with a Directors' Resolution passed at a Board of Directors' Meeting held on 18 April 2007.

Corporate Highlights

Participation in International Exhibitions

All Nippon Amusement Machine Operators' Union Show 2006, Japan

17 - 18 February 2006

Our Associate Company, Cron Corporation ("Cron") displayed a number of its games at the show, namely "Wild Roses The Garden", "Stars & Stripes", "Joker's Collection", "Swing In the Night"and some latest range of Poker games. This show has attracted great interest from operators in Japan and from other various countries.

Japan

Corporate Highlights

Participation in International Exhibitions

Asia's Gaming & Entertainment Plus Leisure Expo at World Trade Centre, Manila

22 - 23 February 2006

The expo was an avenue that allowed RGB to further make its presence felt, RGB came in full force, exhibiting the latest range of gaming machines & casino products on 440 sqm of booth space, in support of PAGCOR (Philippine Amusement and Gaming Corporation) the official presenter of the expo.

The highlights of our booth came in the form of new interactive game titles from WMS as well as the new Harmony cabinets from Atronic. Also making their debut at the show was Aruze's explosive "Emax Dragon Fortune Progressive Link" and AGT made their presence felt with their Asian display of "Parrots Gold Progressive Link" and "Raider Wolf Progressive Link".

Manila

CORPORATE HIGHLIGHTS

Participation in International Exhibitions

Asian Gaming Expo at Macau Tower Convention & Entertainment Centre

13 - 14 June 2006

RGB has exhibited once again in the Asian region's most anticipated trade exhibition in the casino gaming industry, the Asian Gaming Expo at Macau SAR.

The show saw RGB rolling out the next must-see products, technology and innovations of the gaming industry represented by its prominent and well established manufacturers, namely Atronic, Aruze, Alfastreet, WMS, AGT, Cammegh, Carta Mundi, Cashcode and even RGB's very own wool layouts.

RGB's products generated much interest among the visitors as well as our clients in Macau, while maintaining its competitive edge in this challenging industry.

Macau

Corporate Highlights

Participation in International Exhibitions

16th Annual Australasian Gaming Expo at Sydney Convention & Exhibition Center

3 - 5 September 2006

RGB's participation for the 5th consecutive year at the Australasian Gaming Expo, has once again unleashed the latest games and products for the Asian markets. Leveraging the show and its international platform as a venue to introduce and display new, popular and exhilarating new games, RGB exhibited its range of the latest and most exciting new games and titles with special releases for the Asian market at the show.

RGB continued to turned the spotlights on its range of products with new concepts in the gaming market, creating a new form of excitement on the casino and gaming floor.

Sydney

Corporate Highlights

Participation in International Exhibitions

Japan Amusement Machinery Manufacturers Association ("JAMMA") Show 2006

14 - 16 September 2006

Cron participated in the show which is an annual amusement machine show organised by the JAMMA. Some latest and newest range of Cron products were displayed in the show of which has drawn enthusiastic operators from Japan and overseas.

Our Directors also paid a visit to Cron office in Japan during the trip.

Japan

CORPORATE HIGHLIGHTS

Diary of Events

Our Group was invited by Hwang DBS & DBS Vickers to meet up with their potential and valued clients in Singapore, Hong Kong and the United States of America.

Hwang DBS Corporate Day in Singapore & Hong Kong

8 - 9 March 2006

New York, United States of America

DBS Vickers Securities Conference in New York, United States of America

17 - 19 May 2006

CORPORATE HIGHLIGHTS

Diary of Events

The meetings were held at The City Bayview Hotel, Penang, Malaysia.

Penang, Malaysia

Third Annual General Meeting and Extraordinary General Meeting

28 June 2006

Incorporation of Dreamgate (Singapore) Pte Ltd

28 July 2006

A wholly-owned subsidiary company was incorporated in the Republic of Singapore.

Acquisition of Macrocept Sdn Bhd

28 July 2006

The Company acquired a 100% equity interest in the capital of Macrocept Sdn Bhd.

First and Final Dividend Payment

18 August 2006

Payment of First and Final Dividend of 1.5 sen each per ordinary share of 10 sen each, less income tax of 28% for the financial year ended 31 December 2005.

Corporate Highlights

Machines at TSM Concessions


Cambodia



Corporate Highlights

Machines at TSM Concessions

Philippines

Corporate Highlights

Machines at TSM Concessions

Vietnam

OTHER INFORMATION

(pursuant to Bursa Malaysia Securities Berhad's Listing Requirements for the Mesdaq Market)

Utilisation of Proceeds Raised from Corporate Proposal

The status of utilisation of proceeds raised from the listing of the Company on the Mesdaq Market of Bursa Malaysia Securities Berhad ("Bursa Securities") as at 31 March 2007 is as follows:-

	Purpose	Proposed Utilisation RM'000	Actual Utilisation as at 31 March 2007 RM'000	Expected Utilisation by 12 January 2009 RM'000
i	Purchase of plant and machinery	4,000	1,886	2,114
ii	Research & development	5,000	2,645	2,355
iii	Overseas expansion	15,000	15,000	-
iv	Regional trade mark registration	1,000	15	985
v	Advertising, promotion and branding	3,000	3,000	-
vi	Working capital	7,461	7,461	-
vii	Estimated listing expenses	1,753	1,753	-
		37,214	31,760	5,454

The corporate proposal on raising of RM200 million corporate debt securities has been approved by the Securities Commission on 10 May 2007 whilst Transfer to Main Board of Bursa Securities / Bonus Issue are pending approvals from the relevant authorities and / or Shareholders of the Company.

Share Buy Backs
The Company did not exercise any buy backs on its own shares during the financial year.

Options, Warrants or Convertible Securities
There were no options (other than options offered under the Employee Share Option Scheme), warrants or convertible securities exercised during the financial year.

Depository Receipts
The Company does not sponsor any Depository Receipts Programme.

Sanctions and/or Penalties
There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies.

Shortfall in the Profit Achieved in the Financial Year as Compared with the Profit Guarantee
Not applicable as no profit guarantee was given during the financial year.

Material Contracts
There are no material contracts of the Company and its subsidiaries that involve the Directors' and Substantial Shareholders' interests.

Non-Audit Fees
The amount of non-audit fees paid by the Company and its subsidiaries to the Company's external auditors and its affiliates for the financial year amounted to RM39,945.

Directors' Report and Audited Financial Statements

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are set out in Note 14 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 year attributable to equity holders of the Company	31,470,228	3,647,415

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the changes in accounting policies due to the adoption of the new and revised FRSs which has resulted in a decrease in the Group's and the Company's profit for the year by RM2,853,281 and RM518,367 respectively as disclosed in Note 2.3(d)(ii) to the financial statements.

DIVIDENDS

The amount of dividend paid by the Company since 31 December 2005 was as follows:

	RM
In respect of the financial year ended 31 December 2005 as reported in the directors' report of that year:	
First and final dividend of 15% less 28% taxation on 281,865,000 ordinary shares, approved on 28 June 2006 and paid on 18 August 2006	3,044,142

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 31 December 2006, of 17% less 27% taxation will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2007. Pursuant to Income Tax (Exemption) (No.10) Order 2000, this dividend is tax exempt in the hands of the shareholders.

DIRECTORS' REPORT (continued)

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Ooi Teng Chew
Datuk Chuah Kim Seah, JP
Mazlan Bin Ismail
Chuah Kim Chiew
Lim Tow Boon
Wong Chee Fai
Chng Hee Kok
Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T. (appointed on 28 April 2006)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisitions of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted to the directors under the Employee Share Options Scheme.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any 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, except as disclosed in Note 34 to the financial statements and those directors who may be deemed to derive a benefit by virtue of those transactions entered into in the normal course of business with companies in which certain directors have substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company and its related corporations during the financial year were as follows:

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS (CONTINUED)

	← Number of Ordinary Shares of RM0.10 Each →			
	1 January 2006	Acquired	Sold	31 December 2006
The Company				
Direct interest:				
Ooi Teng Chew	-	50,000	-	50,000
Datuk Chuah Kim Seah, JP	110,143,830	680,000	-	110,823,830
Chuah Kim Chiew	8,921,398	-	-	8,921,398
Lim Tow Boon	2,587,000	250,000	(530,000)	2,307,000
Wong Chee Fai	1,550,000	-	-	1,550,000
Indirect interest:				
Datuk Chuah Kim Seah, JP	534,600	-	-	534,600
Mazlan Bin Ismail	54,010,662	-	-	54,010,662
Chuah Kim Chiew	534,600	-	-	534,600

	← Number of Ordinary Shares of MOP1,000 Each →			
	1 January 2006	Acquired	Sold	31 December 2006
Subsidiary - RGB (Macau) Limited				
Direct interest:				
Lim Tow Boon	1	-	-	1

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS (CONTINUED)

	Number of Options Over Ordinary Shares of RM0.10 Each			
	1 January 2006	Granted	Exercised	31 December 2006
The Company				
Ooi Teng Chew	900,000	-	(50,000)	850,000
Datuk Chuah Kim Seah, JP	2,000,000	-	(680,000)	1,320,000
Mazlan Bin Ismail	1,200,000	-	-	1,200,000
Chuah Kim Chiew	1,200,000	-	-	1,200,000
Lim Tow Boon	1,200,000	-	(250,000)	950,000
Wong Chee Fai	1,200,000	-	-	1,200,000
Chng Hee Kok	900,000	-	-	900,000
Dato' Mahinder Singh Dulku, D.S.P.N, P.K.T.	-	900,000	-	900,000

By virtue of their interests in shares of the Company, Datuk Chuah Kim Seah, JP and Mazlan Bin Ismail are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares in the Company and its related corporations during the financial year.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM28,000,000 to RM28,254,500 by way of the issuance of 2,545,000 ordinary shares of RM0.10 each for cash pursuant to the Company's Employee Share Options Scheme at a weighted average exercise price of RM1.07 per ordinary share.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

EMPLOYEE SHARE OPTIONS SCHEME

The Company's Employee Share Options Scheme ("ESOS") is governed by the Bye-Laws approved by the shareholders at an Extraordinary General Meeting held on 28 June 2005. The ESOS was implemented on 19 October 2005 and is to be in force for a period of 5 years from the date of implementation.

DIRECTORS' REPORT (continued)

EMPLOYEE SHARE OPTIONS SCHEME (CONTINUED)

The salient features and other terms of the ESOS are disclosed in Note 27 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders, other than directors, who have been granted options to subscribe for less than 120,000 ordinary shares of RM0.10 each. The names of options holders granted options to subscribe for 120,000 or more ordinary shares of RM0.10 each during the financial year are as follows:

Name	Grant Date	Expiry Date	Exercise Price RM	Number of Share Options		
				Granted	Exercised	31.12.2006
Doris Hii Mei Thy	07.07.2006	18.10.2010	1.28	120,000	-	120,000
Kan Kar Mun	07.07.2006	18.10.2010	1.28	120,000	-	120,000
Kee New Ton	07.07.2006	18.10.2010	1.28	120,000	-	120,000

Details of options granted to directors are disclosed in the section on Directors' Interests in this report.

OTHER STATUTORY INFORMATION

a Before the income statements and balance sheets 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 for the Group had been written off and that adequate provision had been made for doubtful debts in the financial statements of the Group and that there were no known bad debts and that no provision for doubtful debts is required in the financial statements of the Company; and

ii to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

b At the date of this report, the directors are not aware of any circumstances which would render:

i the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group inadequate to any substantial extent nor are they aware of any circumstances that would render it necessary to write off any bad debts or to make any provision for doubtful debts in respect of the financial statements of the Company; and

ii the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT (continued)

OTHER STATUTORY INFORMATION (CONTINUED)

c At the date of this report, the directors are not aware of any circumstances 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 At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

e As at the date of this report, there does not exist:

i any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

ii any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

f In the opinion of the directors:

i no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

ii no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made, except as disclosed in Note 39 to the financial statements.

SIGNIFICANT EVENTS

In addition to the significant events disclosed elsewhere in this report, other significant events are disclosed in Note 14 to the financial statements.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 39 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 April 2007.

DATUK CHUAH KIM SEAH, JP **MAZLAN BIN ISMAIL**

Statement By Directors

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **DATUK CHUAH KIM SEAH, JP** and **MAZLAN BIN ISMAIL**, being two of the directors of **DREAMGATE CORPORATION BHD.**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 63 to 132 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 April 2007.

DATUK CHUAH KIM SEAH, JP **MAZLAN BIN ISMAIL**

Statutory Declaration

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **DATUK CHUAH KIM SEAH, JP,** being the director primarily responsible for the financial management of **DREAMGATE CORPORATION BHD.**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 63 to 132 are in my opinion 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 **DATUK CHUAH KIM SEAH, JP**]
at Georgetown in the state of the Penang]
on 18 April 2007:]

DATUK CHUAH KIM SEAH, JP

Before me,

Commissioner for Oaths

Report Of The Auditors

TO THE MEMBERS OF DREAMGATE CORPORATION BHD.
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 63 to 132. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

a the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:

   i the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended; and

   ii the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

b the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

Report Of The Auditors (continued)

TO THE MEMBERS OF DREAMGATE CORPORATION BHD. (CONTINUED)
(Incorporated in Malaysia)

We have considered the financial statements and the auditors' reports thereon of a subsidiary of which we have not acted as auditors, as indicated in Note 14 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements 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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

ERNST & YOUNG
AF: 0039
Chartered Accountants

LIM FOO CHEW
No. 1748/01/08(J)
Partner

Penang, Malaysia
Date: 18 April 2007

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	GROUP 2006	GROUP 2005	COMPANY 2006	COMPANY 2005
		RM	RM (restated, Note 2.3(e))	RM	RM (restated, Note 2.3(e))
Revenue	3	215,380,288	154,099,508	5,896,840	3,698,395
Cost of sales	4	(149,195,703)	(105,821,765)	-	-
Gross profit		66,184,585	48,277,743	5,896,840	3,698,395
Other income	5	409,187	596,744	601,708	1,633,033
Administrative expenses		(22,229,307)	(14,929,180)	(2,733,817)	(1,829,054)
Selling and marketing expenses		(4,570,150)	(4,547,269)	-	-
Other (expenses)/gains, net		(2,134,603)	694,577	(149,127)	-
Operating profit		37,659,712	30,092,615	3,615,604	3,502,374
Finance costs	6	(5,050,377)	(2,134,559)	(201)	(204)
Share of profit/(loss) of associates		669,811	(86,124)	-	-
Profit before tax	7	33,279,146	27,871,932	3,615,403	3,502,170
Income tax expense	10	(1,808,918)	(79,754)	32,012	30,000
Profit for the year attributable to equity holders of the Company		31,470,228	27,792,178	3,647,415	3,532,170
Earnings per share attributable to equity holders of the Company (sen):					
Basic, for profit for the year	11(a)	11.19	9.93		
Diluted, for profit for the year	11(b)	11.00	9.92		

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

BALANCE SHEETS

AS AT 31 DECEMBER 2006

	Note	GROUP 2006	GROUP 2005	COMPANY 2006	COMPANY 2005
		RM	RM (restated, Note 2.3(e))	RM	RM (restated, Note 2.3(e))
ASSETS					
Non-current assets					
Property, plant and equipment	13	136,382,876	127,845,245	53,132	43,485
Investments in subsidiaries	14	-	-	43,149,212	20,874,294
Investments in associates	15	1,273,660	913,679	-	-
Other investment	16	4,000	4,000	-	-
Negative goodwill		-	(8,110,195)	-	-
Development costs	17	898,826	502,679	-	-
Long term lease receivables	20	7,091,097	-	-	-
Other receivables	21	2,148,162	676,377	-	-
Due from a subsidiary	22	-	-	-	12,000,000
		147,798,621	121,831,785	43,202,344	32,917,779
Current assets					
Inventories	18	11,491,381	15,119,004	-	-
Trade receivables	19	87,591,996	63,473,417	-	-
Short term lease receivables	20	1,921,094	-	-	-
Other receivables	21	11,210,337	17,282,258	277,585	323,672
Due from subsidiaries	22	-	-	17,407,410	18,281,260
Due from an associate	23	2,376,330	2,772,322	-	-
Deposits with licensed banks	24	4,793,449	8,636,672	2,464,181	6,375,000
Cash and bank balances		16,782,183	8,872,496	248,835	60,848
		136,166,770	116,156,169	20,398,011	25,040,780
TOTAL ASSETS		283,965,391	237,987,954	63,600,355	57,958,559

BALANCE SHEETS (continued)

AS AT 31 DECEMBER 2006

	Note	GROUP 2006	GROUP 2005	COMPANY 2006	COMPANY 2005
		RM	RM (restated, Note 2.3(e))	RM	RM (restated, Note 2.3(e))
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	25	28,254,500	28,000,000	28,254,500	28,000,000
Share premium	25	30,594,229	28,017,512	30,594,229	28,017,512
Foreign exchange reserve	26	(6,419,359)	217,500	-	-
Share option reserve	26	3,042,913	296,649	3,042,913	296,649
Retained earnings	28	83,226,609	47,874,161	49,647	630,207
Total equity		138,698,892	104,405,822	61,941,289	56,944,368
Non-current liabilities					
Borrowings	29	43,918,422	41,583,606	-	-
Deferred tax liabilities	31	714,594	295,000	-	-
		44,633,016	41,878,606	-	-
Current liabilities					
Borrowings	29	24,330,556	19,405,372	-	-
Trade payables	32	57,032,679	49,251,944	-	-
Other payables	33	16,709,415	22,316,210	475,233	324,191
Tax payable		2,560,833	730,000	1,183,833	690,000
		100,633,483	91,703,526	1,659,066	1,014,191
Total liabilities		145,266,499	133,582,132	1,659,066	1,014,191
TOTAL EQUITY AND LIABILITIES		283,965,391	237,987,954	63,600,355	57,958,559

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2006

		← Attributable to Equity Holders of the Company →					
		← Non-distributable			→ Distributable		
GROUP	Note	Share Capital RM	Share Premium RM	Foreign Currency Translation Reserve RM	Share Option Reserve RM	Retained Earnings RM	Total Equity RM
At 1 January 2005		28,000,000	28,017,512	(2,709)	-	22,787,983	78,802,786
Foreign currency translation, representing net income recognised directly in equity		-	-	220,209	-	-	220,209
Profit for the year		-	-	-	-	27,792,178	27,792,178
Total recognised income and expense for the year		-	-	220,209	-	27,792,178	28,012,387
Dividend	12	-	-	-	-	(2,706,000)	(2,706,000)
Share options granted under ESOS		-	-	-	296,649	-	296,649
At 31 December 2005 (restated)		28,000,000	28,017,512	217,500	296,649	47,874,161	104,405,822
At 1 January 2006							
As previously stated		28,000,000	28,017,512	217,500	-	48,170,810	104,405,822
Effects of adopting FRS 2	2.3(a)	-	-	-	296,649	(296,649)	-
At 1 January 2006 (restated)		28,000,000	28,017,512	217,500	296,649	47,874,161	104,405,822
Effects of adopting FRS 3	2.3(b)(i)	-	-	-	-	8,110,195	8,110,195
		28,000,000	28,017,512	217,500	296,649	55,984,356	112,516,017
Foreign currency translation:							
Group		-	-	(6,437,498)	-	-	(6,437,498)
Associates		-	-	(199,361)	-	-	(199,361)
Net expense recognised directly in equity		-	-	(6,636,859)	-	-	(6,636,859)
Profit for the year		-	-	-	-	31,470,228	31,470,228
Total recognised income and expense for the year		-	-	(6,636,859)	-	31,470,228	24,833,369
Dividend	12	-	-	-	-	(4,227,975)	(4,227,975)
Issue of ordinary shares pursuant to ESOS	25	254,500	2,576,717	-	(107,017)	-	2,724,200
Share options granted under ESOS		-	-	-	2,853,281	-	2,853,281
At 31 December 2006		28,254,500	30,594,229	(6,419,359)	3,042,913	83,226,609	138,698,892

STATEMENTS OF CHANGES IN EQUITY (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

COMPANY	Note	Share Capital RM	Share Premium RM	Share Option Reserve RM	Retained Earnings RM	Total Equity RM
		← Non-distributable		→	Distributable	
At 1 January 2005		28,000,000	28,017,512	-	(195,963)	55,821,549
Profit for the year, representing total recognised income and expense for the year		-	-	-	3,532,170	3,532,170
Dividend	12	-	-	-	(2,706,000)	(2,706,000)
Share options granted under ESOS: Recognised in profit or loss		-	-	39,553	-	39,553
Included in investments in subsidiaries		-	-	257,096	-	257,096
At 31 December 2005 (restated)		28,000,000	28,017,512	296,649	630,207	56,944,368
At 1 January 2006						
As previously stated		28,000,000	28,017,512	-	669,760	56,687,272
Effect of adopting FRS 2	2.3(a)	-	-	296,649	(39,553)	257,096
At 1 January 2006 (restated)		28,000,000	28,017,512	296,649	630,207	56,944,368
Profit for the year, representing total recognised income and expense for the year		-	-	-	3,647,415	3,647,415
Dividend	12	-	-	-	(4,227,975)	(4,227,975)
Issue of ordinary shares pursuant to ESOS		254,500	2,576,717	(107,017)	-	2,724,200
Share options granted under ESOS: Recognised in profit or loss		-	-	518,367	-	518,367
Included in investments in subsidiaries		-	-	2,334,914	-	2,334,914
At 31 December 2006		28,254,500	30,594,229	3,042,913	49,647	61,941,289

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	GROUP 2006	GROUP 2005	COMPANY 2006	COMPANY 2005
		RM	RM (restated, Note 2.3(e))	RM	RM (restated, Note 2.3(e))
Cash Flows From Operating Activities					
Profit before tax		33,279,146	27,871,932	3,615,403	3,502,170
Adjustments for:					
Dividend income	3	-	-	(5,896,840)	(3,038,395)
Gain on disposal of other investment	5	(996)	(1,496)	(996)	(1,496)
Interest income	5	(360,912)	(428,849)	(597,949)	(1,631,038)
Interest expense	6	4,877,044	1,937,191	-	-
(Gain)/Loss on disposal of property, plant and equipment	7	(49,098)	(28,640)	17	-
Amortisation of development costs	7	142,861	71,430	-	-
Depreciation of property, plant and equipment	7	31,229,619	19,304,659	12,486	8,805
Goodwill written off	7	-	254,053	-	-
Impairment of property, plant and equipment	7	-	207,350	-	-
Property, plant and equipment written off	7	728,901	5,557	-	-
Provision for doubtful debts	7	324,286	301,600	-	-
Reversal of provision for doubtful debts	7	(153,444)	-	-	-
Write-down of inventories	7	786,767	-	-	-
Share options granted under ESOS		2,853,281	296,649	518,367	39,553
Share of (profit)/loss of associates		(669,811)	86,124	-	-
Operating profit/(loss) before working capital changes carried forward		72,987,644	49,877,560	(2,349,512)	(1,120,401)

CASH FLOW STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM (restated, Note 2.3(e))	RM	RM (restated, Note 2.3(e))
Operating profit/(loss) before working capital changes brought forward	72,987,644	49,877,560	(2,349,512)	(1,120,401)
Decrease/(Increase) in inventories	2,840,856	(399,027)	-	-
(Increase)/Decrease in short term receivables	(19,005,690)	(35,613,840)	61,816	(13,495)
Increase in lease receivables	(4,999,118)	-	-	-
Increase in long term receivables	(1,471,785)	-	-	-
Increase in amount due from subsidiaries	-	-	(4,130,950)	(10,097,994)
Decrease/(Increase) in amount due from an associate	506,461	(137,822)	-	-
Increase in payables	2,187,209	25,979,401	151,042	688,607
Cash generated from/(used in) operations	53,045,577	39,706,272	(6,267,604)	(10,543,283)
Interest paid	(4,890,313)	(1,940,662)	-	-
Taxes paid	(693,716)	(345,133)	(673,717)	(68,749)
Taxes refunded	587,526	-	-	-
Net cash generated from/(used in) operating activities	48,049,074	37,420,477	(6,941,321)	(10,612,032)
Cash Flows From Investing Activities				
Purchase of property, plant and equipment	(61,470,328)	(78,071,935)	(24,082)	(23,630)
Proceeds from disposal of property, plant and equipment	8,753,812	233,402	1,932	-
Expenditure on development costs	(460,753)	(168,523)	-	-
Proceeds from disposal of other investment	500,996	1,001,496	500,996	1,001,496
Acquisition of a subsidiary	-	(59,680)	-	(60,000)
Investments in subsidiaries	-	-	(4)	-
Investment in other investment	(500,000)	(1,000,000)	(500,000)	(1,000,000)
Interest received	512,968	336,803	597,949	188,992
Net dividend received	-	-	2,961,640	3,038,395
Net cash (used in)/generated from investing activities	(52,663,305)	(77,728,437)	3,538,431	3,145,253

CASH FLOW STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

	NOTE	GROUP 2006 RM	GROUP 2005 RM (restated, Note 2.3(e))	COMPANY 2006 RM	COMPANY 2005 RM (restated, Note 2.3(e))
Cash Flows From Financing Activities					
Proceeds from issuance of ordinary shares		2,724,200	-	2,724,200	-
Drawn down of term loans		20,938,895	42,993,607	-	-
Repayment of term loans		(15,412,238)	(4,427,032)	-	-
Repayment of onshore foreign currency loan		-	(638,134)	-	-
Proceeds from bankers' acceptance		31,733,000	20,301,000	-	-
Repayment of bankers' acceptance		(30,483,000)	(22,321,000)	-	-
Repayment of hire purchase		(16,603)	(8,304)	-	-
Dividends paid		(3,044,142)	(2,706,000)	(3,044,142)	(2,706,000)
Net cash generated from/(used in) financing activities		6,440,112	33,194,137	(319,942)	(2,706,000)
Net increase/(decrease) in cash and cash equivalents		1,825,881	(7,113,823)	(3,722,832)	(10,172,779)
Effects of foreign exchange rate changes		1,740,637	220,209	-	-
Cash and cash equivalents at beginning of year		15,065,613	21,959,227	6,435,848	16,608,627
Cash and cash equivalents at end of year		18,632,131	15,065,613	2,713,016	6,435,848
Cash and cash equivalents comprise:					
Cash and bank balances		16,782,183	8,872,496	248,835	60,848
Deposits with licensed bank		4,793,449	8,636,672	2,464,181	6,375,000
Bank overdrafts	29	(2,943,501)	(2,443,555)	-	-
		18,632,131	15,065,613	2,713,016	6,435,848

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

1 CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the MESDAQ Market of the Bursa Malaysia Securities Berhad. The principal place of business of the Company is located at 8, Green Hall, 10200 Penang, Malaysia.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 14. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 April 2007.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical basis.

The financial statements are presented in Ringgit Malaysia (RM).

2.2 Summary of Significant Accounting Policies

a) Subsidiaries and Basis of Consolidation

i Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (CONTINUED)

a) Subsidiaries and Basis of Consolidation (CONTINUED)

ii Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

b) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (CONTINUED)

b) Associates (CONTINUED)

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

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

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited or management financial statements of the associates are used by the Group in applying the equity method. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (CONTINUED)

c) Intangible Assets

i Research and Development Costs

All research costs are recognised in the profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditures which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

d) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Leasehold land is depreciated over the period of the lease of 99 years. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (CONTINUED)

d) Property, Plant and Equipment and Depreciation (CONTINUED)

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

The residual values, useful life and depreciation method are reviewed at each financial year-end 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.

An item of property, plant and equipment is derecognised upon 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 net carrying amount is recognised in profit or loss.

e) Impairment of Non-financial Assets

The carrying amounts of assets, other than inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (CONTINUED)

e) Impairment of Non-financial Assets (CONTINUED)

An impairment loss is recognised in profit or loss in the period in which it arises.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

f) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined as follows:

Gaming machines	-	specific identification
Spare parts	-	weighted average basis
Trading merchandise	-	weighted average basis

Cost of inventories consists of the purchase price plus the cost of bringing the inventories to their present location. 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.

g) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

i Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at banks, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (CONTINUED)

g) Financial Instruments (CONTINUED)

ii Other Non-Current Investments

Non-current investments other than investments in subsidiaries and associates are stated at cost less impairment losses. On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

iii Trade Receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

iv Trade Payables

Trade payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

v Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

vi Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

vii Derivative Financial Instruments

Derivative financial instruments are not recognised in the financial statements.

h) Leases

i Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (CONTINUED)

h) Leases (CONTINUED)

ii Finance Leases - the Group as Lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses.The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(d).

iii Finance Leases - the Group as Lessor

Assets held under finance lease are presented on the balance sheet as receivables at an amount equal to the net investment in the leases. The lease finance income is recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of return on the net investment outstanding.

iv Operating Leases - the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

v Operating Leases - the Group as Lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease (Note 2.2(n)(iv)).

i) Borrowing Costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (CONTINUED)

j) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

k) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (CONTINUED)

l) Employee Benefits

i Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

iii Share-based Compensation

The Company's Employee Share Options Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (CONTINUED)

m) Foreign Currencies

i Functional and Presentation Currency

The individual financial statements of each entity in 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 (RM), which is also the Company's functional currency.

ii Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

iii Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of Significant Accounting Policies (CONTINUED)

n) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i Sale of Goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

ii 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.

iii Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

iv Rental Income

Rental income is recognised on an accrual basis in accordance with terms of agreement.

v Dividend Income

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

vi Management Fees

Management fees are recognised when services are rendered.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 January 2006, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

Except for the changes in accounting policies and their effects as discussed below, the new and revised FRS above do not have any other significant impact on the financial statements of the Group and the Company:

a) FRS 2: Share-based Payment

Prior to 1 January 2006, no compensation expense was recognised in profit or loss for share options granted. The Group and the Company recognised an increase in share capital and share premium when the options were exercised. Upon the adoption of FRS 2, the total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (CONTINUED)

a) FRS 2: Share-based Payment (CONTINUED)

The Group has applied FRS 2 in accordance with its transitional provisions which allow this change in accounting policy to be applied to share options that were granted after 31 December 2004 but had not yet vested on 1 January 2006. The application is retrospective and accordingly, certain comparatives have been restated as disclosed in Note 2.3(e). The effects on the balance sheets as at 31 December 2006 and income statements for the year ended 31 December 2006 are set out in Note 2.3(d)(i) and Note 2.3(d)(ii) respectively.

b) FRS 3: Business Combinations

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which the agreement date is on or after 1 January 2006.

i Excess of Group's Interest in the Net Fair Value of Acquiree's Identifiable Assets, Liabilities and Contingent Liabilities Over Cost (Previously Known as Negative Goodwill)

Prior to 1 January 2006, negative goodwill was not amortised. Under FRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of acquisitions, after reassessment, is now recognised immediately in profit or loss. In accordance with transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM8,110,195 was derecognised with a corresponding increase in retained earnings.

Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior periods. The effects on the consolidated balance sheet as at 31 December 2006 is set out in Note 2.3(d)(i). This change has no impact on the Company's financial statements.

c) FRS 101: Presentation of Financial Statements

i Presentation of Minority Interests

Prior to 1 January 2006, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

This change in presentation has no impact on the Group's financial statements as minority interests' share of losses in a subsidiary equals or exceeds their interests in the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (CONTINUED)

c) FRS 101: Presentation of Financial Statements (CONTINUED)

ii Presentation of the Group's Share of Taxation of Associates

Prior to 1 January 2006, the Group's share of taxation of associates accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of the revised FRS 101, the share of taxation of associates accounted for using the equity method are now included in the shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax.

This change in presentation has been applied retrospectively and as disclosed in Note 2.3(e), certain comparatives have been restated. The effects on the consolidated income statement for the year ended 31 December 2006 are set out in Note 2.3(d)(ii). This change in presentation has no impact on the Company's financial statements.

d) Summary of Effects of Adopting New and Revised FRSs on the Current Year's Financial Statements

The following tables provide estimates of the extent to which each of the line items in the balance sheets and income statements for the year ended 31 December 2006 is higher or lower than it would have been had the previous policies been applied in the current year.

i Effects on Balance Sheets as at 31 December 2006

	Increase/(Decrease)		
Description of change	FRS 2 Note 2.3(a)	FRS 3 Note 2.3(b)(i)	Total
	RM	RM	RM
GROUP			
Negative goodwill	-	(8,110,195)	(8,110,195)
Share option reserve	3,042,913	-	3,042,913
Share premium	107,017	-	107,017
Retained earnings	(3,149,930)	8,110,195	4,960,265
COMPANY			
Investments in subsidiaries	2,592,010	-	2,592,010
Share option reserve	3,042,913	-	3,042,913
Share premium	107,017	-	107,017
Retained earnings	(557,920)	-	(557,920)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (CONTINUED)

d) Summary of Effects of Adopting New and Revised FRSs on the Current Year's Financial Statements (CONTINUED)

ii Effects on Income Statements for the Year Ended 31 December 2006

Description of change	Increase/(Decrease) FRS 2 Note 2.3(a)	FRS 101 Note 2.3(c)(ii)	Total
	RM	RM	RM
GROUP			
Administrative expenses	2,853,281	-	2,853,281
Operating profit	(2,853,281)	-	(2,853,281)
Share of profit of associates	-	(426,993)	(426,993)
Profit before tax	(2,853,281)	(426,993)	(3,280,274)
Income tax expense	-	(426,993)	(426,993)
Profit for the year	(2,853,281)	-	(2,853,281)
Earnings per share (sen):			
Basic, for profit for the year	(1.0)	-	(1.0)
Diluted, for profit for the year	(1.0)	-	(1.0)
COMPANY			
Administrative expenses	518,367	-	518,367
Operating profit	(518,367)	-	(518,367)
Profit before tax	(518,367)	-	(518,367)
Profit for the year	(518,367)	-	(518,367)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (CONTINUED)

e) Restatement of Comparatives

The following comparative amounts have been restated as a result of adopting the new and revised FRSs:

Description of change	Previously stated	Increase/(Decrease) FRS 2 Note 2.3(a)	FRS 101 Note 2.3(c)(ii)	Restated Total
	RM	RM	RM	RM
Balance sheet At 31 December 2005				
GROUP				
Share option reserve	-	296,649	-	296,649
Retained earnings	48,170,810	(296,649)	-	47,874,161
COMPANY				
Investments in subsidiaries	20,617,198	257,096	-	20,874,294
Share option reserve	-	296,649	-	296,649
Retained earnings	669,760	(39,553)	-	630,207

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (CONTINUED)

e) Restatement of Comparatives (CONTINUED)

Description of change	Previously stated	Increase/(Decrease) FRS 2 Note 2.3(a)	Increase/(Decrease) FRS 101 Note 2.3(c)(ii)	Restated Total
	RM	RM	RM	RM
Income statement For the year ended 31 December 2005				
GROUP				
Administrative expenses	(14,632,531)	296,649	-	(14,929,180)
Operating profit	30,389,264	(296,649)	-	30,092,615
Share of loss of associates	(42,318)	-	43,806	(86,124)
Profit before tax	28,212,387	(296,649)	(43,806)	27,871,932
Income tax expense	(123,560)	-	(43,806)	(79,754)
Profit for the year	28,088,827	(296,649)	-	27,792,178
Earnings per share (sen):				
Basic, for profit for the year	10.03	(0.10)	-	9.93
Diluted, for profit for the year	10.02	(0.10)	-	9.92
COMPANY				
Administrative expenses	(1,789,501)	39,553	-	(1,829,054)
Operating profit	3,541,927	(39,553)	-	3,502,374
Profit before tax	3,541,723	(39,553)	-	3,502,170
Profit for the year	3,571,723	(39,553)	-	3,532,170

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following FRS, amendments to FRS and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

FRS, Amendments to FRS and Interpretations	Effective for financial periods beginning on or after
FRS 117: Leases	1 October 2006
FRS 124: Related Party Disclosure	1 October 2006
FRS 139: Financial Instruments: Recognition and Measurement	Deferred
FRS 6: Exploration for and Evaluation of Mineral Resources	1 January 2007
Amendment to FRS 119_{2004}: Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7: Applying the Restatement Approach under FRS 129_{2004} - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8: Scope of FRS 2	1 July 2007

The above FRS, amendments to FRS and Interpretations are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for FRS 117, FRS 124 and FRS 139.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 117, FRS 124 and FRS 139.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Significant Accounting Estimates and Judgments

a) Critical Judgements Made in Applying Accounting Policies

The following is the judgement made by management in the process of applying the Group's accounting policies that has the most significant effect on the amounts recognised in the financial statements.

i Finance Leases - the Group as Lessor

The Group has entered into contracts for renting of gaming equipment. The Group has determined that they transfer substantially all the risks and rewards incident to ownership of the equipment to the lessees pursuant to FRS 117_{2004} - Leases.

b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i 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 gaming machines to be 5 years. These are common life expectancies applied in the industry. 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.

ii 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 profit will be available against which the losses and capital allowances can 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. The unrecognised tax losses and capital allowances of the Group was RM490,000 (2005: RM640,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

3 REVENUE

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Sales and marketing	121,299,367	93,144,787	-	-
Technical support and management	89,513,238	60,826,472	-	-
Rental income	-	69,000	-	-
Management fee from subsidiaries	-	-	-	660,000
Dividend income from a subsidiary	-	-	5,896,840	3,038,395
Others	4,567,683	59,249	-	-
	215,380,288	154,099,508	5,896,840	3,698,395

4 COST OF SALES

	GROUP	
	2006	2005
	RM	RM
Sales and marketing	105,975,918	81,184,983
Technical support and management	40,044,080	24,535,955
Others	3,175,705	100,827
	149,195,703	105,821,765

5 OTHER INCOME

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Interest income	360,912	428,849	597,949	1,631,038
Rental income	27,417	96,095	-	-
Gain on disposal of other investment	996	1,496	996	1,496
Sundry income	19,862	70,304	2,763	499
	409,187	596,744	601,708	1,633,033

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

6 FINANCE COSTS

	GROUP 2006	GROUP 2005	COMPANY 2006	COMPANY 2005
	RM	RM	RM	RM
Interest on:				
- Bank overdrafts	240,788	203,559	-	-
- Bankers' acceptances	446,034	122,970	-	-
- Hire purchases	2,739	1,370	-	-
- Term loans	4,187,483	1,609,292	-	-
Total interest expense	4,877,044	1,937,191	-	-
Bank charges	173,333	197,368	201	204
	5,050,377	2,134,559	201	204

7 PROFIT BEFORE TAX

The following amounts have been included in arriving at profit before tax:

	GROUP 2006	GROUP 2005	COMPANY 2006	COMPANY 2005
	RM	RM (restated)	RM	RM (restated)
Amortisation of development costs (Note 17)				
- included in administrative expenses	142,861	71,430	-	-
Auditors' remuneration:	123,160	77,000	60,000	14,000
- statutory audits:				
- current year	74,160	42,000	20,000	14,000
- underprovision in prior year	2,000	-	-	-
- special audits	47,000	35,000	40,000	-
Depreciation of property, plant and equipment (Note 13)	31,229,619	19,304,659	12,486	8,805
Employee benefits expense (Note 8)	12,434,206	8,159,558	1,313,265	1,051,561
(Gain)/Loss on disposal of property, plant and equipment	(49,098)	(28,640)	17	-
Goodwill written off	-	254,053	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

7 PROFIT BEFORE TAX (CONTINUED)

	GROUP 2006 RM	GROUP 2005 RM (restated)	COMPANY 2006 RM	COMPANY 2005 RM (restated)
Impairment of property, plant and equipment (Note 13):				
- included in administrative expenses	-	207,350	-	-
Net foreign exchange losses/(gain)	1,162,663	(927,152)	149,127	-
Non-executive directors' remuneration (Note 9)	556,000	123,000	551,000	118,000
Property, plant and equipment written off	728,901	5,557	-	-
Provision for doubtful debts	324,286	301,600	-	-
Rental of premises	1,178,511	713,394	60,000	-
Reversal of provision for doubtful debts	(153,444)	-	-	-
Write-down of inventories	786,767	-	-	-

8 EMPLOYEE BENEFITS EXPENSE

	GROUP 2006 RM	GROUP 2005 RM (restated)	COMPANY 2006 RM	COMPANY 2005 RM (restated)
Wages and salaries	9,044,802	6,780,818	1,038,795	897,139
Social security contributions	85,425	57,956	3,932	3,105
Contributions to defined contribution plan	971,003	740,707	124,520	107,092
Short term accumulating compensated absence	20,329	349,094	(3,349)	4,672
Share options granted under ESOS	2,484,281	296,649	149,367	39,553
	12,605,840	8,225,224	1,313,265	1,051,561
Less:				
Capitalised in development cost (Note 17)	(171,634)	(65,666)	-	-
	12,434,206	8,159,558	1,313,265	1,051,561

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM1,972,036 (2005: RM1,450,656) and RM869,541 (2005: RM637,390) respectively as further disclosed in Note 9.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

9 DIRECTORS' REMUNERATION

	GROUP 2006	GROUP 2005	COMPANY 2006	COMPANY 2005
Directors of the Company:	RM	RM (restated)	RM	RM (restated)
Executive:				
Salaries and bonus	1,560,023	1,301,943	595,974	503,687
Non-executive:				
Fees	140,000	90,000	140,000	90,000
Share options granted under ESOS	369,000	-	369,000	-
Other emoluments	42,000	28,000	42,000	28,000
	551,000	118,000	551,000	118,000
Directors of the Subsidiaries:				
Executive:				
Salaries and bonus	298,232	137,080	198,078	122,070
Share options granted under ESOS	98,811	11,633	75,489	11,633
Fees	14,970	-	-	-
	412,013	148,713	273,567	133,703
Non-executive:				
Fees	5,000	5,000	-	-
Total directors' remuneration	2,528,036	1,573,656	1,420,541	755,390
Analysis:				
Total executive directors' remuneration (Note 8)	1,972,036	1,450,656	869,541	637,390
Total non-executive directors' remuneration (Note 7)	556,000	123,000	551,000	118,000
	2,528,036	1,573,656	1,420,541	755,390

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

10 INCOME TAX EXPENSE

	GROUP 2006	GROUP 2005	COMPANY 2006	COMPANY 2005
	RM	RM	RM	RM
Income tax:				
Malaysian current income tax	1,390,600	40,000	-	-
Overprovided in prior year	(1,276)	(55)	(32,012)	-
	1,389,324	39,945	(32,012)	-
Deferred tax (Note 31):				
Relating to origination and reversal of temporary differences	186,490	64,809	-	(30,000)
Relating to changes in tax rates	(26,430)	-	-	-
Under/(Over)provided in prior year	259,534	(25,000)	-	-
	419,594	39,809	-	(30,000)
	1,808,918	79,754	(32,012)	(30,000)

Domestic current income tax is calculated at the statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes.

The taxation of one of the subsidiaries is fixed at RM20,000 per annum under the Labuan Offshore Business Activity Tax Act, 1990 Section 7(1). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

10 INCOME TAX EXPENSE (CONTINUED)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to the income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	GROUP 2006 RM	GROUP 2005 RM (restated)	COMPANY 2006 RM	COMPANY 2005 RM (restated)
Profit before tax	33,279,146	27,871,932	3,615,403	3,502,170
Taxation at Malaysian statutory tax rate of 28%(2005: 28%)	9,318,161	7,804,141	1,012,313	980,608
Effect of different tax rates in other countries and for Labuan offshore business activities	(8,944,580)	(7,916,876)	-	-
Effect of income subject to tax rate of 20%	(45,500)	(8,000)	-	-
Effect of share of (profit)/ loss of associates	(187,547)	24,115	-	-
Deferred tax recognised at different tax rates	(26,429)	-	-	-
Income not subject to tax	(31,801)	(410,224)	(1,807,547)	(1,229,309)
Expenses not deductible for tax purposes	1,493,203	453,428	795,234	122,160
Expenses not allowed to be carried forward	17,046	19,677	-	-
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(41,893)	-	-	-
Deferred tax asset not recognised in respect of current year's tax losses and unabsorbed capital allowances	-	138,548	-	96,541
Overprovision of tax expense in prior year	(1,276)	(55)	(32,012)	-
Under/(Over)provision for deferred tax in prior year	259,534	(25,000)	-	-
Income tax expense for the year	1,808,918	79,754	(32,012)	(30,000)

Tax savings during the financial year arising from:

	GROUP 2006 RM	GROUP 2005 RM	COMPANY 2006 RM	COMPANY 2005 RM
Utilisation of current year tax losses	-	109,861	-	109,861
Utilisation of previously unrecognised tax losses	11,436	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

11 EARNINGS PER SHARE

a) Basic

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares issue during the financial year.

	2006	2005 (restated)
Profit attributable to ordinary equity holders of the Company (RM)	31,470,228	27,792,178
Weighted average number of ordinary shares in issue	281,210,000	280,000,000
Basic earnings per share for profit for the year (sen)	11.19	9.93

The comparative basic earnings per share has been restated to take into account the effect of the changes in accounting policies (Note 2.3(e)) on profit for that year.

b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e. share options granted to employees.

	2006	2005 (restated)
Profit attributable to ordinary equity holders of the Company (RM)	31,470,228	27,792,178
Weighted average number of ordinary shares in issue	281,210,000	280,000,000
Effect of dilution on share options	4,888,000	228,000
Adjusted weighted average number of ordinary shares in issue and issuable	286,098,000	280,228,000
Diluted earnings per share for profit for the year (sen)	11.00	9.92

The comparative diluted earnings per share has been restated to take into account the effect of the changes in accounting policies (Note 2.3(e)) on profit for that year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

12 DIVIDENDS

	Dividend Recognised in Year 2006	2005	Net Dividends per Ordinary Share 2006	2005
	RM	RM	Sen	Sen
First and final dividend in respect of financial year 2004: 10% less 28% taxation, on 280,000,000 ordinary shares, approved on 28 June 2005 and paid on 18 August 2005:				
- net dividend payable to shareholders	-	2,016,000		
- income tax payable to Inland Revenue Board Malaysia	-	690,000		
	-	2,706,000	-	1.00
First and final dividend in respect of financial year 2005: 15% less 28% taxation, on 281,865,000 ordinary shares, approved on 28 June 2006 and paid on 18 August 2006:				
- net dividend payable to shareholders	3,044,142	-		
- income tax payable to Inland Revenue Board Malaysia	1,183,833	-		
	4,227,975	2,706,000	1.50	1.00

The first and final dividend is paid out of income received by the Company which is exempted from income tax under paragraph 2(b) of the Income Tax (Exemption) (No.16) Order 1991 and is exempted from income tax in Malaysia in the hands of the shareholders under paragraph 3(1) of the Income Tax (Exemption) (No. 10) Order 2000. Since neither order exempts the payment of this dividend by the Company from the provisions of Section 108 of the Income Tax Act, 1967, income tax of 28% amounting to RM1,183,833 (2005: RM784,000) has been deducted from the gross amount of the dividend. The tax deducted of RM1,183,833 (2005: RM784,000), less available tax credit under Section 108 of the Income Tax Act, 1967 which amounted to RM94,000 in previous year, is recognised in the equity and will be duly paid by the Company to the Director General of Inland Revenue, Malaysia.

Since the dividend is tax exempt in the hands of the shareholders, dividend per ordinary share is calculated by dividing the gross amount of dividend of RM4,227,975 (2005: RM2,800,000) by the number of ordinary shares in issue of 281,865,000 (2005: 280,000,000) ordinary shares.

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 31 December 2006, of 17% less 27% taxation will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2007. Pursuant to Income Tax (Exemption) (No.10) Order 2000, this dividend is tax exempt in the hands of the shareholders.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

13 PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land and buildings RM	Long term leasehold land and 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 2006									
Cost									
At 1 January 2006	4,394,400	1,683,930	1,768,413	70,148	1,203,707	146,767,923	337,936	7,033,164	163,259,621
Additions	-	-	1,505,085	-	106,402	57,346,199	67,204	2,445,438	61,470,328
Disposals/written off	-	-	(49,389)	-	(108,620)	(12,940,301)	-	(69,257)	(13,167,567)
Reclassified as lease receivables	-	-	-	-	-	(4,013,073)	-	-	(4,013,073)
Exchange differences	-	-	(164,765)	-	(11,501)	(10,884,749)	-	(320,596)	(11,381,611)
At 31 December 2006	4,394,400	1,683,930	3,059,344	70,148	1,189,988	176,275,999	405,140	9,088,749	196,167,698
Accumulated Depreciation and Impairment Losses									
At 1 January 2006	166,299	86,914	104,214	61,866	700,736	31,831,892	86,215	2,376,240	35,414,376
Depreciation charge for the year:	55,433	28,972	272,320	7,015	114,299	29,746,150	56,624	1,027,061	31,307,874
Recognised in income statement (Note 7)	55,433	28,972	272,320	7,015	114,299	29,746,150	56,624	948,806	31,229,619
Capitalised in development costs (Note 17)	-	-	-	-	-	-	-	78,255	78,255
Disposals/written off	-	-	(3,569)	-	(57,120)	(3,625,085)	-	(48,178)	(3,733,952)
Exchange differences	-	-	(17,488)	-	(4,550)	(3,118,486)	-	(62,952)	(3,203,476)
At 31 December 2006	221,732	115,886	355,477	68,881	753,365	54,834,471	142,839	3,292,171	59,784,822
Analysed as:									
Accumulated depreciation	221,732	115,886	355,477	68,881	753,365	54,819,519	142,839	3,292,171	59,769,870
Accumulated impairment losses	-	-	-	-	-	14,952	-	-	14,952
At 31 December 2006	221,732	115,886	355,477	68,881	753,365	54,834,471	142,839	3,292,171	59,784,822
Net carrying amount									
At 31 December 2006	4,172,668	1,568,044	2,703,867	1,267	436,623	121,441,528	262,301	5,796,578	136,382,876
At 31 December 2005									
Cost									
At 1 January 2005	4,394,400	1,683,930	323,787	70,148	1,049,670	73,274,939	182,661	4,255,821	85,235,356
Additions	-	-	1,444,626	-	119,111	73,712,304	140,272	2,655,622	78,071,935
Disposals/written off	-	-	-	-	(58,074)	(219,320)	-	(14,850)	(292,244)
Reclassification	-	-	-	-	-	-	15,003	(15,003)	-
Acquisition of subsidiary	-	-	-	-	93,000	-	-	151,574	244,574
At 31 December 2005	4,394,400	1,683,930	1,768,413	70,148	1,203,707	146,767,923	337,936	7,033,164	163,259,621

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP	Freehold land and buildings RM	Long term leasehold land and 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
Accumulated Depreciation and Impairment Losses									
At 1 January 2005	110,866	57,940	14,463	54,851	643,141	13,333,292	37,707	1,665,943	15,918,203
Depreciation charge for the year:	55,433	28,974	89,751	7,015	101,794	18,305,810	44,352	687,703	19,320,832
Recognised in income statement (Note 7)	55,433	28,974	89,751	7,015	101,794	18,305,810	44,352	671,530	19,304,659
Capitalised in development costs (Note 17)	-	-	-	-	-	-	-	16,173	16,173
Impairment losses for the year (Note 7)	-	-	-	-	-	207,350	-	-	207,350
Disposals/written off	-	-	-	-	(56,599)	(14,560)	-	(10,766)	(81,925)
Reclassification	-	-	-	-	-	-	4,156	(4,156)	-
Acquisition of subsidiary	-	-	-	-	12,400	-	-	37,516	49,916
At 31 December 2005	166,299	86,914	104,214	61,866	700,736	31,831,892	86,215	2,376,240	35,414,376
Analysed as: Accumulated depreciation	166,299	86,914	104,214	61,866	700,736	31,624,542	86,215	2,376,240	35,207,026
Accumulated impairment losses	-	-	-	-	-	207,350	-	-	207,350
At 31 December 2005	166,299	86,914	104,214	61,866	700,736	31,831,892	86,215	2,376,240	35,414,376
Net carrying amount									
At 31 December 2005	4,228,101	1,597,016	1,664,199	8,282	502,971	114,936,031	251,721	4,656,924	127,845,245

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	Furniture, fittings and office equipment RM
At 31 December 2006	
Cost	
At 1 January 2006	55,110
Additions	24,082
Disposals/written off	(1,999)
At 31 December 2006	77,193
Accumulated depreciation	
At 1 January 2006	11,625
Depreciation charge for the year (Note 7)	12,486
Disposals/written off	(50)
At 31 December 2006	24,061
Net carrying amount	
At 31 December 2006	53,132
At 31 December 2005	
Cost	
At 1 January 2005	31,480
Additions	23,630
At 31 December 2005	55,110
Accumulated depreciation	
At 1 January 2005	2,820
Depreciation charge for the year (Note 7)	8,805
At 31 December 2005	11,625
Net carrying amount	
At 31 December 2005	43,485

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

a) The net carrying amounts of property, plant and equipment have been charged to licensed banks as securities for term loans and banking facilities granted to the subsidiaries are as follows:

	GROUP 2006	2005
	RM	RM
Freehold land and building	3,533,820	4,228,101
Long term leasehold land and buildings	1,568,044	1,597,016
	5,101,864	5,825,117

b) The motor vehicles of the Group with net carrying amount of RM109,710 (2005: RM141,042) are held in trust in the name of a director of the Company.

c) The motor vehicles of the Group with net book value of RM52,700 (2005: RM 71,300) are held under hire purchase agreements.

14 INVESTMENTS IN SUBSIDIARIES

	COMPANY 2006	2005
	RM	RM (restated)
Unquoted shares at cost	43,149,212	20,874,294

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Proportion of ownership interest 2006 %	2005 %	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.
CDI Corporation Sdn. Bhd.	Malaysia	100	100	Designing and trading of signages and systems.
Dreamgate (Singapore) Pte. Ltd.*	Singapore	100	-	Manufacturing, sales, maintenance and management of gaming and amusement machines and equipment, and the sales and marketing of security surveillance products and systems.
Macrocept Sdn. Bhd.	Malaysia	100	-	Dormant.
Held through subsidiary:				
RGB (Macau) Limited	Macau	96	96	Sales and marketing, technical support and management of gaming and amusement machines and equipment for Macau and surrounding market.

* Audited by firm other than Ernst & Young

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

a) On 28 July 2006, the Company incorporated a wholly owned subsidiary, Dreamgate (Singapore) Pte. Ltd., a company incorporated in Singapore with an issued and paid up share capital of SGD1 (approximately RM2) and acquired 100% equity interest in Macrocept Sdn. Bhd., a company incorporated in Malaysia for RM2 for cash.

Macrocept Sdn. Bhd. was incorporated on 8 June 2006. There were no transactions recorded by Macrocept Sdn. Bhd. from its incorporation date to the date of the Company's acquisition of its shares, other than the cash on hand of RM2 arising from the issuance of subscribers' shares on the date of incorporation.

These subsidiaries have contributed the following results to the Group:

	2006
	RM
Revenue	-
Loss for the year	(137,728)

The cash flow on incorporation/acquisition of these subsidiaries is as follows:

	2006
	RM
Total cash outflow of the Company*	4
Cash and cash equivalents of subsidiaries being incorporated/acquired	(4)
Net cash outflow of the Group	-

* Including purchase consideration satisfied by cash of RM2.

b) During the year, the Company has capitalised the amount due from its subsidiary, RGB Ltd. amounting to RM19,940,000 into the share capital of RGB Ltd.

c) Subsequent to the financial year end, RGB Ltd. incorporated a wholly owned subsidiary, RGB (Cambodia) Ltd. in Cambodia with an issued and paid-up share capital of Riels 20,000,000 (approximately RM18,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

15 INVESTMENTS IN ASSOCIATES

	GROUP 2006	2005
	RM	RM
Unquoted shares at cost	810,002	810,002
Share of post-acquisition reserves	663,019	103,677
	1,473,021	913,679
Exchange differences	(199,361)	-
	1,273,660	913,679

Details of the associates are as follows:

Name of Associates	Country of incorporation	Proportion of ownership interest 2006 %	2005 %	Principal activities
Held through a subsidiary:				
Star RGB Corporation	Philippines	40	40	Dormant
Cron Corporation	Japan	50	50	Research and development, manufacturing, sales and marketing of gaming and amusement machines and equipment.

The summarised financial information of the associates are as follows:

	2006	2005
	RM	RM
Assets and liabilities		
Current assets	5,583,286	2,727,024
Non-current assets	1,142,667	1,807,802
Total assets	6,725,953	4,534,826
Current liabilities	1,867,858	367,740
Non-current liabilities	2,417,090	2,643,901
Total liabilities	4,284,948	3,011,641
Results		
Revenue	11,322,872	8,256,139
Profit for the year	1,113,447	422,725

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

16 OTHER INVESTMENT

	GROUP 2006	2005
	RM	RM
Unquoted shares at cost	4,000	4,000

17 DEVELOPMENT COSTS

	GROUP 2006	2005
	RM	RM
Cost		
At 1 January	574,109	389,413
Additions	539,008	184,696
At 31 December	1,113,117	574,109
Accumulated amortisation		
At 1 January	71,430	-
Amortisation (Note 7)	142,861	71,430
At 31 December	214,291	71,430
Net carrying amount	898,826	502,679

Included in the additions to development costs during the year are the following:

Depreciation charge (Note 13)	78,255	16,173
Employee benefits expense (Note 8)	171,634	65,666

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

18 INVENTORIES

	GROUP 2006	2005
	RM	RM
Cost		
Gaming and amusement machines, coin and notes counting machines and binding machines	640,551	2,468,186
Spare parts, gaming and amusement accessories, table game equipment and accessories	3,363,596	3,372,962
Trading merchandise	119,212	139,342
Goods-in-transit	7,368,022	9,138,514
	11,491,381	15,119,004

19 TRADE RECEIVABLES

	GROUP 2006	2005
	RM	RM
Trade receivables	88,059,417	63,795,227
Provision for doubtful debts	(467,421)	(321,810)
Trade receivables, net	87,591,996	63,473,417

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one to three months. Overdue balances are reviewed regularly by senior management.

The Group has a significant concentration of credit risk that may arise from exposures to a group of receivables which contributed approximately 64% (2005: 76%) of the total trade receivables as at balance sheet date. These customers contributed approximately 43% (2005: 47%) of the total revenue of the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

19 TRADE RECEIVABLES (CONTINUED)

Included in trade receivables are the following significant amounts due from related parties:

	GROUP 2006	2005
	RM	RM
Standard RGB Pte. Ltd.	4,184,674	929,437
Sigma Gaming Technology Pte. Ltd.	297,455	124,122
Euro Computer Engineering & Parts Sdn. Bhd.	4,848	54,278
	4,486,977	1,107,837

The above mentioned corporations are regarded as related parties of the Group as certain directors of the Company, Datuk Chuah Kim Seah, JP and/or Chuah Kim Chiew and family members of Datuk Chuah Kim Seah, JP and Chuah Kim Chiew have substantial interest in these corporations.

Further details on related party transactions are disclosed in Note 34.

20 LEASE RECEIVABLES

	GROUP 2006	2005
	RM	RM
Future minimum lease receivables:		
Not later than 1 year	2,483,388	-
Later than 1 year and not later than 2 years	2,483,388	-
Later than 2 years and not later than 5 years	5,462,730	-
Total future minimum lease receivables	10,429,506	-
Less: Unearned finance income	(1,417,315)	-
Present value of finance lease receivables	9,012,191	-
Analysis of present value of finance lease receivables:		
Not later than 1 year	1,921,094	-
Later than 1 year and not later than 2 years	2,054,064	-
Later than 2 years and not later than 5 years	5,037,033	-
	9,012,191	-
Less: Amount due within 12 months	(1,921,094)	-
Amount due after 12 months	7,091,097	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

20 LEASE RECEIVABLES (CONTINUED)

The Group has contracts for renting of gaming equipment. These contracts are classified as finance leases as the arrangements transfer substantially all the risks and rewards incident to ownership of the equipment to the lessees.

Other information on financial risks of finance lease receivables is disclosed in Note 37.

21 OTHER RECEIVABLES

	GROUP		COMPANY	
	2006	2005	2006	2005
	RM	RM	RM	RM
Deposits	11,157,309	13,529,207	126,000	-
Prepayments	1,064,192	2,475,525	795	35,755
Tax recoverable	360,882	997,016	99,478	83,749
Interest receivable	51,312	203,368	51,312	203,368
Sundry receivables	724,804	753,519	-	800
	13,358,499	17,958,635	277,585	323,672
Representing receivables:				
- Current	11,210,337	17,282,258	277,585	323,672
- Non-current	2,148,162	676,377	-	-
	13,358,499	17,958,635	277,585	323,672

Included in other receivables are:

a) an amount of RM594,082 (2005: RM676,377) which is secured by unquoted shares pledged to the Group, non-interest bearing and is not repayable within the next one year.

b) an amount of RM1,554,080 (2005: Nil) which is unsecured, non-interest bearing and is not repayable within the next one year; and

c) an advance paid to an associate of RM814,982 (2005: Nil) which is unsecured, non-interest bearing and is for the purchase of gaming machines.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

22 DUE FROM SUBSIDIARIES

The amounts due from subsidiaries are non-trade in nature, non-interest bearing, unsecured, repayable on demand and are to be settled in cash except for an amount due from a subsidiary of RM15,000,000 in previous year which was charged interest at 6% per annum and repayable over 3 years commencing year 2009. During the year, the long term receivable due from the subsidiary has been capitalised into the paid up share capital of the subsidiary.

Other information on financial risks of long term receivable due from the subsidiary is disclosed in Note 37.

23 DUE FROM AN ASSOCIATE

The amount due from an associate is non-trade in nature, non-interest bearing, unsecured, repayable on demand and is to be settled in cash.

24 DEPOSITS WITH LICENSED BANKS

The deposits of the Group and of the Company are pledged to licensed banks as securities for the banking facilities granted to the Group.

Other information on financial risks of deposits with licensed banks is disclosed in Note 37.

25 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares of RM0.10 each	← Amount →		
	Share capital (Issued and fully paid)	Share capital (Issued and fully paid)	Share premium	Total share capital and share premium
		RM	RM	RM
At 1 January 2005 and 31 December 2005	280,000,000	28,000,000	28,017,512	56,017,512
At 1 January 2006	280,000,000	28,000,000	28,017,512	56,017,512
Ordinary shares issued pursuant to ESOS (Note 27)	2,545,000	254,500	2,576,717	2,831,217
At 31 December 2006	282,545,000	28,254,500	30,594,229	58,848,729

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

25 SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

	Number of ordinary shares of RM0.10 each		Amount	
	2006	2005	2006	2005
			RM	RM
Authorised share capital				
At 1 January and 31 December	500,000,000	500,000,000	50,000,000	50,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

26 RESERVES

The nature and purpose of each category of reserve are as follows:

a) Foreign exchange translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

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 grant of share options.

27 EMPLOYEE BENEFITS

Employee Share Options Scheme ("ESOS")

The Company's Employee Share Options Scheme ("ESOS") is governed by the Bye-Laws approved by the shareholders at an Extraordinary General Meeting held on 28 June 2005. The ESOS was implemented on 19 October 2005 and is to be in force for a period of five years from the date of implementation.

The salient 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 who is at least eighteen years of age, whose employment has been confirmed and any executive directors or non-executive directors of the Group, shall be eligible to participate in the ESOS.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

27 EMPLOYEE BENEFITS (CONTINUED)

Employee Share Option Scheme ("ESOS") (CONTINUED)

iii The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point of time during the tenure of the ESOS and out of which not more than 50% 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 Malaysia Securities Berhad 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 options allocated to the eligible employee shall become exercisable to the extent of one-quarter of the shares granted on each of the first four anniversaries from the date of grant provided that the employee has been in continuous service with the Group throughout the period unless it falls under Clause 18 of the Bye-Laws of the ESOS. The employees' entitlements to the options are vested as soon as they become exercisable. The options allocated to the directors of the Company are exercisable from the grant date.

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.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	Number of share options						
	Outstanding at 1 January '000	Granted '000	Exercised '000	Forfeited '000	Expired '000	Outstanding at 31 December '000	Exercisable at 31 December '000
2006							
2005 Options:							
Grant 1	18,800	-	2,424	930	-	15,446	10,916
2006 Options:							
Grant 2	-	4,080	117	769	-	3,194	1,554
Grant 3	-	2,470	4	-	-	2,466	1,681
	18,800	6,550	2,545	1,699	-	21,106	14,151
WAEP	1.06	1.27	1.07	1.16	-	1.12	1.11

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

27 EMPLOYEE BENEFITS (CONTINUED)

Employee Share Option Scheme ("ESOS") (CONTINUED)

	Number of share options						
	Outstanding at 1 January '000	Granted '000	Exercised '000	Forfeited '000	Expired '000	Outstanding at 31 December '000	Exercisable at 31 December '000
2005							
2005 Options:							
Grant 1	-	19,300	-	(500)	-	18,800	10,810
WAEP	-	1.06	-	1.06	-	1.06	1.06

i Details of share options outstanding at the end of the year:

	Exercise price RM	Exercise period
2006		
2005 Options:		
Grant 1	1.06	19.10.2005 - 18.10.2010
2006 Options:		
Grant 2	1.28	07.07.2006 - 18.10.2010
Grant 3	1.25	29.07.2006 - 18.10.2010
2005		
2005 Options:		
Grant 1	1.06	19.10.2005 - 18.10.2010

ii Share options exercised during the year

As disclosed in Note 25, options exercised during the financial year resulted in the issuance of 2,545,000 (2005: Nil) ordinary shares at an average price of RM1.07 (2005: Nil) each. The related weighted average share price at the date of exercise was RM1.45 (2005: Nil).

iii Fair value of share options granted during the year

The fair value of share options granted during the year was estimated using a binomial model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions are as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

27 EMPLOYEE BENEFITS (CONTINUED)

Employee Share Option Scheme ("ESOS") (CONTINUED)

iii Fair value of share options granted during the year (CONTINUED)

	2006	2006	2005
	Grant 3	Grant 2	Grant 1
Grant date	29 July 2006	7 July 2006	19 October 2005
Weighted average fair value of share options granted during the year (RM)	0.40	0.43	0.33
Share price (RM)	1.44	1.51	1.17
Exercise price (RM)	1.25	1.28	1.06
Expected volatility (%)	29.31	29.31	29.31
Option life (years)	4.22	4.29	5
Risk free rate (%)	4.21	4.46	3.33
Expected dividend yield (%)	1.04	0.99	1.27
Expected employee exit rate (%)	0 - 15	15	15
Expected early exercise price multiple (times)	1.5	1.5	1.5

The expected employee exit rate and the expected early exercise price multiple are based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

28 RETAINED EARNINGS

The Company has no tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of its retained earnings as at 31 December 2006. Any dividend paid will be subject to tax at 27%.

29 BORROWINGS

	GROUP	
	2006 RM	2005 RM
Short term borrowings (secured):		
Bank overdrafts	2,943,501	2,443,555
Bankers' acceptances	6,100,000	4,850,000
Term loans	15,270,450	12,095,212
Hire purchase payables (Note 30)	16,605	16,605
	24,330,556	19,405,372
Long term borrowings (secured):		
Term loans	43,895,973	41,544,554
Hire purchase payables (Note 30)	22,449	39,052
	43,918,422	41,583,606
Total borrowings (secured):		
Bank overdrafts	2,943,501	2,443,555
Bankers' acceptances	6,100,000	4,850,000
Term loans	59,166,423	53,639,766
Hire purchase payables (Note 30)	39,054	55,657
	68,248,978	60,988,978

The bank borrowings are secured by the following:

a legal charges over certain freehold land, leasehold land and buildings of the Group as disclosed in Note 13(a);

b deposits with licensed banks (Note 24);

c corporate guarantees of RM113.90 million (2005: RM94.13 million) by the Company; and

d joint and several guarantees by certain directors of the Company.

Other information on financial risks of borrowing are disclosed in Note 37.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

30 HIRE-PURCHASE PAYABLES

	GROUP	
	2006 RM	2005 RM
Future minimum hire purchase payments:		
Not later than 1 year	19,344	19,344
Later than 1 year and not later than 2 years	19,344	19,344
Later than 2 years and not later than 5 years	4,810	24,154
Total future minimum hire purchase payments	43,498	62,842
Less: Future finance charges	(4,444)	(7,185)
Present value of hire purchase payable	39,054	55,657
Analysis of present value of hire purchase payables:		
Not later than 1 year	16,605	16,605
Later than 1 year and not later than 2 years	16,605	16,605
Later than 2 years and not later than 5 years	5,844	22,447
	39,054	55,657
Less: Amount due within 12 months (Note 29)	(16,605)	(16,605)
Amount due after 12 months (Note 29)	22,449	39,052

The Group has hire purchase contract for a motor vehicle (Note 13(c)). There are no restrictions placed upon the Group by entering into these hire purchase and no arrangements have been entered into for contingent rental payments.

Other information on financial risks of hire purchase payables are disclosed in Note 37.

31 DEFERRED TAX LIABILITIES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
At 1 January	295,000	252,691	-	30,000
Acquisition of subsidiary	-	2,500	-	-
Recognised in income statements (Note 10)	419,594	39,809	-	(30,000)
At 31 December	714,594	295,000	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

31 DEFERRED TAX LIABILITIES (CONTINUED)

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:

	Property, plant and equipment	Development costs	Receivables	Total
	RM	RM	RM	RM
At 1 January 2006	301,500	-	-	301,500
Recognised in income statements	243,239	219,000	-	462,239
At 31 December 2006	544,739	219,000	-	763,739
At 1 January 2005	149,691	73,000	30,790	253,481
Acquisition of subsidiary	2,500	-	-	2,500
Recognised in income statements	149,309	(73,000)	(30,790)	45,519
At 31 December 2005	301,500	-	-	301,500

Deferred tax assets of the Group:

	Tax losses and unabsorbed capital allowances	Accruals	Total
	RM	RM	RM
At 1 January 2006	(6,500)	-	(6,500)
Recognised in income statements	(16,645)	(26,000)	(42,645)
At 31 December 2006	(23,145)	(26,000)	(49,145)
At 1 January 2005	(790)	-	(790)
Recognised in income statements	(5,710)	-	(5,710)
At 31 December 2005	(6,500)	-	(6,500)

Deferred tax liabilities/(assets) of the Company:

	Tax losses and unabsorbed capital allowances	Receivable	Total
	RM	RM	RM
At 1 January 2006 and 31 December 2006	-	-	-
At 1 January 2005	(790)	30,790	30,000
Recognised in income statements (Note 10)	790	(30,790)	(30,000)
At 31 December 2005	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

31 DEFERRED TAX LIABILITIES (CONTINUED)

Deferred tax assets have not been recognised in respect of the following items:

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Unused tax losses	451,000	577,000	186,000	186,000
Unabsorbed capital allowances	39,000	63,000	39,000	39,000
	490,000	640,000	225,000	225,000

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profit of the Company and a subsidiary are subject to no substantial changes in shareholdings of those companies under Section 44(5A) and (5B) of the Income Tax Act, 1967 and Para 75A and 75B of Schedule 3 of the Income Tax Act, 1967 respectively.

32 TRADE PAYABLES

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from one month to three months.

Included in trade payables are the following significant amount due to a related party:

	GROUP	
	2006 RM	2005 RM
Standard RGB Pte. Ltd.	2,496,757	280,446

The abovementioned corporation is regarded as related party of the Group as certain directors of the Company, Datuk Chuah Kim Seah, JP and Chuah Kim Chiew have substantial interest in this related company.

Further details on related party transactions are disclosed in Note 34.

33 OTHER PAYABLES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Advances received from customers	4,733,077	13,197,380	-	-
Accruals	6,636,786	6,230,048	475,233	323,756
Deposits received	2,052,276	267,420	-	-
Interest payables	3,171	16,440	-	-
Sundry payables	3,284,105	2,604,922	-	435
	16,709,415	22,316,210	475,233	324,191

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

33 OTHER PAYABLES (CONTINUED)

Included in other payables are the following significant amounts due to related parties:

	GROUP	
	2006 RM	2005 RM
Dreamgate (M) Sdn Bhd	37,295	67,745
Denver System Sdn Bhd	84,971	235,414
Standard RGB Pte. Ltd.	1,719,222	1,321,848
	1,841,488	1,625,007

The abovementioned corporations are regarded as related parties of the Group as certain directors of the Company, Datuk Chuah Kim Seah, JP and/or Chuah Kim Chiew have substantial interest in these related companies.

The amounts due to related parties are non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 34.

34 SIGNIFICANT RELATED PARTY TRANSACTIONS

	2006 RM	2005 RM
GROUP		
Sales of gaming machines, spare parts and accessories to:		
- Denver System Sdn. Bhd.	40,351	20,659
- Dreamgate (Malaysia) Sdn. Bhd.	12,806	264,479
- Euro Computer Engineering & Parts Sdn. Bhd.	-	110,902
- Manju Sdn. Bhd.	47,346	124,444
- Sigma Gaming Technology Pte. Ltd.	-	141,300
- Standard RGB Pte. Ltd.	5,154,801	2,843,111
- Suneka Sdn. Bhd.	45,313	5,195
Purchase of gaming and amusement machines and accessories from:		
- Chuah Amusement Sales & Services Sdn. Bhd.	-	17,500
- Standard RGB Pte. Ltd.	10,216,474	237,081
- Dreamgate (Malaysia) Sdn. Bhd.	184,240	18,275

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

35 CAPITAL COMMITMENTS

	GROUP	
	2006 RM	2005 RM
Capital expenditure		
Approved but not contracted for:		
Property, plant and equipment	64,697,000	36,000,000

36 CONTINGENT LIABILITIES

a) RGB Sdn. Bhd. had given an undertaking to Mpumalanga Gaming Board, South Africa, on 26 November 1998 to provide funding for Magna Eden Sdn. Bhd. for whatever amount is required in respect of Magna Eden Sdn. Bhd.'s investment in Magic Slots South Africa (Pty.) Ltd. in relation to the South Africa slot gaming operations. As at balance sheet date, the company has not been requested to provide any funding whatsoever in respect of the above undertaking.

b) The Company has given unsecured corporate guarantees to certain financial institutions for banking facilities granted to its subsidiaries for a limit of up to RM124.71 million (2005: RM94.13 million) of which RM66,159,784 (2005: RM62,254,661) was utilised at balance sheet date.

37 FINANCIAL INSTRUMENTS

a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risks, foreign currency risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

b) Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

37 FINANCIAL INSTRUMENTS (CONTINUED)

b) Interest Rate Risk (CONTINUED)

The following tables set out the carrying amounts, the average effective interest rates per annum during the financial year and the remaining maturities of the Groups and the Company's financial instruments that are exposed to interest rate risk:

	Note	Interest Rate (%)	Within 1 Year	1 - 2 Years	2 - 3 Years	3 - 4 Years	4 - 5 Years	Total
			RM	RM	RM	RM	RM	RM
At 31 December 2006								
GROUP								
Fixed rate								
Lease receivables	20	8.5	1,921,094	2,054,064	2,197,266	2,351,652	488,115	9,012,191
Hire purchase payables	30	6.2	(16,605)	(16,605)	(5,844)	-	-	(39,054)
Floating rate								
Deposits with licensed banks	24	3.3	4,793,449	-	-	-	-	4,793,449
Bank overdrafts	29	8.2	(2,943,501)	-	-	-	-	(2,943,501)
Bankers' acceptances	29	5.0	(6,100,000)	-	-	-	-	(6,100,000)
Term loans	29	8.0	(15,270,450)	(15,270,450)	(15,270,450)	(11,067,300)	(2,287,773)	(59,166,423)
COMPANY								
Floating rate								
Deposits with licensed banks	24	3.1	2,464,181	-	-	-	-	2,464,181

	Note	Interest Rate (%)	Within 1 Year	1 - 2 Years	2 - 3 Years	3 - 4 Years	4 - 5 Years	More Than 5 Years	Total
			RM	RM	RM	RM	RM	RM	RM
At 31 December 2005									
GROUP									
Fixed rate									
Hire purchase payables	30	6.2	(16,605)	(16,605)	(16,605)	(5,842)	-	-	(55,657)
Floating rate									
Deposits with licensed banks	24	3.2	8,636,672	-	-	-	-	-	8,636,672
Bank overdrafts	29	7.5	(2,443,555)	-	-	-	-	-	(2,443,555)
Bankers' acceptances	29	3.9	(4,850,000)	-	-	-	-	-	(4,850,000)
Term loans	29	6.6	(12,095,212)	(12,095,212)	(12,095,212)	(12,095,212)	(5,258,918)	-	(53,639,766)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

37 FINANCIAL INSTRUMENTS (CONTINUED)

b) Interest Rate Risk (CONTINUED)

	Note	Interest Rate (%)	Within 1 Year	1 - 2 Years	2 - 3 Years	3 - 4 Years	4 - 5 Years	More Than 5 Year	Total
			RM	RM	RM	RM	RM	RM	RM
COMPANY									
Fixed rate									
Amount due from a subsidiary	22	6.0	-	-	-	5,000,000	5,000,000	5,000,000	15,000,000
Floating rate									
Deposits with licensed banks	24	3.2	6,375,000	-	-	-	-	-	6,375,000

c) Foreign Currency Risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollar, Australian Dollar, Euro, Pound Sterling, Singapore Dollar, Hong Kong Dollar, Japanese Yen, Philippine Peso, Thai Baht and Mongolia Tughrik. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

	Net Financial Assets/(Liabilities) Held in Non-Functional Currency											
Functional Currency of Group Companies	United States Dollar	Australian Dollar	Euro	Pound Sterling	Singapore Dollar	Ringgit Malaysia	Hong Kong Dollar	Japanese Yen	Philippine Peso	Thai Baht	Mongolia Tughrik	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 31 December 2006												
Ringgit Malaysia	18,497,100	(5,902,400)	4,637,418	2,319	148,529	-	112,114	1,825	5,726	1,365	-	17,503,996
United States Dollar	-	(4,726,825)	(2,433,117)	-	(501,901)	(295,176)	(20,655)	(689)	2,053,455	6,393,132	284,351	752,575
Hong Kong Dollar	-	-	-	-	(20,267)	172,878	-	-	-	-	-	152,611
	18,497,100	(10,629,225)	2,204,301	2,319	(373,639)	(122,298)	91,459	1,136	2,059,181	6,394,497	284,351	18,409,182
At 31 December 2005												
Ringgit Malaysia	646,320	(1,496,806)	(653,303)	(11,246)	416,673	-	4,867	3,960	-	(476)	-	(1,090,011)
United States Dollar	-	(4,119,329)	(1,365,207)	2,635	(507,634)	(550,070)	6,133	(11,140)	2,554,593	3,592,833	1,241,321	844,135
Hong Kong Dollar	-	-	-	-	(19,551)	179,393	-	-	-	-	-	159,842
	646,320	(5,616,135)	(2,018,510)	(8,611)	(110,512)	(370,677)	11,000	(7,180)	2,554,593	3,592,357	1,241,321	(86,034)

The net unhedged financial asset of the Company that is not denominated in its functional currency is dividend receivable from a subsidiary amounting to RM2,935,200 (2005: Nil).

As at balance sheet date, the Group had not entered into any forward foreign exchange contracts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

37 FINANCIAL INSTRUMENTS (CONTINUED)

d) Liquidity Risk

The Group manages its 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.

e) Credit Risk

The Group's credit risk is primarily attributable to receivables. The Group trades only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis via the Group's management reporting procedures and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise mainly cash and cash equivalents and arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments, other than as disclosed in Note 19.

f) Fair Values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximated their fair values except for the followings:

	Note	Group Carrying Amount	Group Fair Value	Company Carrying Amount	Company Fair Value
		RM	RM	RM	RM
At 31 December 2006					
Non-current unquoted shares	16	4,000	*	-	-
Non-current receivables	21	2,148,162	1,833,306	-	-
At 31 December 2005					
Non-current unquoted shares	16	4,000	*	-	-
Non-current receivables	21	676,377	539,407	-	-
Non-current amount due from subsidiaries	22	-	-	12,000,000	11,921,474

* It is not practicable to estimate the fair value of the Group's non-current unquoted investments because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. However, the Group believes that the carrying amount represents the recoverable value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

37 FINANCIAL INSTRUMENTS (CONTINUED)

f) Fair Values (CONTINUED)

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values are as follows:

Non-Current Receivables, Non-Current Amount Due From Subsidiary and Borrowings

Fair value has been determined using discounted estimated cash flows. The discount rates used are the current market incremental lending rates for similar types of lending, borrowing and leasing arrangements.

38 SEGMENT INFORMATION

a) Reporting Format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and services.

b) Business Segments

The Group comprises the following main business segments:

i	Sales and marketing	Sales and marketing of gaming and amusement machines and systems and related products.
ii	Technical support and management services	Technical support, maintenance, and management of gaming and amusement machines and equipment.

Other business segments include renting of property, manufacturing, and research and development, neither of which constitutes a separately reportable segment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

38 SEGMENT INFORMATION (CONTINUED)

b) Business Segments (CONTINUED)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by business segment:

	Sales and marketing	Technical support and management	Others	Eliminations	Consolidated
	RM	RM	RM	RM	RM
2006					
Revenue					
Sales to external customers	121,299,367	89,513,238	4,567,683	-	215,380,288
Inter-segment sales	-	566,389	360,000	(926,389)	-
Total revenue	121,299,367	90,079,627	4,927,683	(926,389)	215,380,288
Results					
Segment results	9,348,333	37,142,043	(117,073)		46,373,303
Unallocated expenses					(8,713,591)
Operating profit					37,659,712
Finance costs					(5,050,377)
Share of profit of associates					669,811
Profit before tax					33,279,146
Income tax expense					(1,808,918)
Profit for the year					31,470,228
Assets					
Segment assets	83,526,896	179,122,750	11,181,454		273,831,100
Investments in associates					1,273,660
Unallocated assets					8,860,631
Total assets					283,965,391
Liabilities					
Segment liabilities	46,164,584	25,891,252	77,238		72,133,074
Unallocated liabilities					73,133,425
Total liabilities					145,266,499

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

38 SEGMENT INFORMATION (CONTINUED)

b) Business Segments (CONTINUED)

	Sales and marketing	Technical support and management	Others	Eliminations	Consolidated
	RM	RM	RM	RM	RM
2006					
Other information					
Capital expenditure	1,038,229	59,227,809	880,276		61,146,314
Unallocated capital expenditure					324,014
					61,470,328
Depreciation	107,707	30,564,269	111,531		30,783,507
Unallocated depreciation					446,112
					31,229,619
Amortisation			142,861		142,861
Non-cash expense other than depreciation, amortisation and impairment losses	896,351	2,401,564	373,844		3,671,759
Unallocated non-cash expense other than depreciation, amortisation and impairment losses					868,032
					4,539,791

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

38 SEGMENT INFORMATION (CONTINUED)

b) Business Segments (CONTINUED)

	Sales and marketing	Technical support and management	Others	Eliminations	Consolidated (restated)
	RM	RM	RM	RM	RM
2005					
Revenue					
Sales to external customers	93,144,787	60,826,472	128,249	-	154,099,508
Inter-segment sales	-	534,869	900,000	(1,434,869)	-
Total revenue	93,144,787	61,361,341	1,028,249	(1,434,869)	154,099,508
Results					
Segment results	5,103,543	27,815,419	(185,009)		32,733,953
Unallocated expenses					(2,641,338)
Operating profit					30,092,615
Finance costs					(2,134,559)
Share of loss of associates					(86,124)
Profit before tax					27,871,932
Income tax expense					(79,754)
Profit for the year					27,792,178
Assets					
Segment assets	69,494,779	155,176,473	6,469,080		231,140,332
Investments in associates					913,679
Unallocated assets					5,933,943
Total assets					237,987,954
Liabilities					
Segment liabilities	42,361,835	28,204,051	-		70,565,886
Unallocated liabilities					63,016,246
Total liabilities					133,582,132

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

38 SEGMENT INFORMATION (CONTINUED)

b) Business Segments (CONTINUED)

	Sales and marketing	Technical support and management	Others	Eliminations	Consolidated (restated)
	RM	RM	RM	RM	RM
2005					
Other information					
Capital expenditure	4,227,474	73,015,074	210,908		77,453,456
Unallocated capital expenditure					618,479
					78,071,935
Depreciation	122,595	18,623,682	86,675		18,832,952
Unallocated depreciation					471,707
					19,304,659
Amortisation	-	-	71,430		71,430
Impairment losses	-	207,350	-		207,350
Non-cash expense other than depreciation, amortisation and impairment losses	454,293	297,379	32,314		783,986
Unallocated non-cash expense other than depreciation, amortisation and impairment losses					73,873
					857,859

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

38 SEGMENT INFORMATION (CONTINUED)

c) Geographic Segments (CONTINUED)

The following is an analysis of the carrying amount of segment assets and capital expenditure by geographical segments:

	Segment assets		Capital expenditure	
	2006	2005	2006	2005
	RM	RM	RM	RM
Macau	29,580,107	41,747,642	24,839	205,137
Cambodia	110,758,901	98,697,704	36,947,399	60,340,409
Malaysia	50,700,934	33,911,528	1,930,734	6,247,704
Philippines	55,020,888	36,417,622	16,355,613	9,772,909
Vietnam	8,923,562	7,403,261	132,453	223,935
Singapore	4,642,963	2,037,912	-	-
Mongolia	5,825,875	3,096,019	5,755,276	662,561
South Korea	-	54,575	-	-
Other countries	8,377,870	7,774,069	-	801
	273,831,100	231,140,332	61,146,314	77,453,456

39 SUBSEQUENT EVENTS

a) On 26 January 2007, the Company's subsidiary, RGB Ltd., had incorporated a new wholly-owned subsidiary in Cambodia, known as RGB (Cambodia) Ltd..

b) On 27 February 2007, the Company's subsidiary, Macrocept Sdn. Bhd., has agreed to participate up to 40% equity interest in Chateau De Bavet Club Co. Ltd., Cambodia, at the estimated cost of USD2.4 million. The proposed investment is pending the signing of the Shareholders' Agreement.

c) On 27 February 2007, the Company's subsidiary, Macrocept Sdn. Bhd., has entered into a Sales and Purchase Agreement to purchase a property in Bavet, Cambodia for a total purchase price of USD116,000.

d) On 21 March 2007, the Company announced the following proposals:

   i Proposed increase in authorised share capital from the existing RM50,000,000 comprising 500,000,000 DCB Shares to RM150,000,000 comprising 1,500,000,000 DCB Shares by the creation of an additional 1,000,000,000 DCB Shares;

   ii Proposed bonus issue of up to 607,302,000 Bonus Shares on the basis of two (2) Bonus Shares for every one (1) existing DCB Share; and

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2006

39 SUBSEQUENT EVENTS (CONTINUED)

iii Proposed transfer of the listing of and quotation for the enlarged issued and paid-up capital of the Company of up to RM91,095,300 comprising 910,953,000 DCB Shares from the MESDAQ Market to the Main Board of Bursa Securities following the Proposed Bonus Issue.

The proposed proposals are pending approvals from the relevant authorities.

e) On 12 April 2007, the Company announced the proposed issuances of Commercial Papers ("CP") and/or Medium Term Notes ("MTN") Programme of up to RM200 million in nominal value. The proposed CP/MTN Programme is subject to the Securities Commission's approval.

LIST OF PROPERTIES

HELD AS AT 31 DECEMBER 2006

	Registered Owner/ Address/Location	Description	Use	Tenure	Approximate Age of Building (Years)	Built-up Area (Sq. Metres)	#Audited Net Book Value (RM)	Date of Last Revaluation
	RGB Sdn Bhd							
1.	65 Sims Avenue #08-04 Yi Xiu Factory Building Singapore	Building	Office cum Factory	Freehold	24	113	638,848	30 December 2002
2.	No 2017 Solok Perusahaan 3 Kawasan Perusahaan Perai, 13600 Perai, Penang, Malaysia	Land & Building	Factory	Leasehold - 99 years expiring on 12 December 2074	33	1,035.03	1,568,044	31 December 2002
	Data Touch Sdn Bhd							
3.	No 8 Green Hall, 10200 Penang, Malaysia	Land & Building	Office	In Perpetuity	28	2,387.16	3,533,820	31 December 2002
	Total						**5,740,712**	

Notes: The Group does not have a formal revaluation policy for its landed properties.

Analysis of Shareholdings

AS AT 25 APRIL 2007

Authorised Share Capital	:	RM50,000,000/-
Paid-Up Share Capital	:	RM28,673,800/-
Class of Shares	:	Ordinary Shares of RM0.10 each fully paid
Voting Right	:	1 vote per Ordinary Share

Analysis by Size of Shareholdings as at 25 April 2007

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100	10	0.29	331	0.00
100 to 1,000	621	17.76	577,589	0.20
1,001 to 10,000	2,101	60.08	9,984,700	3.48
10,001 to 100,000	657	18.79	21,374,215	7.45
100,001 to less than 5% of issued shares	104	2.97	94,011,063	32.79
5% and above of issued shares	4	0.11	160,790,102	56.08
TOTAL	**3,497**	**100.00**	**286,738,000**	**100.00**

Substantial Shareholders as at 25 April 2007

No.	Name of Substantial Shareholders	No. of Ordinary Shares of RM0.10 each held			
		Direct Interest	%	Deemed Interest	%
1.	Datuk Chuah Kim Seah, JP	112,143,830	39.11	534,600+	0.19
2.	Gerak Juara Sdn Bhd	54,010,662	18.84	-	-
3.	Mazlan Bin Ismail	580,000	0.20	54,010,662*	18.84
4.	Ahmad Anwar Bin Mohd Nor	-	-	54,010,662*	18.84
5.	HSBC Holdings Plc	-	-	15,376,600#	5.36

Notes:

+ Deemed interested by virtue of holding more than 15% in the shares of RGB (Sabah) Sdn Bhd and Manju Sdn Bhd.
* Deemed interested by virtue of holding more than 15% in the shares of Gerak Juara Sdn Bhd.
# Deemed interested by virtue of holding more than 15% in the shares of HSBC (Malaysia) Trustee Berhad and HSBC International Trustee Limited.

Directors' Shareholdings as at 25 April 2007

No.	Name of Directors	No. of Ordinary Shares of RM0.10 each held			
		Direct Interest	%	Deemed Interest	%
1.	Datuk Chuah Kim Seah, JP	112,143,830	39.11	534,600+	0.19
2.	Mazlan Bin Ismail	580,000	0.20	54,010,662*	18.84
3.	Chuah Kim Chiew**	8,921,398	3.11	534,600+	0.19
4.	Lim Tow Boon++	2,107,000	0.73	-	-
5.	Wong Chee Fai**	1,600,000	0.56	-	-
6.	Ooi Teng Chew++	50,000	0.02	-	-
7.	Chng Hee Kok#	-	-	-	-
8.	Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.#	-	-	-	-

By virtue of their interests in shares of the Company, Datuk Chuah Kim Seah and Mazlan Bin Ismail are also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

Notes:

+ Deemed interested by virtue of holding more than 15% in the shares of RGB (Sabah) Sdn Bhd and Manju Sdn Bhd.
* Deemed interested by virtue of holding more than 15% in the shares of Gerak Juara Sdn Bhd.
** Option to subscribe for 1,200,000 shares in the Company pursuant to Employee Share Option Scheme.
++ Option to subscribe for 850,000 shares in the Company pursuant to Employee Share Option Scheme.
# Option to subscribe for 900,000 shares in the Company pursuant to Employee Share Option Scheme.

ANALYSIS OF SHAREHOLDINGS

AS AT 25 APRIL 2007

Top Thirty Shareholders as at 25 April 2007
(based on Record of Depositors retained by the Share Registrar)

No.	Name of Shareholders	No. of Shares held	% of Shareholding
1	Chuah Kim Seah	112,143,830	39.11
2	Gerak Juara Sdn Bhd	54,010,662	18.84
3	Chuah Kim Chiew	8,921,398	3.11
4	HSBC Nominees (Asing) Sdn Bhd Exempt an for the Hongkong and Shanghai Banking Corporation Limited (HBFS-I CLT ACCT)	8,500,000	2.96
5	Citigroup Nominees (Asing) Sdn Bhd Exempt an for American International Assurance Company	5,182,500	1.81
6	Goh Sin Tien	4,623,000	1.61
7	AMMB Nominees (Tempatan) Sdn Bhd Amtrustee Berhad for Pacific Pearl Fund (5/1-9)	4,271,700	1.49
8	Citigroup Nominees (Asing) Sdn Bhd GSI for DKR Soundshore Oasis Holding Fund Ltd	3,509,700	1.22
9	HSBC Nominees (Asing) Sdn Bhd TNTC for Government of Singapore Investment Corporation Pte Ltd	2,931,500	1.02
10	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for the Hwang-DBS Select Opportunity Fund (3969)	2,500,000	0.87
11	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for the Hwang-DBS Select Small Caps Fund (4579)	2,419,800	0.84
12	Citigroup Nominees (Tempatan) Sdn Bhd Manulife Insurance (Malaysia) Berhad (OL Par)	2,130,000	0.74
13	Lim Tow Boon	2,107,000	0.73
14	Chuah Seong Whan	2,000,375	0.70
15	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Nyok Fing (M09)	1,512,000	0.53
16	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund IE1B for Van ECK Emerging Markets Fund	1,415,000	0.49
17	HSBC Nominees (Asing) Sdn Bhd HSBC-FS for Legg Mason Southeast Asia Special Situations Trust (201061)	1,413,000	0.49
18	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Chee Fai (100579)	1,400,000	0.49
19	HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for Smaller Companies Portfolio (GEMOFL)	1,284,700	0.45
20	Citigroup Nominees (Asing) Sdn Bhd Exempt an for Merrill Lynch Pierce Fenner & Smith Incorporated (Foreign)	1,126,300	0.39
21	BHLB Trustee Berhad Pacific Income Fund	1,098,700	0.38
22	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pacific Focus18 Fund (5071-401)	1,087,800	0.38
23	Teng Whye Lok	1,087,800	0.38
24	Mayban Nominees (Tempatan) Sdn Bhd Malaysian Trustees Berhad for Mayban Smallcap Trust Fund (240165)	1,045,700	0.36
25	BHLB Trustee Berhad TA Small Cap Fund	1,042,500	0.36
26	First Genesis Sdn Bhd	1,030,000	0.36
27	Yii Yeang Ping	1,000,000	0.35
28	HSBC Nominees (Asing) Sdn Bhd TNTC for DBS Malaysia Equity Fund	1,000,000	0.35
29	Kam Chooi Suan	791,700	0.28
30	Lim Teong Soon	702,500	0.24
	TOTAL	**233,289,165**	**81.33**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fourth Annual General Meeting of the Company will be held at Function Hall 2, Level 2, The Gurney Resort Hotel & Residences, 18 Persiaran Gurney, 10250 Penang, Malaysia on Tuesday, 26 June 2007 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 2006 together with the Reports of Directors and Auditors thereon. **Ordinary Resolution 1**

2 To approve the payment of a first and final dividend of 1.7 sen per ordinary share of 10 sen each, less income tax of 27% for the financial year ended 31 December 2006. **Ordinary Resolution 2**

3 To approve the payment of Directors' Fees for the financial year ended 31 December 2006. **Ordinary Resolution 3**

4 To re-elect the following Directors retiring pursuant to Article 100 (1) of the Company's Articles of Association and who, being eligible, offer themselves for re-election:

i Mr. Ooi Teng Chew **Ordinary Resolution 4**

ii Mr. Wong Chee Fai **Ordinary Resolution 5**

5 To re-elect the Managing Director, Datuk Chuah Kim Seah, JP, retiring pursuant to Rule 7.26 of the Listing Requirements of Bursa Malaysia Securities Berhad for the Mesdaq Market, and who, being eligible, offers himself for re-election. **Ordinary Resolution 6**

6 To re-appoint Messrs Ernst & Young as Auditors of the Company until the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**

Notice Of Annual General Meeting

As Special Business

7 To consider and if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution:

Authority to Issue Shares

Ordinary Resolution 8

"THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant government / regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965, to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and to such person or persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deemed fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being and that the Directors are also empowered to obtain the approval from the Bursa Malaysia Securities Berhad for the listing and quotation for the additional shares to be issued."

8 To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS ALSO HEREBY GIVEN that a first and final dividend of 1.7 sen per ordinary share of 10 sen each, less income tax of 27% tax for the financial year ended 31 December 2006, if approved, will be paid on 28 August 2007 to depositors registered in the Record of Depositors of the Company on 30 July 2007.

A depositor shall qualify for entitlement only in respect of :

a Shares transferred into the depositor's securities account before 4.00p.m. on 30 July 2007 in respect of ordinary transfers; and

b Shares 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

LAM VOON KEAN (MIA 4793)
LEE YAP KUAN (MAICSA 7003482)
Joint Secretaries

Penang
Date: 4 June 2007

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 2-1, 2nd Floor, 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.

Explanatory Note on Special Business

Resolution 8 - Authority to Issue Shares

The Ordinary Resolution 8 proposed under agenda 7, 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.

PROXY FORM

Dreamgate Corporation Bhd

(Company No. 603831-K)
(Incorporated in Malaysia)

* I/We ____________________________________ (*I/C No./Passport No./Company No. ______________________)
of ____
being a * member/members of the abovenamed Company, hereby appoint ______________________________
____ (*I/C No./Passport No. ____________________________________)
of ____

or failing whom, the Chairman as * my/our proxy to vote for * me/us on * my/our behalf at the Fourth Annual General Meeting of the Company to be held at Function Hall 2, Level 2, The Gurney Resort Hotel & Residences, 18 Persiaran Gurney, 10250 Penang, Malaysia on Tuesday, 26 June 2007 at 10.00 am and at any adjournment thereof.

ORDINARY RESOLUTION	1	2	3	4	5	6	7	8
FOR								
AGAINST								

Please indicate with an "x" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy may vote as he thinks fit.

Signed this _____________ day of June 2007.

No. of shares held

____
Signature of Member(s)

Notes:

1 A proxy may but need not be a member of the Company and the provisions of Section149(1)(b)&(c) of the Companies Act, 1965 shall not apply to the Company.

2 To be valid, this form duly completed must be deposited at the Registered Office of the Company, Suite 2-1, 2nd Floor, 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, this form must be executed under the corporation's seal or under the hand of an officer or attorney duly authorised.

* Strike out whichever is not applicable

Fold this flag for sealing

2nd fold here

Stamp

Dreamgate Corporation Bhd

(Company No. 603831-K)

The Secretary

Suite 2-1, 2nd Floor, Menara Penang Garden,
42-A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia

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