

annual report 2007



Dreamgate Corporation Bhd.
(603831-K)

C O N T E N T S

1

Dreamgate

2

Our Mission, Vision and Core Values

Corporate Information

3

Group Financial Highlights

4

6 Group Corporate Structure

8 Profile of Directors

12 Key Management Team

17 Letter to Shareholders

22

Review of Operations

28

Calendar of Events 2007

32

Corporate Social Responsibility 2007

35

List Of Group Properties

36 List of Associate's Properties

37 Additional Compliance Information

38 Corporate Governance Statement

45 Audit Committee Report

49 Statement on Internal Control

51

Analysis Of Shareholdings

53

Thirty Largest Shareholders

55

Directors' Report and Audited Financial Statements

131 Notice Of Meeting | Proxy Form



Dreamgate Corporation Bhd. ("DCB" or "the Company" throughout the entire Annual Report) was incorporated on 16 January 2003 under the Malaysian Companies Act 1965. It was initially listed on the MESDAQ Market of the Bursa Malaysia Securities Berhad ("Bursa Malaysia" throughout the entire Annual Report) on 13 January 2004. On 31 January 2008, its listing was successfully transferred to the Main Board of Bursa Malaysia.

DCB is primarily an investment holding company with subsidiary and associate companies ("DCB Group" or "the Group") involved in investment holding, manufacturing, sales and distribution as well as providing technical support and maintenance services of gaming and amusement machines and equipment and management of gaming establishments, clubs and resorts.

The history of DCB's involvement with the gaming industry began way back in 1986 through its wholly owned subsidiary, RGB Sdn. Bhd. ("RGBSB"). Through RGBSB, DCB is acknowledged as a premier supplier of gaming machines and equipment in Asia.

Today, the Group is also a major operator of concession programs in Asia and has diversified into hospitality and leisure as well.



MISSION

To be the premier Integrated Gaming Solutions Specialist focusing on the manufacturing, distribution, operations and management of gaming and amusement machines that provide the ultimate recreational experience to consumers; and

To be a leader in the hospitality and leisure industry in providing the highest standards of customer care and service

VISION

Our VISION is to be the leading manufacturer, distributor and operator in the gaming industry and the leading provider of hospitality and leisure services

CORE VALUES

We are committed to excel and are driven by the desire to be achievers in our industry. The commitment to excellence sprang forth from a strong foundation of CORE VALUES:

- Our people, our key assets
 - The continuous development of our human capital
 - Upholds high standards of ethics, integrity and honesty
- Quality
 - Striving for the best in quality of service and products
- Corporate leadership
 - Operate in an efficient manner to ensure high returns at all times to our shareholders
 - Focus on growth guided by good corporate governance and financial discipline
- Corporate social responsibility
 - Meeting our social obligations

BOARD OF DIRECTORS

Mr. Ooi Teng Chew
Independent Non-Executive Chairman

Datuk Chuah Kim Seah, JP
Group Managing Director

En. Mazlan Bin Ismail
Mr. Chuah Kim Chiew
Mr. Steven Lim Tow Boon
Mr. Wong Chee Fai
Group Executive Directors

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

AUDIT COMMITTEE

Mr. Ooi Teng Chew, Chairman
Dato' Mahinder Singh Dulku
D.S.P.N., P.K.T.
En. Mazlan bin Ismail

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Dato' Mahinder Singh Dulku
D.S.P.N., P.K.T., Chairman
Mr. Ooi Teng Chew

ESOS COMMITTEE

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

COMPANY SECRETARIES

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

EMAIL ADDRESS

info@dreamgatecorp.com

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

PRINCIPAL PLACE OF BUSINESS

8 Green Hall, 10200 Penang, Malaysia
Tel: 604 263 1111
Fax: 604 263 1188

WEBSITES

www.dreamgatecorp.com
www.rbggames.com

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

LEGAL FORM AND DOMICILE

Public Limited Liability Company
Incorporated and Domiciled in Malaysia

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia
Securities Berhad

Stock code : 0037
Stock name : DGATE

AUDITORS

Ernst & Young (AF 0039)
Chartered Accountants
22nd Floor, MWE Plaza
No 8 Farquhar Street
10200 Penang

PRINCIPAL BANKERS

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

Proforma Consolidated Income Statement for the Year Ended 31 December 2003 and Audited Consolidated Income Statement for the Years Ended 31 Dec 2004, 31 Dec 2005, 31 Dec 2006 and 31 Dec 2007

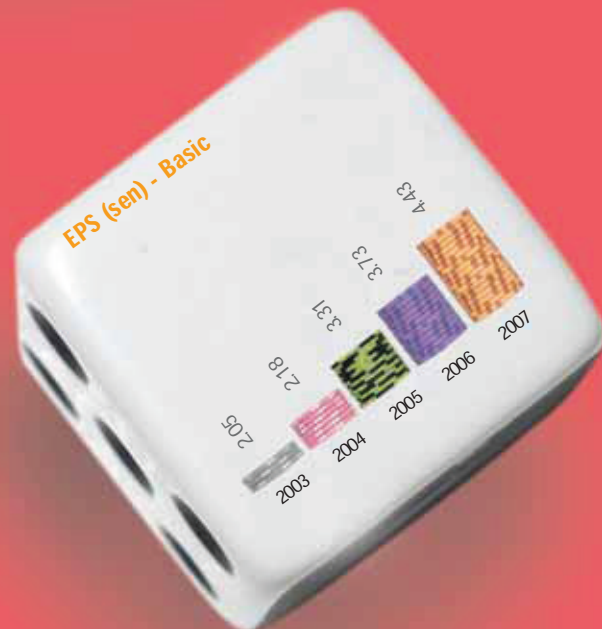
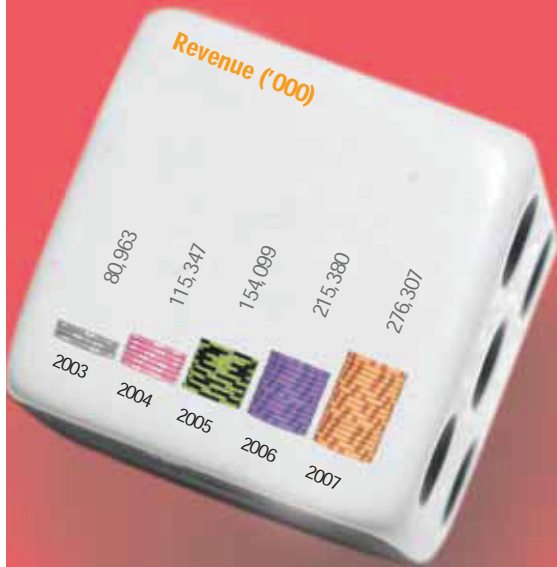
	2003 RM' 000	2004 RM' 000	2005 RM' 000	2006 RM' 000	2007 RM' 000
Revenue	80,963	115,347	154,099	215,380	276,307
EBITDA*	17,069	26,480	49,184	69,529	87,228
Amortisation	(11)	(11)	(82)	(154)	(308)
Depreciation	(3,040)	(7,769)	(19,293)	(31,219)	(41,009)
Interest	(283)	(251)	(1,937)	(4,877)	(6,620)
Profit Before Tax	13,735	18,449	27,872	33,279	39,291
Taxation	(1,076)	(211)	(80)	(1,809)	(977)
Minority Interest	1	-	-	-	(13)
Net Profit	12,660	18,238	27,792	31,470	38,301
EBITDA* Margin	21%	23%	32%	32%	32%
Profit Before Tax Margin	17%	16%	18%	15%	14%
Weighted Average Number of Ordinary Share in issue ('000)	616,716	840,000	840,000	843,629	868,334
EPS (sen) - Basic #	2.05	2.18	3.31	3.73	4.43
EPS (sen) - Diluted #	-	-	3.31	3.67	4.34
Revenue growth	90%	42%	34%	40%	28%
Net profit growth	34%	44%	52%	13%	22%

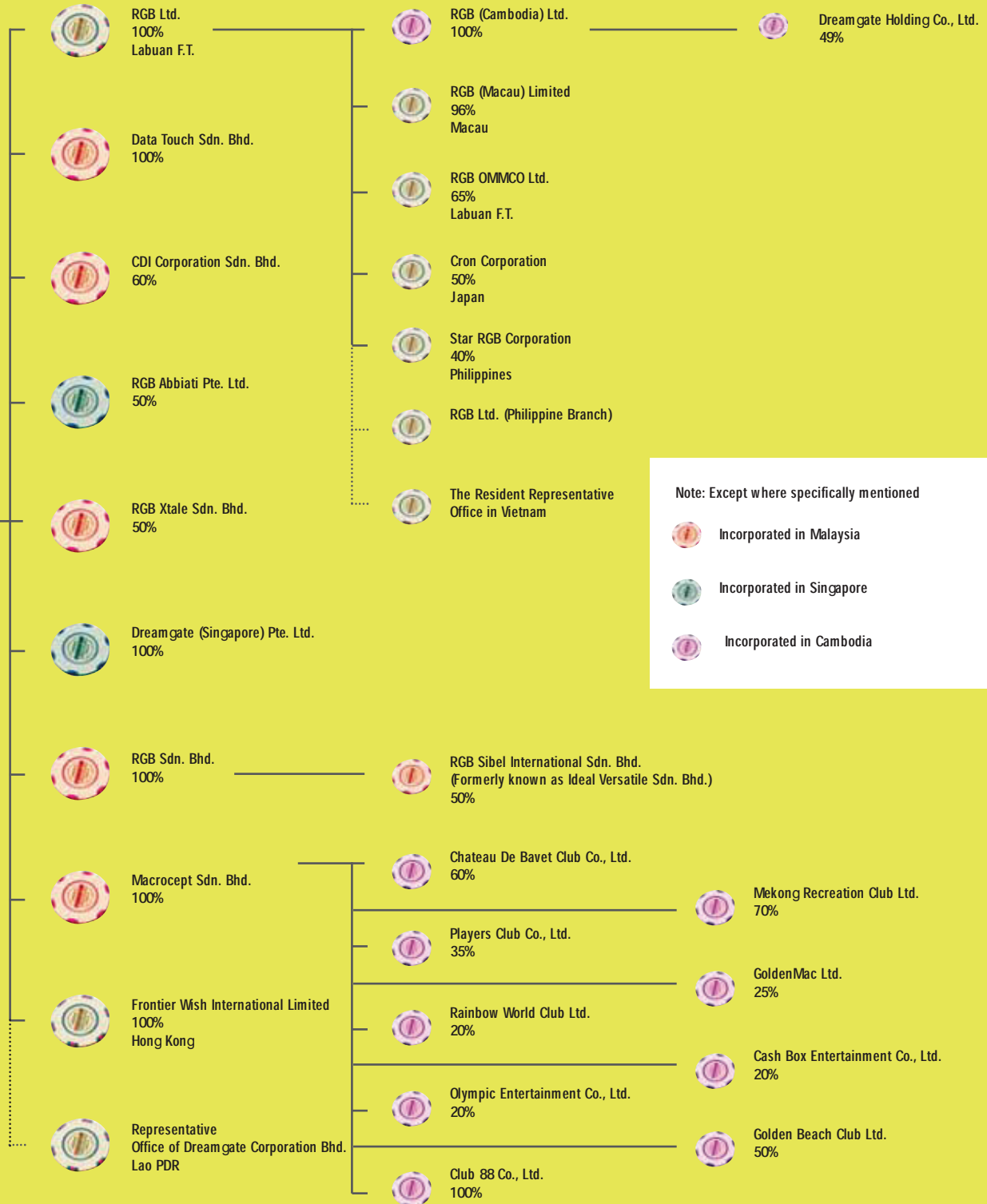
* Earning Before Interest, Taxation, Depreciation & Amortisation

The EPS has been restated to take into account the effect of the issue of bonus shares on profit for those years.

Proforma Consolidated Segmental Information for the Year Ended 31 December 2003 and Audited Consolidated Segmental Information for the Years Ended 31 Dec 2004, 31 Dec 2005, 31 Dec 2006 and 31 Dec 2007

	2003 RM' 000	2004 RM' 000	2005 RM' 000	2006 RM' 000	2007 RM' 000
Revenue					
Sales & Marketing	59,887	89,047	93,145	121,299	152,860
Technical Support & Management	14,796	26,355	61,361	90,080	119,214
Others	6,280	977	1,028	4,927	4,718
Eliminations		(1,032)	(1,435)	(926)	(485)
	80,963	115,347	154,099	215,380	276,307
Pretax Profit					
Sales & Marketing	6,588	8,539	5,104	9,348	15,769
Technical Support & Management	6,806	12,800	27,815	37,142	41,784
Others	341	(2,890)	(5,047)	(13,211)	(18,262)
	13,735	18,449	27,872	33,279	39,291





Note: Except where specifically mentioned

- Incorporated in Malaysia
- Incorporated in Singapore
- Incorporated in Cambodia

STRONG TEAMWORK



The spirit that drives the success of
Dreamgate Corporation Bhd.



Mr. Ooi Teng Chew

Independent Non-Executive Chairman, Malaysian, age 62

Mr. Ooi Teng Chew has been a board member since 30 October 2003 and assumed the position as Chairman of the Board on 17 March 2004. He chairs the Audit Committee and serves as member on the Remuneration, Nomination and Employee Share Option Scheme ("ESOS") Committees.

Mr. Ooi is a member of the Institute of Chartered Accountants of England and Wales, the Malaysian Institute of Certified Public Accountant and the Malaysian Institute of Accountants. He was in public practice since 1975 and retired from an international firm of accountants in 2001.

He attended all 6 board meetings held in the financial year and has no conflict of interests with DCB. Mr. Ooi also does not have any family relationship with any director and/or major shareholder of the Group.

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

Senior Independent Non-Executive Director, Malaysian, age 65

Dato' Mahinder Singh Dulku was appointed as an Independent Non-Executive Director on 28 April 2006, and assumed the position of Senior Independent Non-Executive Director of the Board on 18 April 2007. He is the Chairman of the Nomination, Remuneration and ESOS Committees and also serves as member of the Audit Committee.

Dato' Mahinder was conferred the Degree of an Utter Barrister in 1972 by Lincoln's Inn, London and was admitted as an Advocate & Solicitor, Malaya a year later. He has been in legal practice for more than 34 years and specialises in land, contract and corporate laws.

Dato' Mahinder was twice elected as the Chairman of the Penang Bar Committee and a member of the Bar Council over that period.

Dato' Mahinder does not have any conflict of interest with DCB nor have any family relationship with any director and/or major shareholder of the Group. He has attended all 6 board meetings convened during the year.

**Datuk Chuah Kim Seah, JP**

Group Managing Director, Malaysian, age 55

Datuk Chuah was appointed to the Board on 30 October 2003. He is also a member of the Remuneration and ESOS Committees.

At DCB, he has extensive knowledge of the amusement and gaming industry and he is primarily responsible for the development of strategic business direction, plans and policies. He also directs the evaluation of strategic business alliances and synergistic business ventures of the Group.

He is a Fellow of the Association for Chartered Certified Accountants and a member of the Malaysian Institute of Accountants.

Datuk Chuah sits on the board of certain subsidiary and associate companies of DCB and several other private limited companies. He had attended all the 6 meetings convened in the financial year.

He is the eldest brother of Mr. Chuah Kim Chiew and he does not have any conflict of interest with the Group.

**Mr. Steven Lim Tow Boon**

Group Executive Director, Malaysian, age 47

Appointed to the board on 30 October 2003, Mr. Lim is responsible for the development of strategic plan and the daily operational management for the sales, services and marketing function for the Group.

Mr. Lim graduated from Brock University, Canada in 1985 with a Bachelor of Arts degree majoring in Administrative Studies. He joined the Group in 1988 as Management Executive for the marketing of gaming and amusement machines. Mr. Lim has more than 20 years of experience in sales and marketing and has been instrumental in growing the Group's market share of the gaming industry.

Mr. Lim is also a director of several subsidiary and associate companies of the Group. He has no conflict of interest with DCB and had attended all 6 board meetings held in the financial year. Mr. Lim also does not have any family relationship with any director and/or major shareholder of the Group.

Mr. Chuah Kim Chiew

Group Executive Director, Malaysian, age 45

Mr. Chuah Kim Chiew was appointed to the Board on 30 October 2003. He is a graduate of University of Waseda with a Bachelor in Business Administration.

His ties to the Group began more than two decades ago when he was appointed a director of RGSB. He was initially focused on coordinating backroom support activities for technical services and sales and marketing functions. In 2003, he was instrumental for moving the Group into research and development by forming a partnership with Japanese games developers. It grew into full fledged effort for the development of games that were not catered for under existing distributorship arrangements.

In his capacity as head of Research and Development ("R&D"), Mr. Chuah is actively involved in the development of games under the RGBGames brand. In addition to R&D, Mr. Chuah oversees Security and Surveillance function for the Group.

Mr. Chuah also sits on the board of several subsidiaries and associate companies of DCB and has no conflict of interest with DCB. He attended all 6 board meetings held in the financial year. Mr. Chuah is the youngest brother of Datuk Chuah Kim Seah, JP.



En. Mazlan bin Ismail

Group Executive Director, Malaysian, age 45

En. Mazlan was appointed to the Board on 30 October 2003 and is a member of the Audit and ESOS Committees. He is principally responsible for investor relations, regulatory compliance, corporate communication and credit control functions for the Group.

He started his career as Senior Audit Assistant with Chuah & Associates in 1988. In 1991, he left to join Juruniaga Sdn. Bhd., a government contracting firm, as Project Manager where he was responsible for providing outsourced services to the public service department. He is currently a director of Institut Teknologi Dan Pengurusan Victoria Sdn. Bhd., a private institution of higher learning which he joined in 1997.

En. Mazlan holds a Diploma in Management from the Malaysian Institute of Management ("MIM") and is an Associate of MIM since 1999.

He sits on the board of several associate and subsidiary companies of the Group. He attended all 6 board meetings held in the financial year and has no conflict of interests with DCB. En. Mazlan also does not have any family relationship with any director and/or major shareholder of the Group.

Mr. Wong Chee Fai

Group Executive Director, Malaysian, age 54

Appointed to the board on 30 October 2003, Mr. Wong is principally responsible for the treasury function for the Group. In this capacity, he ensures safe custody of the funds generated from the various operations of the Group throughout the countries where the Group operates.

Mr. Wong was initially involved in general trading before joining the Group in 1994.

He also sits on the board of several subsidiary and associate companies of DCB and has no conflict of interest with DCB. Mr. Wong had attended 5 out of 6 board meetings held in the financial year.

He does not have any family relationship with any director and/or major shareholder of the Group.

Note:

Datuk Chuah Kim Seah, JP and Mr. Chuah Kim Chiew are brothers. Datuk Chuah and En. Mazlan are also substantial shareholders of DCB. All Directors also do not have had any conviction for offences within the past ten years. None of the Directors hold directorships in other public listed companies.



Lee Yap Kuan, Maxine
Group Corporate & HR Director, Malaysian

Ms. Lee was appointed the Group Corporate & HR Director in 2007. She has 20 years of experience in corporate secretarial and general management with increasing responsibilities before assuming her directorship. In her current capacity, Ms. Lee oversees the implementation of strategic policies and operational management for administrative, human resource, training and development and corporate compliance functions for the Group.

She joined the Group in 1998 as Company Secretary and was subsequently promoted to General Manager of the Corporate & HR Division. Prior to joining the Group, she was

with Farlim Group (M) Bhd. for 3 years where she was the Assistant Company Secretary. Earlier, she was with several well known corporate secretarial services providers where she honed her skills and knowledge.

Ms. Lee is a graduate of Kolej Tunku Abdul Rahman in 1989 with a Diploma in Business Administration and is also an Associate Member of the Institute of Chartered Secretaries and Administrators, UK since 1993.

She is also the Group Company Secretary and a board member of several associate and subsidiary companies of the Group.

Teh Mun Hui
Group Finance Director, Malaysian

Ms. Teh is the Group Finance Director since 2007. She is responsible for the financial management and corporate finance functions for the Group. Ms. Teh was involved in the Group's initial public listing and subsequent corporate and investment exercises, risk management and the development of internal control systems for the Group.

Ms. Teh started her career with Arthur Andersen & Co. (now Ernst & Young) in 1997 before leaving as Audit Senior three years later. Since joining the Group in 2001 as Finance Manager, she had held several key

financial and management positions with increasing responsibilities and scope before assuming her present position.

She graduated from University Malaya with a Bachelor in Accounting degree with first class honors in 1997 and obtained the Malaysian Institute of Certified Public Accountants ("MICPA") qualifications in 1998. Ms. Teh is a member of the Malaysian Institute of Accountants and MICPA.

In addition, Ms. Teh is also a director of several associate and subsidiary companies of the Group.





Chuah Kee Yong
Group Technology Director, Malaysian

Mr. Chuah is the Group Technology Director of DCB Group since 2007 where he is responsible for the manufacturing operations, information technology and technical services for the Group. He was the General Manager-Technical Division prior to his current position. Mr. Chuah was formerly with Intel Technology Sdn Bhd. before joining RGSB in 1999. At RGSB, he has served in various capacities with increasing responsibilities and seniority until he assumed his directorship.

Mr. Chuah graduated from Universiti Sains Malaysia in 1996 with an honors degree in Applied Science. He also earned an MBA from the same university in 2003. Mr. Chuah is an affiliate member of the IEEE Computer Society, a United States based society for electrical engineers since 2002. In a career spanning more than 15 years, Mr. Chuah has extensive experience in technical and general management in both commercial and manufacturing environment.

Mr. Chuah also sits on the board of certain other associate and subsidiary companies of the Group.

Cheah Swee Wai
General Manager - Technical Support & Management ("TSM"), Malaysian

Mr. Cheah is the General Manager of the TSM division since 2008. He is responsible for the operational management, development and implementation of concession programs, casinos and hotels in Cambodia, Vietnam, Lao PDR and the Philippines.

He started his career in 1999 as Operations Management Trainee with RGB Ltd., a wholly owned subsidiary of DCB, for overseas

outlets initially in Cambodia and advanced in seniority to assume greater accountability and work scope. He was the Deputy General Manager prior to his current position.

Mr. Cheah received a Bachelor of Commerce degree from Deakin University, Australia.

He is also a director of certain subsidiary and associate companies of the Group.





Chiang Lai Fatt
General Manager - Sales, Malaysian

Mr. Chiang was appointed to his present position in January 2008. He is tasked to generate sales growth in both amusement and gaming machines in Asia as well as drive business development further in other markets.

Prior to his present appointment, Mr. Chiang was the Sales Manager of the Group. He spent 2 years with Rex Industry Bhd. as

Head of Industrial Packaging Division before joining the Group in 2004.

Mr. Chiang holds a B. Commerce degree from Southern Queensland University, Australia.

Ganaser Kaliappen
General Manager - Regulatory
Compliance, Malaysian

Mr. K. Ganaser joined the Group in 2004 and is primarily responsible for licensing compliance with regulatory authorities in the various countries where the Group operates.

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

Mr. K. Ganaser started his career with the Administrative and Diplomatic Service of the Government where he served for 25 years. He spent 19 years in various divisions of the Ministry of Finance managing financial control, gaming licensing and regulatory compliance matters. His last posting prior to joining the Group was as Director with Ministry of Defence.





Wentworth Macquarie Hill
 CEO - CDI Corporation Sdn. Bhd.,
 New Zealander

Mr. Hill co-founded CDI Corporation Sdn. Bhd. ("CDI") in 2002 to develop gaming signage, 3-D gaming animations and slot machine contents for the Asian market.

He holds a Bachelor of Arts (Economics) and 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.

David Overton
 Operations Director - Phnom Penh region
 in Cambodia, British

Mr. Overton joined the Group in 2006 as Operations Director for the TSM in Phnom Penh region, Cambodia. He is responsible for the daily operational and management functions of the casinos, clubs and concession programs in Phnom Penh.

Prior to joining the Group, Mr. Overton was with IG Americas Mexico as Operations Director. He was responsible for slots operations (inclusive of slot operations and

player trend analysis) and participated in the development of new operations inclusive of planning for manpower, training and layout.

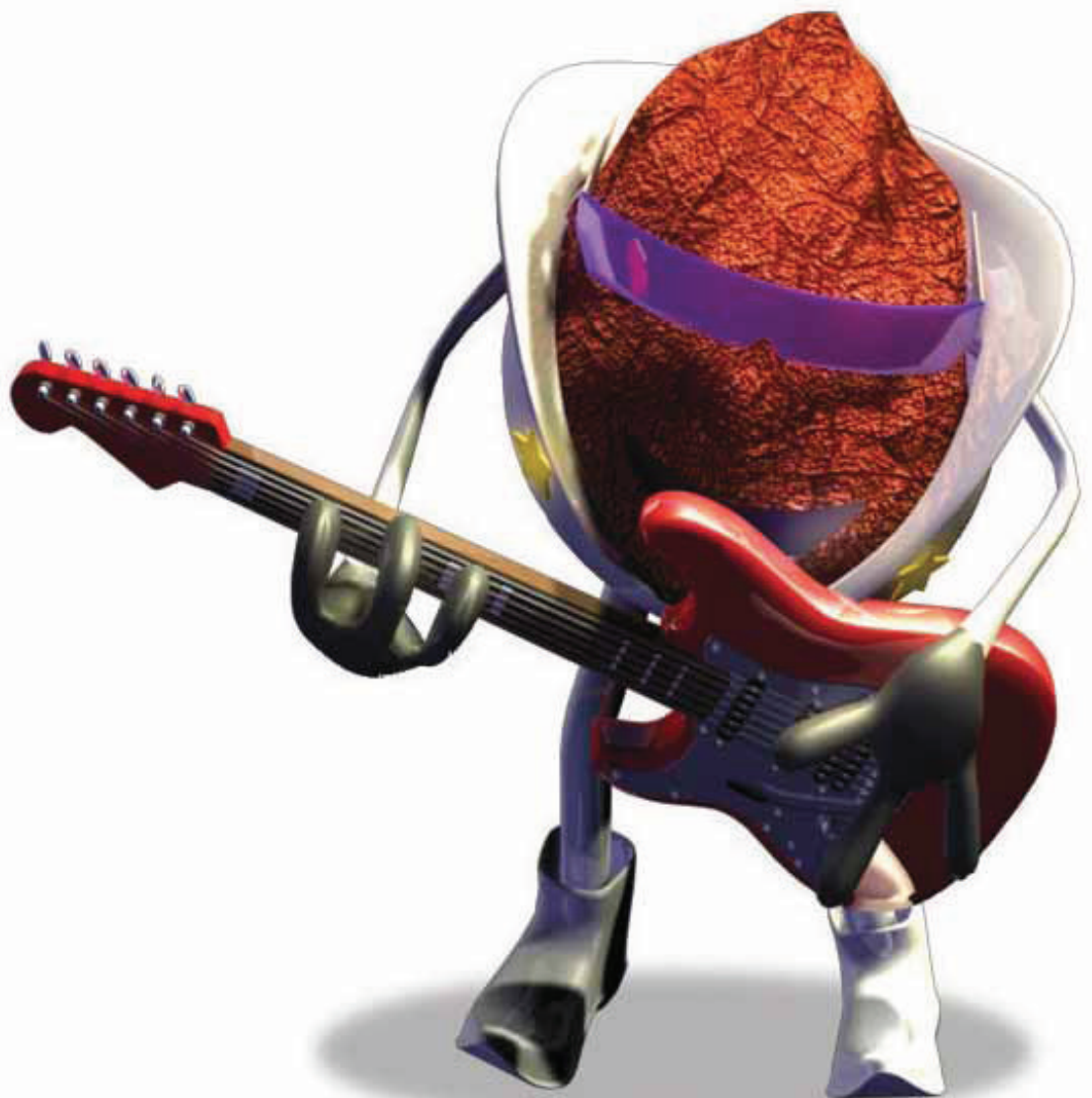
Earlier, he was with several major casino operators in Asia and South Africa where he gained more than 20 years of experience in the gaming industry covering slots operations analysis, sales and marketing as well as TSM.



RGB **G**AMES introduces

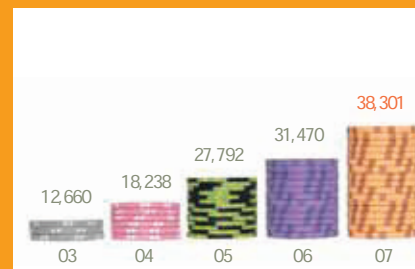
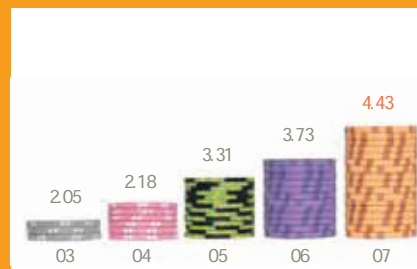
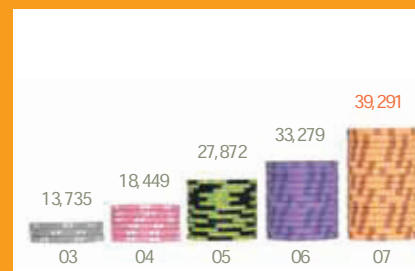
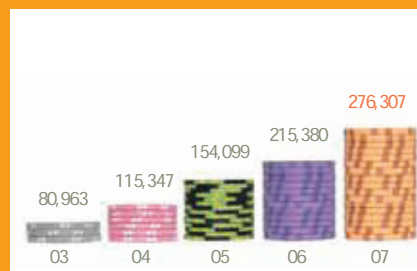
MR. HOT ROCK AND HIS LINK PROGRESSIVE

Bringing Excitement And
Fun To A New Level...



DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors of Dreamgate Corporation Bhd. ("DCB"), it gives me great pleasure to present to you the Annual Report and Financial Statements of your Company and the Group for the financial year ended 31 December 2007.



FINANCIAL HIGHLIGHTS

The Group continues to achieve strong growth in revenue and profits in the year ended 31 December 2007, as follows:

- Group revenue increased by 28% from RM215.38 million to RM276.31 million
- Profit before tax amounted to RM39.29 million, an 18% improvement over RM33.28 million achieved in the previous year
- Net profit increased by 22% from RM31.47 million last year to RM38.30 million in financial year 2007
- Earnings per share rose by 19% from 3.73 sen last year to 4.43 sen this year

LETTER TO SHAREHOLDERS



Dreamgate Corporation Berhad
(603831-K)

Always Having An Edge

Dreamgate Corporation Berhad ("DCB") has ventured into partnerships with several cutting-edge companies to enhance its standing as a premier gaming and equipment company that's deemed to further develop its business in the Asian gaming industry in future;

Awarded for
2006 KPMG SHAREHOLDER
VALUE AWARDS • Leisure Sector

Advertisement in conjunction with the 2006 KPMG Shareholder Value Awards- Leisure Sector

DIVIDEND

After due consideration of the financial position of the Group and future growth plans, the Board is recommending the payment of a first and final dividend, in respect of the fiscal year ended 31 December 2007, of 0.68 sen per ordinary share of 10 sen each which consists of 0.50 sen less 26% income tax and 0.18 sen tax exempt dividend.

AWARDS AND ACHIEVEMENTS

During the year, the Company was awarded the No. 2 position for the "KPMG/The Edge Shareholder Value Awards 2006 - Leisure Sector". This is a testimony to our commitment to create value for shareholders.



The Company was also the recipient of the Platinum Award under 1st Top 50 Enterprise Awards Malaysia 2007 organised by the Young Entrepreneurs' Association of Malaysia. The award was given in recognition of the Group's outstanding achievements and exponential growth and contributions to the economy.

Platinum Award under first Top 50 Enterprise Award Malaysia 2007



Introductory Circular: Transfer of listing to Main Board



Information Circular for the CP/MTN Notes program

CORPORATE DEVELOPMENT

On the corporate front, the year under review has indeed been eventful.

The Company obtained the approval of the Securities Commission to issue Commercial Papers and or Medium Term ("CP/MTN") Notes of up to RM200 million. It also increased its paid up share capital by 579,905,200 shares of 10 sen each by way of an issue of 2 bonus shares for every 1 share. As at 31 December 2007, the paid up share capital of the Company was RM87,164,660 comprising 871,646,600 shares of 10 sen each.

Subsequent to the year end, the listing of the Company's shares was transferred from the MESDAQ Market to the Main Board of the Bursa Malaysia Securities Berhad on 31 January 2008. This marks a significant milestone for the Group on its journey to be a significant player in the gaming and leisure industry in the region.

Relevant information on other key developments is highlighted under "Review of Operations" and "Calendar of Events 2007" in this Annual Report.

INDUSTRY TRENDS AND DEVELOPMENT PROSPECTS

The Asian gaming and leisure industry is expected to continue to attract significant investments particularly in Macau, Singapore and Philippines for ongoing and planned projects in the next few years. It is also very likely that there will be further liberalization of the gaming industry in other countries in the region in the near future.

In view of the foregoing, the Board is confident that the Group will continue to record positive results in the financial year ending 31 December 2008.

Technological advances in gaming hardware and software continues and the Group will ensure that adequate resources are made available to support research and development efforts.



Our manufacturing facility located in Prai, Penang



Opening of Mekong Hotel & Club in Cambodia

Although the Group now has strong presence in several countries in the region, it will need to remain very focused and disciplined to ensure that it stays one step ahead of the competition. At the same time, the Group's success as a trusted partner and leader in technical support and management services has attracted requests for it to participate in many ventures including related hospitality projects. The Board will rigorously scrutinize and vet all new investment potentials in gaming and leisure industries and if viable, develop these ventures for future growth. Many of the Group's investments in the past year are now coming on-stream and are expected to contribute to the Group's growth.

APPRECIATION

Our success to-date has been made possible only through the sustained efforts and dedication of all the executives and staff of the Group and to them I extend the Board's gratitude and appreciation.

On behalf of the Board, I wish to thank our shareholders, customers, business partners, bankers and the authorities for their continued strong support, trust and confidence in us. I would also like to thank personally my fellow Board members for their invaluable advice and support.

Finally, I wish to place on record our appreciation to Mr. Chng Hee Kok, our Independent Non-Executive Director, who resigned on 30 July 2007, for his contribution to the Company during his tenure of service.

MR. OOI TENG CHEW

Independent Non-Executive Chairman

22 April 2008

Penang



Interior view of our clubs





KABUKI

Experience Kabuki, Japan's heritage arts now transformed into a rocking slots game. Exciting story lines enhanced by vibrant colors and vigorous dancing will keep you mesmerized throughout where 3 or more "Tsuzumi Drums" trigger bonus spin for more excitement....

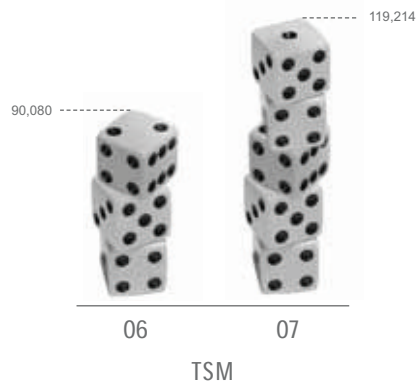
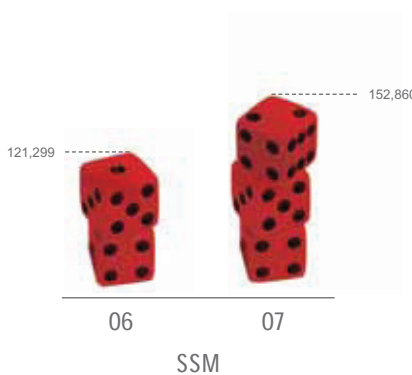


FELLOW SHAREHOLDERS,

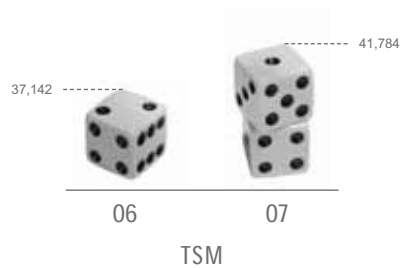
Dreamgate Corporation Bhd. ("DCB") continues to make progress and benefits from strategies implemented in previous years. We recorded another year of positive growth with revenue and net profit improving by 28% and 22% respectively. The Group remains committed to ensuring solid returns to shareholders by meeting its financial and corporate targets.

	FY 2006 RM 000	FY 2007 RM 000	% of change
Revenue			
SSM	121,299	152,860	26%
TSM	90,080	119,214	32%
Profit before tax			
SSM	9,348	15,769	69%
TSM	37,142	41,784	12%

Revenue



Profit before tax





Machines and games
from RGBGames



Our dedicated staff

The growth has been made possible by:

- Provision of strong customer support through dedicated offices at key locations across the region
- Availability of good mixture of machines and games
- Aggressive expansion of concession programs



TSM concession programs

The SSM division enjoyed approximately 33% growth in the number of gaming machines sold while the TSM division became one of the major and most successful concession program operators with approximately 6,000 units of machines deployed across Asia as at 31 December 2007.



Our staff at work

SALES & MARKETING ("SSM")

Continuous growth in the gaming industry regionally has increased demand and created opportunities for us to market products which have been generating good returns for the customers resulting in new and recurring orders. Our strategy of having dedicated offices in selected locations has enabled us to respond to customer demands in a timely manner thereby maximising financial returns for customers.



During the year, the Group continued to distribute products of various leading manufacturers including CRON Corporation (our associate company). Sales of RGBGames machines, however, were not encouraging due to late roll out of new games and concept to the market and robust competition.

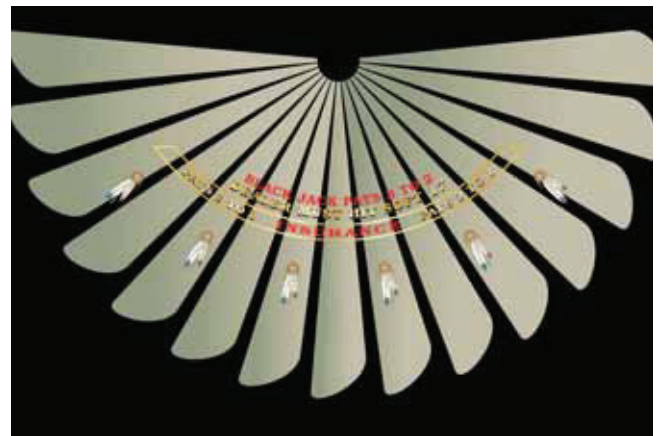


Selection of games from RGBGames featuring the Hot Rock Link Progressive



Staff working on table game layout in Prai factory

In anticipation of the industry trend to utilize synthetic rather than wool for table layouts, SSM introduced a synthetic layout manufactured by Sibel Products Inc. of USA during the year. This has enabled the Group to retain its clients who have reduced their orders for wool layouts manufactured at our Prai, Penang factory.



Sample of Sibel table game layout

SSM commenced marketing of products from our joint venture company, RGB Xtale Sdn. Bhd., towards the end of 2007 while products from the other joint venture company, RGB Abbiati Pte. Ltd., are expected to be marketed in 2008.

The Group was appointed distributor for USA based Wells Gardner Electronic Corp and its subsidiary, American Gaming & Electronics to market color video monitors and other related products in 2007.

The Group continues to create awareness for all its products through exhibition at two major regional expositions in Macau and the Philippines.

Our director at G2E Asia, Macau



Abbiati gaming tables, fine examples of exquisite craftsmanship and precision engineering

Our TSM concessions in Cambodia



TECHNICAL SUPPORT & MANAGEMENT ("TSM")

In 2007, TSM reported placement of an additional 2,200 units of machines throughout all locations of operations; an upsurge of 65% from 3,400 machines last year and participated in 21 new concession programs which opened for business during the year, bringing the total concession programs to 64. The Group has taken an equity interest in two new concessions, in Cambodia and commenced operations in Lao PDR with one new concession.

RESEARCH & DEVELOPMENT ("R&D")

The Group continued to place emphasis on R&D to stay abreast in this highly competitive and technology driven industry for both slot machines and table games.

The Malaysian R&D Center at its new premises in Penang became fully operational during the year. The Center is equipped with new hardware and software and has increased manpower to cope with the many development projects on hand.

In 2007, the R&D team developed the 9 reels and 15 reels games concept, and the Hot Rock Link Progressive and continued to improve on the in-house SmartLink system, a solution to facilitate a more efficient gaming floor management. The development of a web-based support application for all RGBGames which will enable real time access by our customers as well as our personnel, is currently in progress.



The R&D team at work



Ulti 32 game from RGBGames

TECHNOLOGY - Manufacturing Activities

The Group has two factories with total area of about 14,000 sq. ft. in operation in 2007. An additional factory with an area of 20,000 sq. ft., which was acquired in 2006, was renovated during the year and shall commence operations in May 2008.

These manufacturing facilities cater to production of layouts, assembly of RGBGames machines and repairs and refurbishment of used machines.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

The Board believes it should balance its pursuit of business objectives with strong support for the underprivileged communities in countries where we operate.

Details of the Group's CSR initiatives are shown under the heading of Corporate Social Responsibility 2007 in this Annual Report.

HUMAN CAPITAL DEVELOPMENT

Human capital development remains a priority for the Group. In 2007, we have promoted a number of executives to senior management positions and directorship in subsidiary and associate companies. These executives will play a significant part in our growth and succession plans.

Due to our rapid growth in this industry, we have a headcount of 415 staff at the end of 2007 as against 210 in 2006. The demand for qualified personnel to fill positions were met by the recruitment of expatriates from various countries. It is expected that the trend of hiring expatriates will continue in the future.

ANIMATION, GRAPHIC AND SIGNAGE

This division continues to meet its objectives of providing high quality and attractive signages for both casino operators and slot machine manufacturers.

PROSPECTS

The Asian gaming and leisure industry continues to grow at a rapid pace with the expansion of opportunities in many countries. The success of gaming and leisure activities in Macau has encouraged the Philippines to accelerate its development of the Bagong Nayong Pilipino-Manila Bay Integrated City, where approval has been given for 4 integrated resorts and casinos, and Thailand and Indonesia to consider liberalization of such industry in their respective countries.

In order to capture a bigger slice of the market, the Group has initiated plans to manufacture and market its products under the RGBGames brand and through brands of joint venture partners.

In line with our expansion and to meet the demands of mega casino operators, the Group will set up a full integrated and logistics services center, initially, in Singapore.

The Group will continue to consider forming strategic alliances with manufacturers seeking to set up manufacturing facilities in the region. It will also participate in equity interest in companies which have concession programs with the Group's TSM division.

Subsequent to the year end, the Group increased its equity interest in Chateau de Bavet Club Co., Ltd. from 40% to 60%. The construction of the club and casino is in progress and it is expected to open by this year end. The Group is currently considering investment proposals for similar projects in various countries.

We are committed to improving our leading position in the industry and expect to deliver another set of positive results for the coming year.

APPRECIATION

My sincere appreciation to the team at DCB Group for their support, commitment and hard work in delivering the results for 2007.

I am confident that our Group's business plans will be achieved with the support from a dedicated team.

DATUK CHUAH KIM SEAH, JP

Group Managing Director

22 April 2008
Penang

26 Jan

- a. We incorporated RGB (Cambodia) Ltd. to lead TSM activities in Cambodia.

16-17 Feb

- b. All Nippon Amusement Machine Operators' ("AOU") Show 2007

Our associate company, Cron Corporation, exhibited its latest and soon-to-be released games at this annual arcade exposition held in Chiba City, Japan.



- 21-23 Mar**
- c. Asia GEM - Gaming and Entertainment & Leisure Expo - Conference 2007

We rolled out latest games, products and technology from our strategic partnerships and our own RGBGames at this premier gaming exposition held at the World Trade Center, Manila, the Philippines.

15 Apr

- d. The first RGB Challenge Trophy 2007 kicked off at Penang Turf Club, Penang by the enthusiastic participation of 200 serious golfers. Donations to several charities were given out as part of our role as a caring corporate citizen.

20 Apr

- e. A representative office was set up in Ho Chi Minh City, Vietnam to meet our business needs in Vietnam.

8-11 May

- f. We were one of the select few invited to attend the Merrill Lynch : Pan Asia Rising Stars Conference held in Singapore.

14 May

- g. We formed RGB Abbiati Pte. Ltd. with a renowned casino products specialist from Italy to meet the growing demands for quality products in the casino business.

14 May

- h. A RM200 million Commercial Papers / Medium Term Notes was approved to finance our business expansion to the next level.

22 May

- i. The Group acquired a 20% stake in Rainbow World Club Ltd. which owned gaming license in Cambodia.

**9 Jun**

- j. The Group acquired a building in Cambodia as its operational headquarter to cater to tremendous growth spurts of its business activities.

13-14 Jun

- k. G2E Asia (Global Gaming Asia Expo)
We showcased our latest range of gaming machines and products at this major exposition on casino industry held at the Macau Tower Convention & Entertainment Centre, Macau.

15 Jun

- l. The Group incorporated a 70% owned subsidiary, Mekong Recreation Club Ltd. which owns and operates a high end hotel and club in Cambodia.

26 Jun

- m. Fourth Annual General Meeting
Extraordinary General Meeting
The shareholders approved all the resolutions proposed at the meetings convened at The Gurney Resort Hotel & Residences.



29 Jun

- n. The Group entered into a joint venture to form Chateau de Bavet Club Co., Ltd. ("Chateau") and formalised its stake of 40% at the end of the year.

Subsequent to year end, the Group increased its stake in Chateau to 60%.

23 Jul

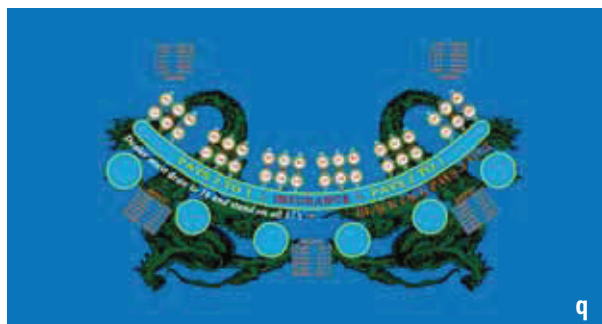
- o. The Group acquired a 25% stake in GoldenMac Ltd. which owned gaming license in Cambodia.

24 Aug

- p. The Group incorporated a jointly controlled company, Golden Beach Club Ltd. which owned gaming license in Cambodia.

4 Sep

- q. The Group entered into a joint venture agreement with Sibel Products Inc. for the establishment of a joint venture company called RGB Sibel International Sdn. Bhd.. The joint venture allowed the Group to produce synthetic table game layouts for the Asian casino markets.



Sample of Sibel gaming table layout

13-14 Sep

- r. Japan Amusement Machinery Manufacturers Association ("JAMMA") Show 2007

Our associate company, CRON Corporation participated at this annual JAMMA Show. We showcased the entire range of RGBGames machines and games such as Kabuki, Carmen the Flamenco, Ulti32 which featured the Hot Rock Link Progressive.

28 Sep

- s. Listing of DCB's 579,905,200 new ordinary shares, credited as fully paid up on the basis of two bonus shares for every one existing ordinary shares.



11 Oct

- t. The Group and its partner from UK subscribed for a 50% stake each in a company incorporated under the name of RGB Xtale Sdn. Bhd.. The participation would allow the Group to introduce the server based gaming concept and products in Asia.

24 Oct

- u. The Group acquired a 20% equity interest in Cash Box Entertainment Co., Ltd. which owned gaming license in Cambodia.

13 Nov

- v. The Group acquired a 20% equity interest in the Olympic Entertainment Co., Ltd. which owned gaming license in Cambodia.

20 Nov

- w. RGB Sdn. Bhd. was appointed the exclusive agent of Wells-Gardner Electronic Corporation, USA to provide technical services and distribute spare parts for the gaming and amusement industry in Asia.

26 Dec

- x. The Group incorporated an associate company, Dreamgate Holding Co., Ltd. as its investment and property holding vehicle in Cambodia.





2.



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2.

15 February

1. Visit by staff and donation-in-kind:
 - St. Joseph's Home, Penang
 - Rumah Sejahtera Bukit Mertajam, Penang
 - Relau Rumah Charis Bhd, Penang

07 April

2. National Rehabilitation Center - Special School in Lao PDR
- Visit by staff and business partners together with product donation

05 June

3. Convent Light Street
- Donation for Building Fund

17 October

4. Disabled Persons Center, Lao PDR
- Visit by Group Managing Director with contribution for handicapped soldiers

CARMEN THE FLAMENCO

Let Carmen, our Spanish beauty, introduce you to pulsating hot Spanish music and impassioned dancing... where 3 or more "Carmen" will award you with 10 or more free games



as at 31 December 2007

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	25	113	624,960	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	34	1,035.03	1,536,529	31 December 2002
3. No. 2018 Solok Perusahaan 3 Kawasan Perusahaan Perai 13600 Perai, Penang Malaysia	Land & Building	Factory	Leasehold - 99 years Expiring on 12 December 2074	34	1,109.71	1,377,791	-
Data Touch Sdn Bhd							
4. No. 8 Green Hall 10200 Penang Malaysia	Land & Building	Office	In Perpetuity	29	2,387.16	3,492,276	31 December 2002
Total						7,031,556	

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

LIST OF ASSOCIATE'S PROPERTIES

36 DREAMGATE CORPORATION BHD (603831-K)

as at 31 December 2007

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
Dreamgate Holding Co., Ltd.							
1. No. 87, Street 274 Samdach Preah Sihanouk Boulevard Sangkat Chaktomok Khan Daun Penh Phnom Penh Kingdom of Cambodia	Building & Club	Office	Freehold	7	480	5,300,000	29 May 2007
2. No. 13 & 14 Block C, E0, E1 Chantrea, Bavet Sway Rieng Kingdom of Cambodia	Shoplot	Office	Freehold	1	64	384,250	-
Total						5,684,250	

Utilisation Of Proceeds

The status of utilization of proceeds raised from the listing of DCB on the MESDAQ Market of Bursa Malaysia as at 31 March 2008 is as follows:

Purpose	Proposed	Actual	Expected
	Utilisation	Utilisation as at	Utilisation by
	RM 000	31 Mar 2008 RM 000	12 Jan 2009 RM 000
i. Purchase of plant and machinery	4,000	2,465	1,535
ii. Research & development	5,000	3,770	1,230
iii. Overseas expansion	15,000	15,000	-
iv. Regional trade mark registration	1,000	82	918
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	33,531	3,683

Share Buybacks

During the financial year, there were no share buybacks by the Company.

Options, Warrants Or Convertible Securities

The Company did not issue any options, warrants or convertible securities during the financial year ended 31 December 2007 other than the granting of options under the Employee Share Option Scheme ("ESOS") as disclosed in audited financial statements.

American Depository Receipt (ADR) Or Global Depository Receipt (GDR) Programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

Imposition Of Sanctions/Penalties

The Company is not aware of any sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies that have not been made public.

Non-audit Fees

During the year, non-audit fees amounting to RM409,900 were paid by the Company and its subsidiaries to the Company's external auditors and its affiliates as professional fees.

Profit Estimate, Forecast Or Projection

There was no variance between the results for the financial year and the unaudited results previously announced. The Company did not make any release on the profit estimate, forecast or projections for the financial year.

Profit Guarantees

During the year, there were no profit guarantees given by the Company.

Material Contracts

During the year, there were no material contracts of the Group involving the interests of major shareholders and/or directors.

Contract Relating To Loans

During the year, there were no contracts relating to loans entered into by the Group involving the interests of major shareholders and/or directors.

Revaluation Of Landed Properties

The Company does not have a revaluation policy on landed properties.

The Board of Directors ("the Board") of DCB Group is committed to maintaining high standards of corporate governance within the Group. The Group operates within a governance framework designed based on the recommendation of the Malaysian Code on Corporate Governance.

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

Principles Statement

The following Statement sets out how the Group has applied the Principles contained in Part 1 of the Code. The extent of the Group's compliance with the Best Practices set out in Part 2 of the Code is as stated in the Compliance Statement.

DIRECTORS

The role of the Board

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

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

- Review and sets the Group's strategic planning and direction and ensure that resources are available to meet its objectives
- Supervise the operations of the Group to evaluate whether established targets are achieved
- Identify principal risks and ensure the implementation of appropriate systems to manage these risks
- Developing and implementing an investor relations program or shareholder communications policy for DCB
- Establish the Group's core values, vision and mission and ensure that shareholders' interests are met
- Review the adequacy and the integrity of the Group's internal control systems including systems for compliance with applicable laws, regulations, rules, directives and guidelines

The Board of Directors

The Board currently comprised five (5) executive directors and two (2) independent non-executive directors. The Composition complied with the Code and the Bursa Malaysia Listing Requirements for Main Board in respect of board composition.

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

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

There is a clear division of responsibilities between the Independent Non-Executive Chairman and the Managing Director to ensure balance of power and authority and greater capacity for independent decision-making.

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

Board Meetings

The Board meets at least four (4) times a year, with additional meetings convened as necessary. Six (6) meetings were convened during the financial year ended 31 December 2007. Details of the attendance of the Directors at the meetings are as follows:

Directors	Attendance
Ooi Teng Chew	6/6
Datuk Chuah Kim Seah, JP	6/6
Mazlan Bin Ismail	6/6
Chuah Kim Chiew	6/6
Steven Lim Tow Boon	6/6
Wong Chee Fai	5/6
Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.	6/6
Chng Hee Kok (resigned on 30 July 2007)	3/3

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.

Supply of information

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

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

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

The Directors have unrestricted access to the advice and services of Company 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.

Appointment to the Board

The Nomination Committee is responsible for making recommendation for any appointments to the Board.

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.

Directors' Training

All Directors have attended at least one (1) relevant training programme during the financial year ended 31 December 2007. 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.

Board Committee

As part of its efforts to ensure the effective discharge of its duties, the Board has delegated certain functions to certain Committees, namely the Nomination Committee, Remuneration Committee, Employee Share Option Scheme ("ESOS") Committee and Audit Committee with 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:

Audit Committee

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

Nomination Committee

Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T., Chairman
Ooi Teng Chew

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, two (2) meetings were held. Details of the attendance of the members at the Nomination Committee meetings are as follows:

Members	Attendance
Dato' Mahinder Singh Dulku, D.S.P.N, P.K.T.	2/2
Ooi Teng Chew	2/2
Chng Hee Kok (resigned on 30 July 2007)	1/1

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

- a) candidates for appointment to the Board ;
- b) size of the Board and the impact of the number upon its effectiveness;
- c) balance of Executive and Non-Executive Directors (including Independent Directors) with an aim of achieving a balance of views on the Board;
- d) required mix of skills and experience and other qualities, including core competencies of the members of the Board;
- e) contribution of each individual Director, the effectiveness of the Board as a whole and the committees of the Board.

Remuneration Committee

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

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 is sufficient to attract, retain and motivate Directors of caliber needed to run the Group successfully. Directors abstained 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, three (3) meetings were held. Details of the attendance of the members at the Remuneration Committee Meetings are as follows:

Members	Attendance
Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.	3/3
Ooi Teng Chew	3/3
Datuk Chuah Kim Seah, JP	2/3
Chng Hee Kok (resigned on 30 July 2007)	1/1

ESOS Committee

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

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 2007, two (2) meetings were held. Details of attendance of the members at the ESOS Committee Meetings are as follows:

Members	Attendance
Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.	2/2
Ooi Teng Chew	2/2
Datuk Chuah Kim Seah, JP	2/2
Mazlan bin Ismail	2/2
Chng Hee Kok (resigned on 30 July 2007)	2/2

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 2007 are as follows:

Directors	Salaries/Other Emoluments (RM)	Fees (RM)	Share Options Granted Under ESOS	Total (RM)
Executive	1,496,608	-	-	1,496,608
Non-Executives	30,000	176,000	-	206,000

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

Remuneration bands	No. of Directors	
	Executive	Non-Executive
Below RM50,000	-	1
RM50,001 - RM100,000	-	2
RM100,001 - RM150,000	1	-
RM200,001 - RM250,000	2	-
RM350,001 - RM400,000	1	-
RM550,001 - RM600,000	1	-

SHAREHOLDERS

Communication with Shareholders and Investors

The Group recognises the importance of being accountable to its shareholders and investors and as such has maintained active communication and feedback policy with institutional investors, shareholders and public generally to explain the Group's strategy, performance and major developments. 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 Group's latest announcements via the Bursa Malaysia's website at www.bursamalaysia.com. In addition, the Company has also established a website at www.dreamgatecorp.com to which shareholders can access for up to date information.

Dato' Mahinder is the Senior Independent Non-Executive Director to whom concerns regarding the Group may be conveyed.

The Annual General Meeting ("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.

The Group normally conducts a press conference immediately after the meeting to address media queries on the Group's financial performance and operations to-date.

Whilst the Company will ensure that comprehensive information are made available to shareholders, all such release of information will be made within the ambit of the legal and regulatory requirements that govern the release of sensitive and material information. No single shareholder or shareholder group will be given information that are regarded as undisclosed.

Dialogues and briefings on the Group's strategies, performance and major development are held with various research and investment analysts. These communications enable investors to have updated information and better appreciation and clarity of the Group's performance.

ACCOUNTABILITY AND AUDIT

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.

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 2007, the Directors are satisfied that the Group had used appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgment and estimates.

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 as set out in this Annual Report provides an overview of the state of internal control of the Group.

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 under the Audit Committee Report of this Annual Report.

Compliance Statement

The Company has complied, throughout the financial year ended 31 December 2007, with the all the Best Practices of corporate governance set out in Part 2 to the Code except for the following:

The revised Code requires the Audit Committee to comprise fully non-executive directors, majority of whom are independent. Presently, the Audit Committee is made up of two non-executive directors and one executive director. The Board takes cognizance of the membership requirement of the Audit Committee under the revised Code and the transitional period allowed under the amendments of the Listing Requirements and will take measures to comply in due course.

This statement is issued in accordance with a resolution of the directors dated 22 April 2008.

MEMBERS

Ooi Teng Chew, Chairman
Independent Non-Executive Director

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

Mazlan Bin Ismail
Executive Director

Secretaries of the Audit Committee

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

The Committee is governed by the following terms of reference:

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 who are financial literate, a majority of whom are Independent Non-Executive Directors. The Chairman of the Committee shall be an Independent Non-Executive Director appointed by the Board. In the event of any vacancy in the Committee, the Board must within three (3) months, appoint such number of new members as may be required to make up the minimum of three (3) members. The 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.

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

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

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 and with senior management of the Group and shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary. If the Committee is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Listing Requirements the Committee shall promptly report such matter to Bursa Malaysia.

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 the Board's principal agent in assuring the independence of the Company's external auditors, the integrity of the management and the adequacy of disclosures to shareholders.

DUTIES

The duties of the Committee are:

- a) to review with the external and internal auditors whether the employees of the Group and the Company have given them the appropriate assistance in discharging their duties;
- b) to review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- c) to 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 :
 - i. changes in or implementation of major accounting policies;
 - ii. significant adjustments and unusual events;
 - iii. the going concern assumption; and
 - iv. compliance with accounting standards and other legal requirements;
- 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 audit report, the nature and scope of their audit plan and their evaluation of the system of internal 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 ESOS Scheme; and
- o) to perform any other functions as authorised by the Board.

MEETINGS

The Committee is to meet at least four (4) times a year and as many times as the Committee deems necessary with due notice of issues to be discussed sent to all members. A quorum of two (2) members, of which the majority of members present must be Independent Non-Executive Directors, is required for all meetings.

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

The Group Finance Director 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 and also the management staff.

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.

Attendance of Meetings

For the financial year ended 31 December 2007, a total of six (6) Audit Committee Meetings were held, details of which are as follows:

Members	Attendance
Ooi Teng Chew	6/6
Dato' Mahinder Singh Dulku	6/6
Mazlan Bin Ismail	6/6
Chng Hee Kok (resigned on 30 July 2007)	3/3

SUMMARY OF ACTIVITIES

The main activities undertaken by the Committee for the financial year ended 31 December 2007 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 Malaysia;
- b) Reviewed the internal audit plan, its scope of work, functions, competency and resources and that it has the necessary authority to carry out its work;
- 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 is, inter-alia, to ensure compliance with the provisions of the Companies Act, 1965, Listing Requirements of Bursa Malaysia, 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.

INTERNAL AUDIT FUNCTION

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

STATEMENT BY AUDIT COMMITTEE IN RELATION TO ESOS ALLOCATION

Pursuant to Para 8.21A of the Listing Requirements of Bursa Malaysia, the Audit Committee verified and confirmed that the allocation of options to eligible employees during the financial year ended 31 December 2007 has been made in accordance with the allocation criteria of the scheme.

A breakdown of the options offered to and exercised by the Directors, if any, pursuant to the ESOS in respect of the financial year is disclosed in the audited financial statements.

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 of Dreamgate Corporation Bhd 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. Because of 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 to, and maintained at, a level acceptable to the Board.

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. Scheduled internal audits are carried out by the internal auditors based on their 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.

KEY ELEMENTS OF 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.

Based on the internal auditors' report for the financial year ended 31 December 2007, 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 by the Board in accordance with a resolution of the directors dated 22 April 2008.

Share Capital

Authorised	: RM150,000,000
Issued and fully paid up	: RM87,204,470
Class of Shares	: Ordinary Shares of RM0.10 each
Voting Rights	: One Vote per Ordinary Share

Distribution of Shareholdings

Size of holdings	No. of Holders	% of Holders	No. of Shares	%
1 - 99	7	0.13	196	-
100 - 1,000	143	2.54	110,120	0.01
1,001 - 10,000	2,962	52.61	16,465,275	1.89
10,001 -100,000	2,175	38.63	70,042,045	8.03
100,001 - 43,602,234(*)	339	6.02	302,840,158	34.73
43,602,235 and above(**)	4	0.07	482,586,906	55.34
Total	5,630	100.00	872,044,700	100.00

Remarks :

- * Less than 5% of issued shares
 ** 5% and above of issued shares

Substantial Shareholders holding 5% or more in the share capital

Name	< ————— Direct Interest ————— >		< ————— Indirect Interest ————— >	
	No. of Shares	%	No. of Shares	%
Datuk Chuah Kim Seah, JP	336,648,090	38.60	1,603,800 ^(a)	0.18
Gerak Juara Sdn Bhd	162,031,986	18.58	-	-
Mazlan Bin Ismail	1,740,000	0.20	162,031,986 ^(b)	18.58
Ahmad Anwar Bin Mohd Nor	-	-	162,031,986 ^(b)	18.58

Note:

- (a) Deemed interested by virtue of holding more than 15% in the shares of RGB (Sabah) Sdn Bhd and Manju Sdn Bhd.
 (b) Deemed interested by virtue of holding more than 15% in the shares of Gerak Juara Sdn Bhd.

as at 2 April 2008

Directors' Interests in the ordinary shares of the Company and related Companies

	< ——— Direct Interest ——— >		< ——— Indirect Interest ——— >	
	No. of Shares	%	No. of Shares	%
The Company				
Datuk Chuah Kim Seah, JP	336,648,090	38.60	1,623,800 ^(b)	0.19
Mazlan Bin Ismail	1,740,000	0.20	162,031,986 ^(c)	18.58
Chuah Kim Chiew	26,764,194	3.07	1,603,800 ^(d)	0.18
Lim Tow Boon	5,434,500	0.62	-	-
Wong Chee Fai	4,500,000 ^(a)	0.52	-	-
Ooi Teng Chew	300,000	0.03	-	-
Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.	140,000	0.02	-	-

RGB (Macau) Limited

Lim Tow Boon	1	4	-	-
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(a) Inclusive of 4,200,000 ordinary shares held through Alliancegroup Nominees (Tempatan) Sdn. Bhd.

(b) Deemed interested by virtue of holding more than 15% in the shares of RGB (Sabah) Sdn Bhd and Manju Sdn Bhd. and 20,000 ordinary shares held by his spouse, Datin Tan Soo Kim

(c) Deemed interested by virtue of holding more than 15% in the shares of Gerak Juara Sdn Bhd.

(d) Deemed interested by virtue of holding more than 15% in the shares of RGB (Sabah) Sdn Bhd and Manju Sdn Bhd.

By virtue of their interests in the shares of the Company, Datuk Chuah Kim Seah, JP and En. Mazlan Bin Ismail are also deemed to have an interest in the shares of the subsidiary companies to the extent the Company has an interest.

Directors' Interests in the Employee Share Option Scheme

Name	Balance of Options Unexercised (c/f)
Chuah Kim Chiew	3,600,000
Lim Tow Boon	1,050,000
Wong Chee Fai	3,600,000
Ooi Teng Chew	2,400,000
Dato' Mahinder Singh Dulku D.S.P.N., P.K.T.	1,800,000

The Employee Share Option Scheme was established on 19 October 2005 and will be in force for 5 years from the date of implementation.

No.	Name	No. of Shares	%
1	Gerak Juara Sdn Bhd	145,938,816	16.74
2	Chuah Kim Seah	116,587,830	13.37
3	Chuah Kim Seah	110,153,430	12.63
4	Chuah Kim Seah	109,906,830	12.60
5	HSBC Nominees (Asing) Sdn Bhd BBH and Co. Boston for Smaller Companies Portfolio (GEMOFL)	33,757,680	3.87
6	Chuah Kim Chiew	26,764,194	3.07
7	Gerak Juara Sdn Bhd	16,093,170	1.85
8	Goh Sin Tien	13,869,000	1.59
9	Citigroup Nominees (Asing) Sdn Bhd Exempt an for American International Assurance Company Limited	12,928,700	1.48
10	HSBC Nominees (Asing) Sdn Bhd Exempt an for JPMorgan Chase Bank, National Association (Jersey)	12,571,020	1.44
11	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund IE1B for Van ECK Emerging Markets Fund	10,695,000	1.23
12	AMSEC Nominees (Tempatan) Sdn Bhd AmTrustee Berhad for Pacific Pearl Fund (JT-PM-PPF)	10,690,900	1.23
13	Citigroup Nominees (Asing) Sdn Bhd GSCO for Truffle Hound Global Value LLC	7,884,000	0.90
14	HSBC Nominees (Asing) Sdn Bhd Exempt an for Morgan Stanley & Co. Incorporated	6,332,900	0.73
15	Chuah Seong Whan	5,851,125	0.67
16	Lim Tow Boon	5,434,500	0.62
17	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Chee Fai (100579)	4,200,000	0.48
18	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for HwangDBS Select Opportunity Fund (3969)	3,709,000	0.43
19	Teng Whye Lok	3,323,400	0.38
20	Yii Yeang Ping	3,006,000	0.34
21	First Genesis Sdn Bhd	3,000,000	0.34
22	HSBC Nominees (Asing) Sdn Bhd TNTC for DBS Malaysia Equity Fund	3,000,000	0.34
23	Mercsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Piramid Tulin Sdn Bhd	2,950,000	0.34
24	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pacific Focus 18 Fund (5071-401)	2,906,700	0.33
25	BHLB Trustee Berhad Pacific Income Fund	2,766,400	0.32
26	BHLB Trustee Berhad Pacific Recovery Fund	2,719,800	0.31
27	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	2,386,200	0.27
28	Kam Chooi Suan	2,345,100	0.27
29	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Yoke Fong @ Wong Nyok Fing (M09)	2,336,000	0.27
30	Ung Chi Fong	1,961,400	0.22
		686,069,095	78.66

GAME ID. P052

Gaming Labs Certified



The advertisement features a central illustration of a smiling jester with a red hat and white ruffled collar, surrounded by playing cards. The cards shown include a 10 of spades, Jack of hearts, Queen of diamonds, King of clubs, Ace of spades, Ace of diamonds, and Ace of hearts. A separate card labeled 'JOKER WILD' shows the jester's face. The text 'PREMIER POKER' is written in a stylized font with a diamond symbol between the words. Below it, 'THE NEW STANDARD' is written in a smaller font. The main title 'JOKER'S WILD' is in large, colorful letters with a pink and yellow gradient. At the bottom, a yellow banner reads '4 & 5 OF A KIND BONUS'. The RGG Games logo is in the bottom right corner.

PREMIER POKER

THE NEW STANDARD

JOKER'S WILD

4 & 5 OF A KIND BONUS

RGG GAMES

Joker's Wild 4 & 5 of A Kind Bonus is the hottest video Poker in town!

Directors' Report and Audited Financial Statements

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 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are set out in Note 15 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year except for the involvement in gaming and leisure activities as disclosed in Note 15 to the financial statements.

RESULTS

	GROUP RM	COMPANY RM
Profit for the year attributable to equity holders of the Company	38,300,969	26,324,026

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 as disclosed in the financial statements.

DIVIDENDS

The amount of dividend paid by the Company since 31 December 2006 was as follows:

	RM
In respect of the financial year ended 31 December 2006 as reported in the directors' report of that year:	
First and final tax exempt dividend of 12.41% on 289,339,700 ordinary shares, approved on 26 June 2007 and paid on 28 August 2007	3,590,705

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 31 December 2007, of non-tax exempt dividend of 5% less 26% taxation and tax exempt dividend of 1.8% 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 2008.

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
 Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.
 Chng Hee Kok (resigned on 30 July 2007)

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 37 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:

	< ————— Number of Ordinary Shares of RM0.10 Each ————— >				
	1 January 2007	Acquired	Bonus Issue	Sold	31 December 2007
The Company					
Direct interest:					
Ooi Teng Chew	50,000	50,000	200,000	-	300,000
Datuk Chuah Kim Seah, JP	110,823,830	1,320,000	224,287,660	-	336,431,490
Mazlan Bin Ismail	-	1,200,000	1,160,000	(620,000)	1,740,000
Chuah Kim Chiew	8,921,398	-	17,842,796	-	26,764,194
Lim Tow Boon	2,307,000	600,000	3,623,000	(1,095,500)	5,434,500
Wong Chee Fai	1,550,000	50,000	3,000,000	(100,000)	4,500,000
Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.	-	300,000	507,800	(667,800)	140,000
Indirect interest:					
Datuk Chuah Kim Seah, JP	534,600	-	1,069,200	-	1,603,800
Mazlan Bin Ismail	54,010,662	-	108,021,324	-	162,031,986
Chuah Kim Chiew	534,600	-	1,069,200	-	1,603,800

DIRECTORS' INTERESTS (CONTD.)

	< — Number of Ordinary Shares of MOP1,000 Each — >			
	1 January	Acquired	Sold	31 December
	2007			2007
Subsidiary				
- RGB (Macau) Limited				
Direct interest:				
Lim Tow Boon	1	-	-	1

	< — Number of Options Over Ordinary Shares of RM0.10 Each — >				
	1 January	Granted	Bonus Issue	Exercised	31 December
	2007				2007
The Company					
Ooi Teng Chew	850,000	-	1,600,000	(50,000)	2,400,000
Datuk Chuah Kim Seah, JP	1,320,000	-	-	(1,320,000)	-
Mazlan Bin Ismail	1,200,000	-	-	(1,200,000)	-
Chuah Kim Chiew	1,200,000	-	2,400,000	-	3,600,000
Lim Tow Boon	950,000	-	700,000	(600,000)	1,050,000
Wong Chee Fai	1,200,000	-	2,400,000	-	3,600,000
Dato' Mahinder Singh Dulku, D.S.P.N, P.K.T.	900,000	-	1,200,000	(300,000)	1,800,000

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.

ISSUE OF SHARES

During the financial year, the Company increased its:

- (a) authorised ordinary share capital from RM50,000,000 to RM150,000,000 through the creation of 1,000,000,000 ordinary shares of RM0.10 each; and
- (b) issued and paid-up ordinary share capital from RM28,254,500 to RM87,164,660 by way of:
 - (i) the issuance of 7,407,600 ordinary shares of RM0.10 each for cash pursuant to the Company's Employee Share Options Scheme, before bonus issue, at a weighted average exercise price of RM1.10 per ordinary share; and
 - (ii) the bonus issue of 579,905,200 ordinary shares of RM0.10 each credited as fully paid up on 27 September 2007 on the basis of two bonus shares for every one existing ordinary share held; and
 - (iii) the issuance of 1,788,800 ordinary shares of RM0.10 each for cash pursuant to the Company's Employee Share Options Scheme, after bonus issue, at a weighted average exercise price of RM0.37 per ordinary share.

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.

The salient features and other terms of the ESOS are disclosed in Note 30 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.

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 there were no known bad debts 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) it necessary to write off any 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.
- (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.

OTHER STATUTORY INFORMATION (CONTD.)

- (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 42 to the financial statements.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 42 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 22 April 2008.

DATUK CHUAH KIM SEAH, JP

MAZLAN BIN ISMAIL

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 130 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2007 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 22 April 2008.

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 130 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 22 April 2008 :

DATUK CHUAH KIM SEAH, JP

Before me,

Commissioner for Oaths

TO THE MEMBERS OF DREAMGATE CORPORATION BHD.

We have audited the financial statements set out on pages 65 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 Financial Reporting Standards in Malaysia 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 2007 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.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 15 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. 1748/01/10(J)
Partner

Penang, Malaysia
Date: 22 April 2008

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	GROUP		COMPANY	
		2007 RM	2006 RM	2007 RM	2006 RM
Revenue	3	276,306,540	215,380,288	33,439,860	5,896,840
Cost of sales	4	(186,126,405)	(149,195,703)	-	-
Gross profit		90,180,135	66,184,585	33,439,860	5,896,840
Other income	5	1,627,857	409,187	1,787,018	601,708
Administrative expenses		(39,034,364)	(22,229,307)	(3,143,255)	(2,733,817)
Selling and marketing expenses		(4,978,450)	(4,570,150)	-	-
Other expenses, net		(956,599)	(2,134,603)	(2,598,498)	(149,127)
Operating profit		46,838,579	37,659,712	29,485,125	3,615,604
Finance costs	6	(6,944,382)	(5,050,377)	(1,851,335)	(201)
Share of profit of jointly controlled entities		106,236	-	-	-
Share of (loss)/profit of associates		(709,635)	669,811	-	-
Profit before tax	7	39,290,798	33,279,146	27,633,790	3,615,403
Income tax expense	10	(977,184)	(1,808,918)	(1,309,764)	32,012
Profit for the year		38,313,614	31,470,228	26,324,026	3,647,415
Attributable to:					
Equity holders of the Company		38,300,969	31,470,228	26,324,026	3,647,415
Minority interests		12,645	-	-	-
		38,313,614	31,470,228	26,324,026	3,647,415
Earnings per share attributable to equity holders of the Company:		Sen	Sen		
			(restated, Note 11)		
Basic, for profit for the year	11(a)	4.43	3.73		
Diluted, for profit for the year	11(b)	4.34	3.67		

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

AS AT 31 DECEMBER 2007

	Note	GROUP		COMPANY	
		2007 RM	2006 RM (restated, Note 2.3(b))	2007 RM	2006 RM
ASSETS					
Non-current assets					
Property, plant and equipment	13	203,608,076	135,655,654	53,163	53,132
Prepaid land lease payments	14	1,421,877	727,222	-	-
Investments in subsidiaries	15	-	-	44,348,530	43,149,212
Investments in jointly controlled entities	16	1,592,374	-	232,651	-
Investments in associates	17	3,860,051	1,273,660	-	-
Other investment	18	4,000	4,000	-	-
Development costs	19	1,749,380	898,826	-	-
Long term lease receivables	22	4,803,921	7,091,097	-	-
Other receivables	23	714,790	2,148,162	-	-
		217,754,469	147,798,621	44,634,344	43,202,344
Current assets					
Inventories	20	7,445,756	11,491,381	-	-
Trade receivables	21	103,257,295	87,591,996	-	-
Short term lease receivables	22	1,921,094	1,921,094	-	-
Other receivables	23	20,213,264	10,849,455	51,191	178,107
Tax recoverable		490,041	360,882	318,049	99,478
Due from subsidiaries	24	-	-	120,124,971	17,407,410
Due from jointly controlled entities	25	246,464	-	55,646	-
Due from associates	26	8,361,034	2,376,330	-	-
Deposits with licensed banks	27	7,936,989	4,793,449	5,606,935	2,464,181
Cash and bank balances		35,000,470	16,782,183	3,415,658	248,835
		184,872,407	136,166,770	129,572,450	20,398,011
TOTAL ASSETS		402,626,876	283,965,391	174,206,794	63,600,355

AS AT 31 DECEMBER 2007

	Note	GROUP		COMPANY	
		2007 RM	2006 RM (restated, Note 2.3(b))	2007 RM	2006 RM
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	28	87,164,660	28,254,500	87,164,660	28,254,500
Share premium	28	651,084	30,594,229	651,084	30,594,229
Foreign exchange translation reserve	29	(13,729,662)	(6,419,359)	-	-
Share option reserve	29	2,998,027	3,042,913	3,030,955	3,042,913
Retained earnings	31	98,875,108	83,226,609	3,721,203	49,647
		175,959,217	138,698,892	94,567,902	61,941,289
Minority interests		50,724	-	-	-
Total equity		176,009,941	138,698,892	94,567,902	61,941,289
Non-current liabilities					
Borrowings	32	41,448,441	43,918,422	-	-
Deferred tax liabilities	34	634,307	714,594	-	-
		42,082,748	44,633,016	-	-
Current liabilities					
Borrowings	32	99,381,498	24,330,556	79,266,562	-
Trade payables	35	69,209,324	57,032,679	-	-
Other payables	36	14,612,481	16,709,415	372,330	475,233
Due to jointly controlled entities	25	585,780	-	-	-
Tax payable		745,104	2,560,833	-	1,183,833
		184,534,187	100,633,483	79,638,892	1,659,066
Total liabilities		226,616,935	145,266,499	79,638,892	1,659,066
TOTAL EQUITY AND LIABILITIES		402,626,876	283,965,391	174,206,794	63,600,355

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

STATEMENTS OF CHANGES IN EQUITY

66 DREAMGATE CORPORATION BHD (603831-K)

FOR THE YEAR ENDED 31 DECEMBER 2007

GROUP	Note	< ———— Attributable to Equity Holders of the Company ———— >					
		< ———— Non-distributable ———— >			Distributable		
		Share Capital RM	Share Premium RM	Foreign Currency Translation Reserve RM	Share Option Reserve RM	Retained Earnings RM	Total Equity RM
At 1 January 2006		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		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

FOR THE YEAR ENDED 31 DECEMBER 2007

GROUP	Note	< ——— Attributable to Equity Holders of the Company ——— >							Minority Interests RM	Total Equity RM
		Share Capital RM	Share Premium RM	Foreign Currency Translation Reserve RM	Share Option Reserve RM	Retained Earnings RM	Total RM	Distributable		
At 1 January 2007		28,254,500	30,594,229	(6,419,359)	3,042,913	83,226,609	138,698,892	-	138,698,892	
Foreign currency translation:										
Group		-	-	(7,155,424)	-	-	(7,155,424)	-	(7,155,424)	
Jointly controlled entities		-	-	(3,315)	-	-	(3,315)	-	(3,315)	
Associates		-	-	(151,564)	-	-	(151,564)	-	(151,564)	
Net expense recognised directly in equity		-	-	(7,310,303)	-	-	(7,310,303)	-	(7,310,303)	
Profit for the year		-	-	-	-	38,300,969	38,300,969	12,645	38,313,614	
Total recognised income and expense for the year		-	-	(7,310,303)	-	38,300,969	30,990,666	12,645	31,003,311	
Dividend	12	-	-	-	-	(3,590,705)	(3,590,705)	-	(3,590,705)	
Issue of ordinary shares pursuant to ESOS before bonus issue		740,760	8,334,526	-	(937,349)	-	8,137,937	-	8,137,937	
Issue of bonus shares		57,990,520	(38,928,755)	-	-	(19,061,765)	-	-	-	
Issue of ordinary shares pursuant to ESOS after bonus issue		178,880	651,084	-	(175,907)	-	654,057	-	654,057	
Share options granted under ESOS		-	-	-	1,068,370	-	1,068,370	32,928	1,101,298	
Subscription of ordinary shares by minority interests in a subsidiary		-	-	-	-	-	-	5,151	5,151	
At 31 December 2007		87,164,660	651,084	(13,729,662)	2,998,027	98,875,108	175,959,217	50,724	176,009,941	

STATEMENTS OF CHANGES IN EQUITY

68 DREAMGATE CORPORATION BHD (603831-K)

FOR THE YEAR ENDED 31 DECEMBER 2007

COMPANY	Note	< – Non-distributable – >			Distributable	Total Equity RM
		Share Capital RM	Share Premium RM	Share Option Reserve RM	Retained Earnings RM	
At 1 January 2006		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
At 1 January 2007		28,254,500	30,594,229	3,042,913	49,647	61,941,289
Profit for the year, representing total recognised income and expense for the year		-	-	-	26,324,026	26,324,026
Dividend	12	-	-	-	(3,590,705)	(3,590,705)
Issue of ordinary shares pursuant to ESOS before bonus issue		740,760	8,334,526	(937,349)	-	8,137,937
Issue of bonus shares		57,990,520	(38,928,755)	-	(19,061,765)	-
Issue of ordinary shares pursuant to ESOS after bonus issue		178,880	651,084	(175,907)	-	654,057
Share options granted under ESOS:						
Recognised in profit or loss		-	-	(98,020)	-	(98,020)
Included in investments in subsidiaries		-	-	1,199,318	-	1,199,318
At 31 December 2007		87,164,660	651,084	3,030,955	3,721,203	94,567,902

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

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	GROUP		COMPANY	
		2007 RM	2006 RM (restated, Note 2.3(b))	2007 RM	2006 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		39,290,798	33,279,146	27,633,790	3,615,403
Adjustments for:					
Dividend income	3	-	-	(33,439,860)	(5,896,840)
Gain on disposal of other investment	5	-	(996)	-	(996)
Interest income	5	(1,421,172)	(360,912)	(1,785,272)	(597,949)
Interest expense	6	6,620,487	4,877,044	1,832,873	-
Loss/(Gain) on disposal of property, plant and equipment	7	11,046	(49,098)	-	17
Amortisation of development costs	7	288,387	142,861	-	-
Amortisation of prepaid land lease payments	7	20,345	10,695	-	-
Depreciation of property, plant and equipment	7	41,008,814	31,218,924	16,242	12,486
Impairment of property, plant and equipment	7	286,786	-	-	-
Property, plant and equipment written off	7	609,362	728,901	-	-
Provision for doubtful debts	7	5,092,110	324,286	-	-
Reversal of provision for doubtful debts	7	-	(153,444)	-	-
Bad debts recovered	7	(44,725)	-	-	-
Write-down of inventories	7	1,605,457	786,767	-	-
Share options granted under ESOS		1,101,298	2,853,281	(98,020)	518,367
Share of profit of jointly controlled entities		(106,236)	-	-	-
Share of loss/(profit) of associates		709,635	(669,811)	-	-
Operating profit/(loss) before working capital changes		95,072,392	72,987,644	(5,840,247)	(2,349,512)
Decrease in inventories		2,440,168	2,840,856	-	-
(Increase)/Decrease in short term receivables		(30,076,493)	(19,005,690)	126,916	61,816
Decrease/(Increase) in lease receivables		2,287,176	(4,999,118)	-	-
Decrease/(Increase) in long term receivables		1,433,372	(1,471,785)	-	-
Increase in amount due from subsidiaries		-	-	(103,399,495)	(4,130,950)
Increase in amount due from jointly controlled entities		(246,464)	-	(55,646)	-
(Increase)/Decrease in amount due from an associate		(5,984,704)	506,461	-	-
Increase/(Decrease) in payables		10,079,711	2,187,209	(102,903)	151,042
Increase in amount due to jointly controlled entities		585,780	-	-	-
Cash generated from/(used in) operations		75,590,938	53,045,577	(109,271,375)	(6,267,604)
Interest paid		(5,727,267)	(4,890,313)	(939,653)	-
Taxes paid		(3,002,359)	(693,716)	(1,227,168)	(673,717)
Taxes refunded		-	587,526	-	-
Net cash generated from/(used in) operating activities		66,861,312	48,049,074	(111,438,196)	(6,941,321)

CASH FLOW STATEMENTS

70 DREAMGATE CORPORATION BHD (603831-K)

FOR THE YEAR ENDED 31 DECEMBER 2007

	GROUP		COMPANY	
	2007 RM	2006 RM (restated, Note 2.3(b))	2007 RM	2006 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(121,642,371)	(61,470,328)	(16,273)	(24,082)
Prepayment of land lease	(715,000)	-	-	-
Proceeds from disposal of property, plant and equipment	2,711,504	8,753,812	-	1,932
Expenditure on development costs	(954,984)	(460,753)	-	-
Proceeds from disposal of other investment	-	500,996	-	500,996
Investments in subsidiaries	-	-	-	(4)
Investment in other investment	-	(500,000)	-	(500,000)
Acquisition of jointly controlled entities	(1,490,000)	-	(232,651)	-
Acquisition of associates	(3,396,943)	-	-	-
Interest received	1,421,172	512,968	982,206	597,949
Net dividend received	-	-	33,439,860	2,961,640
Net cash (used in)/generated from investing activities	(124,066,622)	(52,663,305)	34,173,142	3,538,431
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of ordinary shares	8,791,994	2,724,200	8,791,994	2,724,200
Draw down of term loans	11,220,329	20,938,895	-	-
Repayment of term loans	(10,801,608)	(15,412,238)	-	-
Proceeds from bankers' acceptances	11,180,000	31,733,000	-	-
Repayment of bankers' acceptances	(17,280,000)	(30,483,000)	-	-
Draw down of commercial papers	78,373,342	-	78,373,342	-
Repayment of hire purchase	(48,431)	(16,603)	-	-
Proceeds from subscription of ordinary shares by minority interests	5,151	-	-	-
Dividends paid	(3,590,705)	(3,044,142)	(3,590,705)	(3,044,142)
Net cash generated from/(used in) financing activities	77,850,072	6,440,112	83,574,631	(319,942)

FOR THE YEAR ENDED 31 DECEMBER 2007

	GROUP		COMPANY	
	2007 RM	2006 RM (restated, Note 2.3(b))	2007 RM	2006 RM
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	20,644,762	1,825,881	6,309,577	(3,722,832)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	1,752,156	1,740,637	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	18,632,131	15,065,613	2,713,016	6,435,848
CASH AND CASH EQUIVALENTS AT END OF YEAR	41,029,049	18,632,131	9,022,593	2,713,016

Cash and cash equivalents comprise:

	Note	GROUP		COMPANY	
		2007 RM	2006 RM	2007 RM	2006 RM
Deposits with licensed banks	27	7,936,989	4,793,449	5,606,935	2,464,181
Cash and bank balances		35,000,470	16,782,183	3,415,658	248,835
Bank overdrafts	32	(1,908,410)	(2,943,501)	-	-
		41,029,049	18,632,131	9,022,593	2,713,016

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

31 December 2007

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") in Malaysia since 31 January 2008. The Company was previously listed on the MESDAQ Market of Bursa Securities. 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 15. There have been no significant changes in the nature of these activities during the financial year except for the involvement in gaming and leisure activities as disclosed in Note 15 to the financial statements.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 April 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted revised FRSs 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 any accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(a) Subsidiaries and Basis of Consolidation (Contd.)

ii. Basis of Consolidation (Contd.)

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.

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.

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.2 Summary of Significant Accounting Policies (Contd.)****(b) Associates (Contd.)**

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 any accumulated impairment losses.

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

(c) Jointly Controlled Entities

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.2(b).

In the Company's separate financial statements, investments in jointly controlled entities are stated at cost less any accumulated impairment losses.

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

(d) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(e) 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. Capital work in progress is also not depreciated as this asset is not available for use. 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:

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

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.

(f) 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.

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.2 Summary of Significant Accounting Policies (Contd.)****(f) Impairment of Non-financial Assets (Contd.)**

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.

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.

(g) Inventories

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

Cost is determined as follows:

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(h) 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.

ii. Other Non-Current Investments

Non-current investments other than investments in subsidiaries, jointly controlled entities and associates are stated at cost less any accumulated 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.

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.2 Summary of Significant Accounting Policies (Contd.)****(i) 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. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and building elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

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 any accumulated 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(e).

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. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

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(o)(v)). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(j) Borrowing Costs

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

(k) 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 in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(l) 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.

(m) 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.

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.2 Summary of Significant Accounting Policies (Contd.)****(m) Employee Benefits (Contd.)****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.

(n) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(n) Foreign Currencies (Contd.)

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.

(o) 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.

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs**

On 1 January 2007, the Group and the Company adopted the following revised FRSs:

FRS 117: Leases

FRS 124: Related Party Disclosures

The MASB has also issued FRS 6: Exploration for and Evaluation of Mineral Resources and Amendment to FRS 119₂₀₀₄ : Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures which will be effective for financial periods beginning on or after 1 January 2007. These FRSs are, however, not applicable to the Group or the Company.

The adoption of the revised FRS 124 gives rise to additional disclosures but did not result in significant changes in accounting policies of the Group and of the Company. The principal changes in accounting policies and their effects resulting from the adoption of the revised FRS 117 are discussed below:

(a) FRS 117: Leases**(i) Leasehold land held for own use**

Prior to 1 January 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and any accumulated impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment relating to the land element represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 January 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid land lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively and as disclosed in Note 2.3(b), certain comparatives have been restated. The effects on the consolidated balance sheet as at 31 December 2007 are set out below:

	2007 RM
Decrease in property, plant and equipment	(1,421,877)
Increase in prepaid land lease payments	1,421,877

There were no effects on the consolidated income statement for the year ended 31 December 2007 and the Company's separate financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)****(b) Restatement of Comparatives**

The following comparative amounts have been restated as a result of adopting the revised FRS 117:

Description of change	Previously Stated RM	Increase/ (Decrease) FRS 117 RM	Restated RM
At 31 December 2006			
GROUP			
Property, plant and equipment	136,382,876	(727,222)	135,655,654
Prepaid land lease payments	-	727,222	727,222
For the year ended 31 December 2006			
Depreciation of property, plant and equipment	31,229,619	(10,695)	31,218,924
Amortisation of prepaid land lease payments	-	10,695	10,695

2.4 Standards and Interpretations Issued but Not Yet Effective

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

FRS, Amendment to FRS and Interpretations	Effective for financial periods beginning on or after
FRS 107: Cash Flow Statements	1 July 2007
FRS 111: Construction Contracts	1 July 2007
FRS 112: Income Taxes	1 July 2007
FRS 118: Revenue	1 July 2007
FRS 120: Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 134: Interim Financial Reporting	1 July 2007
FRS 137: Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
FRS 139: Financial Instruments: Recognition and Measurement	Deferred
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

31 December 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.4 Standards and Interpretations Issued but Not Yet Effective (Contd.)**

FRS, Amendment to FRS and Interpretations	Effective for financial periods beginning on or after
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 new and revised FRS, amendment 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.

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

2.5 Significant Accounting Estimates and Judgments**(a) Critical Judgments 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: 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**2.5 Significant Accounting Estimates and Judgments (Contd.)****(b) Key Sources of Estimation Uncertainty (Contd.)****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 RM264,000 (2006: RM490,000).

3. REVENUE

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Sales and marketing	152,734,769	121,299,367	-	-
Technical support and management	119,214,115	89,513,238	-	-
Dividend income from subsidiaries	-	-	33,439,860	5,896,840
Others	4,357,656	4,567,683	-	-
	276,306,540	215,380,288	33,439,860	5,896,840

4. COST OF SALES

	GROUP	
	2007 RM	2006 RM
Sales and marketing	127,307,705	105,975,918
Technical support and management	54,741,980	40,044,080
Others	4,076,720	3,175,705
	186,126,405	149,195,703

31 December 2007

5. OTHER INCOME

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Interest income	1,421,172	360,912	1,785,272	597,949
Rental income	13,527	27,417	-	-
Gain on disposal of other investment	-	996	-	996
Sundry income	193,158	19,862	1,746	2,763
	<hr/>			
	1,627,857	409,187	1,787,018	601,708

6. FINANCE COSTS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Interest on:				
- Bank overdrafts	115,569	240,788	-	-
- Bankers' acceptances	119,858	446,034	-	-
- Hire purchase payables	13,954	2,739	-	-
- Term loans	4,538,233	4,187,483	-	-
- Commercial papers	1,832,873	-	1,832,873	-
	<hr/>			
Total interest expense	6,620,487	4,877,044	1,832,873	-
Bank and other charges	323,895	173,333	18,462	201
	<hr/>			
	6,944,382	5,050,377	1,851,335	201

7. PROFIT BEFORE TAX

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

	GROUP		COMPANY	
	2007 RM	2006 RM (restated)	2007 RM	2006 RM
Amortisation of development costs (Note 19)				
- included in administrative expenses	288,387	142,861	-	-
Amortisation of prepaid land lease payments (Note 14)	20,345	10,695	-	-
Auditors' remuneration:	139,361	123,160	25,000	60,000
- statutory audits:				
- current year	127,617	74,160	25,000	20,000
- underprovision in prior year	-	2,000	-	-
- special audits	11,744	47,000	-	40,000
Bad debts recovered	(44,725)	-	-	-
Depreciation of property, plant and equipment (Note 13)	41,008,814	31,218,924	16,242	12,486
Employee benefits expense (Note 8)	14,694,146	12,434,206	255,106	1,313,265
Impairment of property, plant and equipment (Note 13):				
- included in administrative expenses	286,786	-	-	-
Loss/(Gain) on disposal of property, plant and equipment	11,046	(49,098)	-	17
Net foreign exchange losses	45,752	1,162,663	2,598,498	149,127
Non-executive directors' remuneration (Note 9)	211,000	556,000	206,000	551,000
Property, plant and equipment written off	609,362	728,901	-	-
Provision for doubtful debts	5,092,110	324,286	-	-
Operating leases:				
- minimum lease payments for land and buildings	2,256,362	1,178,511	60,000	60,000
Reversal of provision for doubtful debts	-	(153,444)	-	-
Write-down of inventories	1,605,457	786,767	-	-

31 December 2007

8. EMPLOYEE BENEFITS EXPENSE

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Wages and salaries	12,708,600	9,044,802	335,063	1,038,795
Social security contributions	118,938	85,425	812	3,932
Contributions to defined contribution plan	1,389,243	971,003	40,118	124,520
Short term accumulating compensated absence	74,667	20,329	(22,867)	(3,349)
Share options granted under ESOS	1,101,298	2,484,281	(98,020)	149,367
	15,392,746	12,605,840	255,106	1,313,265
Less:				
Capitalised in development cost (Note 19)	(698,600)	(171,634)	-	-
	14,694,146	12,434,206	255,106	1,313,265

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM2,513,734 (2006: RM1,972,036) and RM240,096 (2006: RM869,541) respectively as further disclosed in Note 9.

9. DIRECTORS' REMUNERATION

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Directors of the Company:				
Executive:				
Salaries and bonus	1,496,608	1,560,023	227,572	595,974
Non-executive:				
Fees	176,000	140,000	176,000	140,000
Share options granted under ESOS	-	369,000	-	369,000
Other emoluments	30,000	42,000	30,000	42,000
	206,000	551,000	206,000	551,000

31 December 2007

9. DIRECTORS' REMUNERATION (CONTD.)

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Directors of the Subsidiaries:				
Executive:				
Salaries and bonus	816,756	298,232	10,132	198,078
Share options granted under ESOS	185,370	98,811	2,392	75,489
Fees	15,000	14,970	-	-
	1,017,126	412,013	12,524	273,567
Non-executive:				
Fees	5,000	5,000	-	-
Total directors' remuneration	2,724,734	2,528,036	446,096	1,420,541
Analysis:				
Total executive directors' remuneration (Note 8)	2,513,734	1,972,036	240,096	869,541
Total non-executive directors' remuneration (Note 7)	211,000	556,000	206,000	551,000
	2,724,734	2,528,036	446,096	1,420,541

10. INCOME TAX EXPENSE

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Income tax:				
Malaysian current income tax	461,000	1,390,600	1,265,000	-
Under/(Over)provided in prior year	596,471	(1,276)	44,764	(32,012)
	1,057,471	1,389,324	1,309,764	(32,012)
Deferred tax (Note 34):				
Relating to origination and reversal of temporary differences	353,148	186,490	-	-
Relating to changes in tax rates	(33,277)	(26,430)	-	-
(Over)/Underprovided in prior year	(400,158)	259,534	-	-
	(80,287)	419,594	-	-
Total income tax expense	977,184	1,808,918	1,309,764	(32,012)

31 December 2007

10. INCOME TAX EXPENSE (CONTD.)

Domestic income tax is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008 and to 25% in subsequent years of assessment. The computation of deferred tax as at 31 December 2007 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.

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

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Profit before tax	39,290,798	33,279,146	27,633,790	3,615,403
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	10,608,515	9,318,161	7,461,123	1,012,313
Effect of different tax rates in other countries and for Labuan offshore business activities	(12,708,397)	(8,944,580)	-	-
Effect of income subject to tax rate of 20%	(45,873)	(45,500)	-	-
Effect of share of profits of jointly controlled entities	(28,684)	-	-	-
Effect of share of loss/(profit) of associates	191,602	(187,547)	-	-
Effect of changes in tax rates	(33,277)	(26,430)	-	-
Income not subject to tax	(33,776)	(31,801)	(7,950,919)	(1,807,547)
Expenses not deductible for tax purposes	2,840,242	1,493,204	1,754,796	795,234
Expenses not allowed to be carried forward	-	17,046	-	-
Utilisation of previously unrecognised unused tax losses and unabsorbed capital allowances	(71,723)	(41,893)	-	-
Deferred tax asset not recognised in respect of current year's tax losses and unabsorbed capital allowances	62,242	-	-	-
Under/(Over)provision of income tax in prior year	596,471	(1,276)	44,764	(32,012)
(Over)/Underprovision of deferred tax in prior year	(400,158)	259,534	-	-
Income tax expense for the year	977,184	1,808,918	1,309,764	(32,012)

Tax savings during the financial year arising from:

	GROUP	
	2007 RM	2006 RM
Utilisation of current year's tax losses	309,000	-
Utilisation of previously unrecognised unused tax losses	71,723	11,436

31 December 2007

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 in issue during the financial year.

	2007	2006 (restated)
Profit attributable to ordinary equity holders of the Company (RM)	38,300,969	31,470,228
Weighted average number of ordinary shares in issue	864,334,000	843,629,000
Basic earnings per share for profit for the year (sen)	4.43	3.73

The comparative basic earnings per share has been restated to take into account the effect of the issue of bonus shares (Note 28) 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.

	2007	2006 (restated)
Profit attributable to ordinary equity holders of the Company (RM)	38,300,969	31,470,228
Weighted average number of ordinary shares in issue	864,334,000	843,629,000
Effect of dilution on share options	18,029,000	14,664,000
Adjusted weighted average number of ordinary shares in issue and issuable	882,363,000	858,293,000
Diluted earnings per share for profit for the year (sen)	4.34	3.67

The comparative diluted earnings per share has been restated to take into account the effect of the issue of bonus shares (Note 28) on profit for that year.

31 December 2007

12. DIVIDENDS

	Dividend Recognised in Year		Net Dividends per Ordinary Share	
	2007 RM	2006 RM	2007 Sen	2006 Sen
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	-	1.50
First and final dividend in respect of financial year 2006: 12.41% tax exempt, on 289,339,700 ordinary shares, approved on 26 June 2007 and paid on 28 August 2007	3,590,705	-	1.24	-
	3,590,705	4,227,975	1.24	1.50

The first and final dividend in respect of financial year 2005 has been 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 has been deducted from the gross amount of the dividend. The tax deducted of RM1,183,833, less available tax credit under Section 108 of the Income Tax Act, 1967 which amounted to RM94,000, has been recognised in equity. Since the dividend is tax exempt in the hands of the shareholders, dividend per ordinary share has been calculated by dividing the gross amount of dividend of RM4,227,975 by the number of ordinary shares in issue of 281,865,000 ordinary shares.

In view of the coming into force of the Income Tax (Exemption)(No.22) Order 2007 and the revocation of the Income Tax (Exemption)(No.16) Order 1991 and Income Tax (Exemption)(No.10) Order 2000, the dividends paid to the shareholders of the Company distributed on 28 August 2007 should be treated as tax exempt dividends and the shareholders are not entitled to claim a refund for the tax deducted in respect of the dividend payments pursuant to Section 110 of the Income Tax Act, 1967. As such, the net dividend paid shall be deemed as gross dividend paid and the rate of dividend is RM0.1241 per share.

With the enforcement of the Income Tax (Exemption)(No.22) Order 2007, the first and final exempt dividend in respect of financial year 2006 has been paid out of income received by the Company which is exempted under paragraph 3(b) of the Income Tax (Exemption) (No. 22) Order 2007 and is exempted from income tax in Malaysia in the hands of the shareholders under paragraph 5(3) of Schedule 7A of the Income Tax Act, 1967. Income tax has therefore not been deducted from this dividend.

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 31 December 2007, of non-tax exempt dividend of 5% less 26% taxation and tax exempt dividend of 1.8% 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 2008.

31 December 2007

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	Capital work-in- progress RM	Total RM
At 31 December 2007										
Cost										
At 1 January 2007										
As previously stated	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
Effects of adopting FRS 117	-	(770,000)	-	-	-	-	-	-	-	(770,000)
At 1 January 2007 (restated)	4,394,400	913,930	3,059,344	70,148	1,189,988	176,275,999	405,140	9,088,749	-	195,397,698
Additions	-	685,000	2,676,510	-	1,103,954	107,514,115	597,295	3,040,841	6,103,856	121,721,571
Disposals/written off	-	-	(595,640)	-	(36,791)	(4,658,762)	(289)	(506,670)	-	(5,798,152)
Exchange differences	-	-	(242,272)	-	(42,338)	(13,114,412)	-	(367,422)	-	(13,766,444)
At 31 December 2007	4,394,400	1,598,930	4,897,942	70,148	2,214,813	266,016,940	1,002,146	11,255,498	6,103,856	297,554,673
Accumulated Depreciation and Impairment Losses										
At 1 January 2007										
As previously stated	221,732	115,886	355,477	68,881	753,365	54,834,471	142,839	3,292,171	-	59,784,822
Effects of adopting FRS 117	-	(42,778)	-	-	-	-	-	-	-	(42,778)
At 1 January 2007 (restated)	221,732	73,108	355,477	68,881	753,365	54,834,471	142,839	3,292,171	-	59,742,044
Depreciation charge for the year:										
Recognised in income statement (Note 7)	55,432	30,837	389,910	1,266	245,038	39,189,538	68,830	1,211,920	-	41,192,771
Capitalised in development costs (Note 19)	-	-	-	-	-	-	-	183,957	-	183,957
Disposals/written off	-	-	(82,844)	-	(5,181)	(2,266,824)	(109)	(111,282)	-	(2,466,240)
Impairment loss recognised in income statement (Note 7)	-	2,542	-	-	-	278,701	-	5,543	-	286,786
Exchange differences	-	-	(32,600)	-	(9,539)	(4,672,637)	-	(93,988)	-	(4,808,764)
At 31 December 2007	277,164	106,487	629,943	70,147	983,683	87,363,249	211,560	4,304,364	-	93,946,597
Analysed as:										
Accumulated depreciation	277,164	103,945	629,943	70,147	983,683	87,069,596	211,560	4,298,821	-	93,644,859
Accumulated impairment losses	-	2,542	-	-	-	293,653	-	5,543	-	301,738
At 31 December 2007	277,164	106,487	629,943	70,147	983,683	87,363,249	211,560	4,304,364	-	93,946,597
Net carrying amount										
At 31 December 2007	4,117,236	1,492,443	4,267,999	1	1,231,130	178,653,691	790,586	6,951,134	6,103,856	203,608,076

31 December 2007

13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

	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									
As previously stated	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
Effects of adopting FRS 117	-	(770,000)	-	-	-	-	-	-	(770,000)
At 1 January 2006 (restated)	4,394,400	913,930	1,768,413	70,148	1,203,707	146,767,923	337,936	7,033,164	162,489,621
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	913,930	3,059,344	70,148	1,189,988	176,275,999	405,140	9,088,749	195,397,698
Accumulated Depreciation and Impairment Losses									
At 1 January 2006									
As previously stated	166,299	86,914	104,214	61,866	700,736	31,831,892	86,215	2,376,240	35,414,376
Effects of adopting FRS 117	-	(32,083)	-	-	-	-	-	-	(32,083)
At 1 January 2006 (restated)	166,299	54,831	104,214	61,866	700,736	31,831,892	86,215	2,376,240	35,382,293
Depreciation charge for the year:	55,433	18,277	272,320	7,015	114,299	29,746,150	56,624	1,027,061	31,297,179
Recognised in income statement (Note 7)	55,433	18,277	272,320	7,015	114,299	29,746,150	56,624	948,806	31,218,924
Capitalised in development costs (Note 19)	-	-	-	-	-	-	-	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	73,108	355,477	68,881	753,365	54,834,471	142,839	3,292,171	59,742,044
Analysed as:									
Accumulated depreciation	221,732	73,108	355,477	68,881	753,365	54,819,519	142,839	3,292,171	59,727,092
Accumulated impairment losses	-	-	-	-	-	14,952	-	-	14,952
At 31 December 2006	221,732	73,108	355,477	68,881	753,365	54,834,471	142,839	3,292,171	59,742,044
Net carrying amount									
At 31 December 2006	4,172,668	840,822	2,703,867	1,267	436,623	121,441,528	262,301	5,796,578	135,655,654

31 December 2007

13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

COMPANY	Furniture, fittings and office equipment RM
At 31 December 2007	
Cost	
At 1 January 2007	77,193
Additions	16,273
<hr/>	
At 31 December 2007	93,466
<hr/>	
Accumulated Depreciation	
At 1 January 2007	24,061
Depreciation charge for the year (Note 7)	16,242
<hr/>	
At 31 December 2007	40,303
<hr/>	
Net carrying amount	
At 31 December 2007	53,163
<hr/>	
At 31 December 2006	
Cost	
At 1 January 2006	55,110
Additions	24,082
Disposals/written off	(1,999)
<hr/>	
At 31 December 2006	77,193
<hr/>	
Accumulated Depreciation	
At 1 January 2006	11,625
Depreciation charge for the year (Note 7)	12,486
Disposals/written off	(50)
<hr/>	
At 31 December 2006	24,061
<hr/>	
Net carrying amount	
At 31 December 2006	53,132
<hr/>	

31 December 2007

13. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

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

	GROUP	
	2007	2006
	RM	RM
		(restated)
Freehold land and buildings	4,984,718	4,374,642

- (b) A motor vehicle of the Group with a net carrying amount of RM78,378 (2006: RM109,710) is held in trust in the name of a director of the Company.

- (c) During the financial year, the Group acquired property, plant and equipment at aggregate costs of RM121,721,571 (2006: RM61,470,328) of which RM79,200 (2006: Nil) was acquired by means of hire purchase. The motor vehicles of the Group with net carrying amounts of RM138,444 (2006: RM52,700) are held under hire purchase agreements.

14. PREPAID LAND LEASE PAYMENTS

	GROUP	
	2007	2006
	RM	RM
		(restated)
At 1 January	727,222	737,917
Additions	715,000	-
Amortisation for the year (Note 7)	(20,345)	(10,695)
At 31 December	1,421,877	727,222
Analysed as:		
Long term leasehold land	1,421,877	727,222

Leasehold land with an aggregate carrying value of RM1,421,877 (2006: RM727,222) are pledged as securities for borrowings (Note 32).

31 December 2007

15. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2007 RM	2006 RM
Unquoted shares at cost	44,348,530	43,149,212

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Proportion of ownership interest		Principal activities
		2007 %	2006 %	
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	60	60	Designing and trading of signages and systems.
Dreamgate (Singapore) Pte. Ltd.*	Singapore	100	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	100	Investment holding.

31 December 2007

15. INVESTMENTS IN SUBSIDIARIES (CONTD.)

Name of subsidiaries	Country of incorporation	Proportion of ownership interest		Principal activities
		2007 %	2006 %	
Held through subsidiaries:				
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.
RGB (Cambodia) Ltd.*	Cambodia	100	-	Sales and marketing, technical support and maintenance of gaming and amusement machines and equipment.
Mekong Recreation Club Ltd. *	Cambodia	70	-	Gaming and leisure activities, international standard hotel, restaurant, modern night club, fun club, spa centre and such other business activities.

* Audited by firm other than Ernst & Young.

(a) On 26 January 2007, RGB Ltd., a wholly owned subsidiary of the Company, incorporated a wholly owned subsidiary, RGB (Cambodia) Ltd. in Cambodia with registered capital of Riels 20,000,000 (RM17,272).

On 15 June 2007, Macrocept Sdn. Bhd., a wholly owned subsidiary of the Company, subscribed to 70% of the equity interest in Mekong Recreation Club Ltd., which is incorporated in Cambodia with a total registered capital of Riels 20,000,000, for Riels 14,000,000 (RM12,019).

These subsidiaries have contributed the following result to the Group:

	2007
	RM
Revenue	-
Loss for the year	(1,970,414)

31 December 2007

15. INVESTMENTS IN SUBSIDIARIES (CONTD.)

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

	2007 RM
Total cash outflow of the Group	29,291
Cash and cash equivalents of subsidiaries being incorporated	(29,291)
Net cash outflow of the Group	-

- (b) During the year, Macrocept Sdn. Bhd. has paid an amount of Riels 5,586,000,000 (RM4,674,281) to subscribe for additional shares in Mekong Recreation Club Ltd. The amount is classified as share application monies as the shares have not yet been allotted as at 31 December 2007.

16. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Unquoted shares at cost	1,490,000	-	232,651	-
Share of post-acquisition reserves	105,689	-	-	-
	1,595,689	-	232,651	-
Exchange differences	(3,315)	-	-	-
	1,592,374	-	232,651	-

Details of the jointly controlled entities are as follows:

Name of jointly controlled entities	Country of incorporation	Proportion of ownership interest		Principal activities
		2007 %	2006 %	
Held by the Company:				
RGB Abbiati Pte. Ltd.	Singapore	50	-	Sales and marketing of gaming products and equipment
RGB Xtale Sdn. Bhd.	Malaysia	50	-	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.

31 December 2007

16. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (CONTD.)

Name of jointly controlled entities	Country of incorporation	Proportion of ownership interest		Principal activities
		2007 %	2006 %	
Held through a subsidiary:				
RGB Sibel International Sdn. Bhd. (formerly known as Ideal Versatile Sdn. Bhd.)	Malaysia	50	-	Manufacturing and selling of gaming layouts.

During the year, the Group has entered into joint venture agreements with three venturers to set-up three newly incorporated jointly controlled entities.

The Group's aggregate share of the current assets, non-current assets, current liabilities, non-current liabilities, revenue and other income and expenses of the jointly controlled entities are as follows:

	2007 RM	2006 RM
Assets and liabilities		
Current assets	1,883,270	-
Non-current assets	2,916	-
Total assets	1,886,186	-
<hr/>		
Current liabilities	(293,109)	-
Non-current liabilities	(703)	-
Total liabilities	(293,812)	-
<hr/>		
Results		
Revenue and other income	416,348	-
Expenses, including financial costs and taxation	(310,112)	-

31 December 2007

17. INVESTMENTS IN ASSOCIATES

	GROUP	
	2007	2006
	RM	RM
Unquoted shares at cost	4,206,945	810,002
Share of post-acquisition reserves	4,031	663,019
	4,210,976	1,473,021
Exchange differences	(350,925)	(199,361)
	3,860,051	1,273,660

Details of the associates are as follows:

Name of associates	Country of incorporation	Proportion of ownership interest		Principal activities
		2007	2006	
		%	%	
Held through subsidiaries:				
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
Dreamgate Holding Co., Ltd.	Cambodia	49	-	Dormant
Players Club Co., Ltd.	Cambodia	35	-	Gaming and leisure activities.
Chateau De Bavet Club Co., Ltd.	Cambodia	40	-	Operating casino operations, and all other business activities related to the gaming and leisure industry, international standard hotel, restaurant, modern night club, fun club, spa centre and such other business activities.
Rainbow World Club Ltd.	Cambodia	20	-	Gaming and leisure activities.
GoldenMac, Ltd.	Cambodia	25	-	Gaming and leisure activities.
Cash Box Entertainment Co., Ltd.	Cambodia	20	-	Gaming and leisure activities.

31 December 2007

17. INVESTMENTS IN ASSOCIATES (CONTD.)

Name of associates	Country of incorporation	Proportion of ownership interest		Principal activities
		2007 %	2006 %	
Held through subsidiaries:				
Olympic Entertainment Co., Ltd.	Cambodia	20	-	Gaming and leisure activities.
Golden Beach Club Ltd.	Cambodia	50	-	Gaming and leisure activities.

The summarised financial information of the associates are as follows:

	2007 RM	2006 RM
Assets and liabilities		
Current assets	12,819,174	5,583,286
Non-current assets	9,890,694	1,142,667
Total assets	22,709,868	6,725,953
<hr/>		
Current liabilities	15,242,167	1,867,858
Non-current liabilities	1,957,303	2,417,090
Total liabilities	17,199,470	4,284,948
<hr/>		
Results		
Revenue	10,898,303	11,322,872
(Loss)/Profit for the year	(2,749,570)	1,113,447

18. OTHER INVESTMENT

	GROUP	
	2007 RM	2006 RM
Unquoted shares at cost	4,000	4,000

31 December 2007

19. DEVELOPMENT COSTS

	GROUP	
	2007	2006
	RM	RM
Cost		
At 1 January	1,113,117	574,109
Additions	1,138,941	539,008
<hr/>		
At 31 December	2,252,058	1,113,117
<hr/>		
Accumulated amortisation		
At 1 January	214,291	71,430
Amortisation (Note 7)	288,387	142,861
<hr/>		
At 31 December	502,678	214,291
<hr/>		
Net carrying amount	1,749,380	898,826

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

	GROUP	
	2007	2006
	RM	RM
Depreciation charge (Note 13)	183,957	78,255
Employee benefits expense (Note 8)	698,600	171,634

20. INVENTORIES

	GROUP	
	2007	2006
	RM	RM
Cost		
Gaming and amusement machines, coin and notes counting machines and binding machines	421,199	557,511
Spare parts, gaming and amusement accessories, table game equipment and accessories	2,056,696	3,446,636
Trading merchandise	521,003	119,212
Goods-in-transit	4,446,858	7,368,022
<hr/>		
	7,445,756	11,491,381

31 December 2007

21. TRADE RECEIVABLES

	GROUP	
	2007	2006
	RM	RM
Trade receivables		
Third parties	108,563,618	83,537,705
Related parties	120,648	4,521,712
	<hr/> 108,684,266	<hr/> 88,059,417
Less: Provision for doubtful debts:		
Third parties	(5,426,971)	(467,421)
Trade receivables, net	<hr/> 103,257,295	<hr/> 87,591,996

Included in trade receivables - third parties is RM6,106,345 (2006: Nil) which is being paid by monthly installments and interest is charged at 9.7% (2006: Nil) per annum.

(a) Credit risk

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. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

The Group has a significant concentration of credit risk that may arise from exposures to groups of receivables which contributed approximately 80% (2006: 64%) of the total trade receivables as at balance sheet date. These customers contributed approximately 44% (2006: 43%) of the total revenue of the Group.

Further details on related party transactions are disclosed in Note 37.

Other information on financial risk of trade receivables are disclosed in Note 40.

31 December 2007

22. LEASE RECEIVABLES

	GROUP	
	2007	2006
	RM	RM
Future minimum lease receivables:		
Not later than 1 year	2,350,417	2,483,388
Later than 1 year and not later than 2 years	2,350,417	2,483,388
Later than 2 years and not later than 5 years	2,879,940	5,462,730
Total future minimum lease receivables	7,580,774	10,429,506
Less: Unearned finance income	(855,759)	(1,417,315)
Present value of finance lease receivables	6,725,015	9,012,191
Analysis of present value of finance lease receivables:		
Not later than 1 year	1,921,094	1,921,094
Later than 1 year and not later than 2 years	2,064,303	2,054,064
Later than 2 years and not later than 5 years	2,739,618	5,037,033
	6,725,015	9,012,191
Less: Amount due within 12 months	(1,921,094)	(1,921,094)
Amount due after 12 months	4,803,921	7,091,097

The Group has contracts for leasing 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 are disclosed in Note 40.

31 December 2007

23. OTHER RECEIVABLES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Deposits	13,709,695	11,157,309	10,000	126,000
Prepayments	6,434,774	1,064,192	850	795
Interest receivables	109,690	51,312	40,341	51,312
Sundry receivables	673,895	724,804	-	-
	20,928,054	12,997,617	51,191	178,107
Representing receivables:				
- Current	20,213,264	10,849,455	51,191	178,107
- Non-current	714,790	2,148,162	-	-
	20,928,054	12,997,617	51,191	178,107

Included in non-current receivables are:

- (a) an amount of RM295,149 (2006: RM594,082) which is secured by unquoted shares pledged to the Group, non-interest bearing and not receivable within the next one year; and
- (b) an amount of RM419,641 (2006: RM1,554,080) which is unsecured, non-interest bearing and not receivable within the next one year.

Included in the other receivables of the Group in previous year was an advance given for the purchase of gaming machines to an associate of RM814,982 which was unsecured and non-interest bearing.

24. DUE FROM SUBSIDIARIES

The amounts due from subsidiaries are non-trade in nature, non-interest bearing, unsecured, repayable on demand and to be settled in cash except for amounts due from subsidiaries amounting to RM73,500,000 (2006: Nil) on which interest is charged at 4.1% (2006: Nil) per annum and which are receivable within the next one year.

25. DUE FROM/TO JOINTLY CONTROLLED ENTITIES

The amounts due from/to jointly controlled entities are non-trade in nature, non-interest bearing, unsecured, repayable on demand and to be settled in cash.

26. DUE FROM ASSOCIATES

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

27. DEPOSITS WITH LICENSED BANKS

Included in the deposits of the Group and of the Company are amounts of RM4,889,411 (2006: RM4,793,449) and RM2,559,357 (2006: RM2,464,181) respectively which 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 are disclosed in Note 40.

28. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares of RM0.10 each Share capital (Issued and fully paid)	Amount		
		Share capital (Issued and fully paid) RM	Share premium RM	Total share capital and share premium RM
At 1 January 2007	282,545,000	28,254,500	30,594,229	58,848,729
Issue of ordinary shares pursuant to ESOS - before bonus issue (Note 30)	7,407,600	740,760	8,334,526	9,075,286
Issue of bonus shares	579,905,200	57,990,520	(38,928,755)	19,061,765
Issue of ordinary shares pursuant to ESOS - after bonus issue (Note 30)	1,788,800	178,880	651,084	829,964
At 31 December 2007	871,646,600	87,164,660	651,084	87,815,744
At 1 January 2006	280,000,000	28,000,000	28,017,512	56,017,512
Issue of ordinary shares pursuant to ESOS (Note 30)	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

31 December 2007

28. SHARE CAPITAL AND SHARE PREMIUM (CONTD.)

	Number of Ordinary Shares of RM0.10 each		Amount	
	2007	2006	2007 RM	2006 RM
Authorised share capital				
At 1 January	500,000,000	500,000,000	50,000,000	50,000,000
Created during the year	1,000,000,000	-	100,000,000	-
At 31 December	1,500,000,000	500,000,000	150,000,000	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.

Issue of bonus shares

During the financial year, the Company issued 579,905,200 new ordinary shares of RM0.10 each credited as fully paid up on the basis of two bonus shares for every one existing ordinary share held, by way of the capitalisation of share premium account and retained earnings account.

29. RESERVES

The nature and purpose of each category of reserves 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.

30. 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.
- 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 the implementation of ESOS 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 and to certain employees of the Company and of the Group 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.

31 December 2007

30. EMPLOYEE BENEFITS (CONTD.)**Employee Share Options Scheme ("ESOS") (Contd.)**

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

Grant Date	Number of Share Options											
	Outstanding at		Granted	Exercised	Forfeited	Outstanding at		Exercised	Forfeited	Outstanding at		Exercisable at
	1 January	26 September				31 December	31 December					
'000	'000	'000	'000	'000	'000	Adjustment *	'000	'000	'000	'000		
2007												
2005 Options:												
Grant 1	15,446	-	(6,078)	(785)	8,583	17,166	(1,438)	-	24,311	18,588		
2006 Options:												
Grant 2	3,194	-	(771)	(360)	2,063	4,126	(251)	(240)	5,698	3,713		
Grant 3	2,466	-	(506)	(366)	1,594	3,190	(84)	-	4,700	3,822		
	21,106	-	(7,355)	(1,511)	12,240	24,482	(1,773)	(240)	34,709	26,123		
2007 Options:												
Grant 4	-	789	(53)	(18)	718	1,436	(15)	(54)	2,085	2,085		
	21,106	789	(7,408)	(1,529)	12,958	25,918	(1,788)	(294)	36,794	28,208		
WAEP (RM)	1.12	1.44	1.10	1.16	1.14	0.38	0.37	0.44	0.38	0.38		

* Adjustment to share options pursuant to the issue of bonus shares.

	Number of share options							
	Outstanding at		Granted	Exercised	Forfeited	Outstanding at		Exercisable at
	1 January	31 December				31 December		
	'000	'000	'000	'000	'000	'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 (RM)	1.06	1.27	1.07	1.16	1.12	1.11		

30. EMPLOYEE BENEFITS (CONTD.)**Employee Share Options Scheme ("ESOS") (Contd.)****(i) Details of share options outstanding at the end of the year:**

	Exercise price RM	Exercise period
2007		
2005 Options:		
Grant 1	0.35*	19.10.2005 - 18.10.2010
2006 Options:		
Grant 2	0.43*	07.07.2006 - 18.10.2010
Grant 3	0.42*	29.07.2006 - 18.10.2010
2007 Options:		
Grant 4	0.48*	29.05.2007 - 18.10.2010
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

* Adjusted exercise price pursuant to the issue of bonus shares.

(ii) Share options exercised during the year

As disclosed in Note 28, options exercised during the financial year resulted in the issuance of:

- (a) 7,407,600 (2006: 2,545,000) ordinary shares before the bonus issue of shares at an average price of RM1.10 (2006: RM1.07) each. The related weighted average share price at the date of exercise was RM1.63 (2006: RM1.45); and
- (b) 1,788,800 ordinary shares subsequent to the bonus issue of shares at an average price of RM0.37 each. The related weighted average share price at the date of exercise was RM0.63.

31 December 2007

30. EMPLOYEE BENEFITS (CONTD.)**Employee Share Options Scheme ("ESOS") (Contd.)****(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:

	2007	2006	2006
Grant date	Grant 4 29 May 2007	Grant 3 29 July 2006	Grant 2 7 July 2006
Fair value of share options granted (RM)	0.46	0.40	0.43
Share price (RM)	1.75	1.44	1.51
Exercise price (RM)	1.44	1.25	1.28
Expected volatility (%)	33.37	29.31	29.31
Option life (years)	3.30	4.22	4.29
Risk free rate (%)	3.26	4.21	4.46
Expected dividend yield (%)	0.97	1.04	0.99
Expected employee exit rate (%)	22	0 - 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.

31. RETAINED EARNINGS

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007. As at 31 December 2007, the Company has sufficient credit in the 108 balance to pay franked dividends amounting to RM3,539,386 (2006: Nil) out of its retained earnings. If the balance of retained earnings of RM181,817 were to be distributed as dividends, the Company may distribute such dividends under the single tier system.

32. BORROWINGS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Short term borrowings (secured):				
Bank overdrafts	1,908,410	2,943,501	-	-
Bankers' acceptances	-	6,100,000	-	-
Hire purchase payables (Note 33)	55,776	16,605	-	-
Term loans	18,150,750	15,270,450	-	-
	20,114,936	24,330,556	-	-
Short term borrowings (unsecured):				
Commercial papers	79,266,562	-	79,266,562	-
Long term borrowings (secured):				
Hire purchase payables (Note 33)	14,047	22,449	-	-
Term loans	41,434,394	43,895,973	-	-
	41,448,441	43,918,422	-	-
Total borrowings:				
Bank overdrafts	1,908,410	2,943,501	-	-
Bankers' acceptances	-	6,100,000	-	-
Hire purchase payables (Note 33)	69,823	39,054	-	-
Term loans	59,585,144	59,166,423	-	-
Commercial papers	79,266,562	-	79,266,562	-
	140,829,939	68,248,978	79,266,562	-

The secured borrowings, other than hire purchase payables, are secured by the following:

- legal charges over certain freehold land, leasehold land and buildings of the Group as disclosed in Note 13(a) and Note 14;
- certain deposits with licensed banks (Note 27);
- corporate guarantees of RM125.78 million (2006: RM113.90 million) by the Company; and
- joint and several guarantees by certain directors of the Company.

Other information on financial risks of borrowing are disclosed in Note 40.

31 December 2007

33. HIRE-PURCHASE PAYABLES

	GROUP	
	2007	2006
	RM	RM
Future minimum hire purchase payments:		
Not later than 1 year	70,065	19,344
Later than 1 year and not later than 2 years	17,412	19,344
Later than 2 years and not later than 5 years	-	4,810
<hr/>		
Total future minimum hire purchase payments	87,477	43,498
Less: Future finance charges	(17,654)	(4,444)
<hr/>		
Present value of hire purchase payables	69,823	39,054
<hr/>		
Analysis of present value of hire purchase payables:		
Not later than 1 year	55,776	16,605
Later than 1 year and not later than 2 years	14,047	16,605
Later than 2 years and not later than 5 years	-	5,844
<hr/>		
	69,823	39,054
Less: Amount due within 12 months (Note 32)	(55,776)	(16,605)
<hr/>		
Amount due after 12 months (Note 32)	14,047	22,449
<hr/>		

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

Other information on financial risks of hire purchase payables are disclosed in Note 40.

34. DEFERRED TAX LIABILITIES

	GROUP	
	2007	2006
	RM	RM
At 1 January	714,594	295,000
Recognised in income statement (Note 10)	(80,287)	419,594
<hr/>		
At 31 December	634,307	714,594
<hr/>		

34. DEFERRED TAX LIABILITIES (CONTD.)

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 RM	Development costs RM	Total RM
At 1 January 2007	544,739	219,000	763,739
Recognised in income statement	87,725	220,000	307,725
At 31 December 2007	632,464	439,000	1,071,464
At 1 January 2006	301,500	-	301,500
Recognised in income statement	243,239	219,000	462,239
At 31 December 2006	544,739	219,000	763,739

Deferred tax assets of the Group:

	Unused tax losses and unabsorbed capital allowances RM	Accruals RM	Receivables RM	Property, plant and equipment expensed out RM	Total RM
At 1 January 2007	(23,145)	(26,000)	-	-	(49,145)
Recognised in income statement	(129,855)	(64,000)	(194,000)	(157)	(388,012)
At 31 December 2007	(153,000)	(90,000)	(194,000)	(157)	(437,157)
At 1 January 2006	(6,500)	-	-	-	(6,500)
Recognised in income statement	(16,645)	(26,000)	-	-	(42,645)
At 31 December 2006	(23,145)	(26,000)	-	-	(49,145)

31 December 2007

34. DEFERRED TAX LIABILITIES (CONTD.)

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

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Unused tax losses	225,000	451,000	186,000	186,000
Unabsorbed capital allowances	39,000	39,000	39,000	39,000
	264,000	490,000	225,000	225,000

The unused tax losses of the Group amounting to RM39,000 (2006: Nil) are available for offsetting against future taxable profits of a subsidiary in Singapore, subject to the agreement with the tax authority. The unused tax losses of the Group amounting to RM Nil (2006: RM265,000) are available for offsetting against future taxable profits of a subsidiary in Malaysia, subject to no substantial change in shareholdings under the Income Tax Act, 1967, and guidelines issued by the tax authority.

The unused tax losses and unabsorbed capital allowances of the Company are available for offsetting against future taxable profits subject to no substantial change in shareholdings under the Income Tax Act, 1967, and guidelines issued by the tax authority.

35. TRADE PAYABLES

	GROUP	
	2007 RM	2006 RM
Trade payables		
Third parties	67,358,287	54,535,922
Related parties	1,851,037	2,496,757
	69,209,324	57,032,679

Included in trade payables is RM5,278,287 (2006: Nil) which is being paid by monthly installments and interest is charged at 9.7% (2006: Nil) per annum.

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

Further details on related party transactions are disclosed in Note 37.

Other information on financial risk of trade payables are disclosed in Note 40.

31 December 2007

36. OTHER PAYABLES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Amount due to related parties	55,684	1,841,488	-	-
Advances received from customers	1,686,405	4,733,077	-	-
Accruals	11,210,898	6,636,786	340,267	475,233
Deposits received	188,602	2,052,276	-	-
Interest payables	-	3,171	-	-
Sundry payables	1,470,892	1,442,617	32,063	-
	14,612,481	16,709,415	372,330	475,233

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 37.

37. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Note	2007 RM	2006 RM
GROUP			
Related parties*:			
- Sales of products	(i)	1,878,618	5,300,617
- Purchase of products	(ii)	538,058	10,400,714
- Purchase of plant and equipment	(iii)	2,414,279	3,259,593
- Purchase of spare parts and services	(ii)	183,354	674,930
- Repair and maintenance income	(i)	262,278	205,052
- Operating lease income	(iv)	13,527	27,417
- Operating lease expense	(iv)	180,000	75,000
Associates:			
- Purchase of products	(ii)	1,517,566	441,493
- Purchase of plant and equipment	(iii)	98,304	114,750

31 December 2007

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)

	Note	2007 RM	2006 RM
COMPANY			
Subsidiaries:			
- Dividend income		33,439,860	5,896,840
- Interest income	(v)	1,620,564	525,000
- Operating lease expense	(iv)	60,000	60,000

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

- (i) The sale of products and rendering of services to related parties were made according to the prices and conditions similar to those offered to the major customers of the Group.
- (ii) The purchase of products and rendering of services from related parties were made according to the prices and conditions similar to those offered by these related companies to their major customers.
- (iii) The purchase of plant and equipment from related parties were made according to the prices similar to those offered by the related companies to third parties.
- (iv) The leasing of premises from/to the related parties were made at market rates.
- (v) The interest income arose from the amounts owing by the subsidiaries to the Company.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Short-term employee benefits	3,129,296	2,452,050	438,773	1,118,270
Post-employment benefits:				
Defined contribution plan	303,530	229,446	27,696	82,368
Share-based payment	230,422	635,050	9,134	485,303
	3,663,248	3,316,546	475,603	1,685,941

31 December 2007

37. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTD.)**(b) Compensation of key management personnel (Contd.)**

Included in the total key management personnel are:

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Directors' remuneration (Note 9)	2,724,734	2,528,036	446,096	1,420,541

Executive directors of the Group and the Company and other members of key management have been granted the following number of options under the Employee Share Options Scheme ("ESOS").

	GROUP		COMPANY	
	2007	2006	2007	2006
At 1 January	10,230,000	10,640,000	8,520,000	8,600,000
Granted	783,000	900,000	-	900,000
Exercised	(4,840,000)	(1,310,000)	(4,370,000)	(980,000)
Forfeited	(300,000)	-	-	-
Adjustment for bonus issue	12,315,000	-	8,300,000	-
At 31 December	18,188,000	10,230,000	12,450,000	8,520,000

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 30).

38. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Capital expenditure				
Approved but not contracted for:				
Property, plant and equipment	104,220,000	64,697,000	-	-
Investments in associates	12,339,000	-	-	-
Share of capital commitments of jointly controlled entities	768,000	-	652,000	-
	117,327,000	64,697,000	652,000	-

31 December 2007

39. CONTINGENT LIABILITIES

- (a) RGB Sdn. Bhd., a subsidiary of the Group, 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 subsidiary 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 RM125.78 million (2006: RM124.71 million) of which RM61,415,764 (2006: RM66,159,784) was utilised at balance sheet date.
- (c) The Company has given unsecured corporate guarantees to certain trade creditors of its subsidiaries for a limit of up to RM29 million (2006: Nil) of which RM3,256,965 (2006: Nil) was utilised at balance sheet date.

40. 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.

40. FINANCIAL INSTRUMENTS (CONTD.)**(b) Interest Rate Risk (Contd.)**

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 Group's and the Company's financial instruments that are exposed to interest rate risk:

	Note	Interest Rate (%)	Within 1 Year RM	1 - 2 Years RM	2 - 3 Years RM	3 - 4 Years RM	4 - 5 Years RM	Total RM
At 31 December 2007								
GROUP								
Fixed rate								
Trade receivables	21	9.7	6,106,345	-	-	-	-	6,106,345
Lease receivables	22	6.5	1,921,094	2,064,303	2,189,030	550,588	-	6,725,015
Commercial papers	32	4.1	(79,266,562)	-	-	-	-	(79,266,562)
Hire purchase payables	33	23.5	(55,776)	(14,047)	-	-	-	(69,823)
Trade payables	35	9.7	(5,278,287)	-	-	-	-	(5,278,287)
Floating rate								
Deposits with licensed banks	27	3.3	7,936,989	-	-	-	-	7,936,989
Bank overdrafts	32	8.1	(1,908,410)	-	-	-	-	(1,908,410)
Term loans	32	7.4	(18,150,750)	(18,150,750)	(14,208,875)	(7,071,625)	(2,003,144)	(59,585,144)
COMPANY								
Fixed rate								
Due from subsidiaries	24	4.1	73,500,000	-	-	-	-	73,500,000
Floating rate								
Deposits with licensed banks	27	3.4	5,606,935	-	-	-	-	5,606,935
Commercial papers	32	4.1	(79,266,562)	-	-	-	-	(79,266,562)

31 December 2007

40. FINANCIAL INSTRUMENTS (CONTD.)**(b) Interest Rate Risk (Contd.)**

	Note	Interest Rate (%)	Within 1 Year RM	1 - 2 Years RM	2 - 3 Years RM	3 - 4 Years RM	4 - 5 Years RM	Total RM
At 31 December 2006								
GROUP								
Fixed rate								
Lease receivables	22	6.5	1,921,094	2,054,064	2,197,266	2,351,652	488,115	9,012,191
Hire purchase payables	33	6.2	(16,605)	(16,605)	(5,844)	-	-	(39,054)
Floating rate								
Deposits with								
licensed banks	27	3.3	4,793,449	-	-	-	-	4,793,449
Bank overdrafts	32	8.2	(2,943,501)	-	-	-	-	(2,943,501)
Bankers' acceptances	32	5.0	(6,100,000)	-	-	-	-	(6,100,000)
Term loans	32	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	27	3.1	2,464,181	-	-	-	-	2,464,181

(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, Macau Pataca, 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.

31 December 2007

40. FINANCIAL INSTRUMENTS (CONTD.)**(c) Foreign Currency Risk (Contd.)**

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

Functional Currency of Group Companies	Net Financial Assets/(Liabilities) Held in Non-Functional Currency													Total RM
	United States	Australian	Pound		Singapore	Ringgit	Hong Kong	Japanese	Philippine	Macau	Thai	Mongolia		
	Dollar	Dollar	Euro	Sterling	Dollar	Malaysia	Dollar	Yen	Peso	Pataca	Baht	Tughrik		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
At 31 December 2007														
Ringgit Malaysia	102,661,580	3,722,793	1,068,126	2,301	619,290	-	601,077	26,041	(281)	-	839	-	108,701,766	
United States Dollar	-	(1,632,721)	6,282,120	-	105,930	(700,094)	273,997	1,555,206	4,426,500	3	12,938,834	(21,124)	23,228,651	
Hong Kong Dollar	-	(3,412)	-	-	-	-	-	-	-	6,187	-	-	2,775	
	102,661,580	2,086,660	7,350,246	2,301	725,220	(700,094)	875,074	1,581,247	4,426,219	6,190	12,939,673	(21,124)	131,933,192	

Functional Currency of Group Companies	Net Financial Assets/(Liabilities) Held in Non-Functional Currency													Total RM
	United States	Australian	Pound		Singapore	Ringgit	Hong Kong	Japanese	Philippine	Thai	Mongolia			
	Dollar	Dollar	Euro	Sterling	Dollar	Malaysia	Dollar	Yen	Peso	Baht	Tughrik			
	RM	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	

The net unhedged financial assets of the Company that are not denominated in its functional currency as at 31 December 2007 amounted to RM95,611,998 (2006: RM2,935,200).

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

(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.

31 December 2007

40. FINANCIAL INSTRUMENTS (CONTD.)**(e) Credit Risk**

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who trade on credit terms are subject to credit reference checks by the Credit Control Department. In addition, the Credit Control Department analyses and reviews the credit worthiness and standing of all customers regularly. Receivable balances are monitored on an ongoing basis via the Group's management reporting procedures.

The credit risk of the Group's other financial assets, which comprise mainly cash and cash equivalents, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts 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 21.

(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	Carrying Amount RM	GROUP Fair Value RM
At 31 December 2007			
Non-current unquoted shares	18	4,000	*
Non-current receivables	23	714,790	616,398
At 31 December 2006			
Non-current unquoted shares	18	4,000	*
Non-current receivables	23	2,148,162	1,833,306

* 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.

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 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.

41. 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, research and development, gaming and leisure entertainment, neither of which constitutes a separately reportable segment.

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

	Sales and marketing RM	Technical support and management RM	Others RM	Eliminations RM	Consolidated RM
2007					
Revenue					
Sales to external customers	152,734,769	119,214,115	4,357,656	-	276,306,540
Inter-segment sales	124,665	-	360,000	(484,665)	-
Total revenue	152,859,434	119,214,115	4,717,656	(484,665)	276,306,540
Results					
Segment results	15,769,335	41,784,170	(2,285,401)	-	55,268,104
Unallocated expenses					(8,429,525)
Operating profit					46,838,579
Finance costs					(6,944,382)
Share of profit of jointly controlled entities			106,236		106,236
Share of loss of associates			(709,635)		(709,635)
Profit before tax					39,290,798
Income tax expense					(977,184)
Profit for the year					38,313,614

31 December 2007

41. SEGMENT INFORMATION (CONTD.)**(b) Business Segments (Contd.)**

	Sales and marketing RM	Technical support and management RM	Others RM	Eliminations RM	Consolidated RM
Assets					
Segment assets	99,231,777	253,359,294	28,471,054	-	381,062,125
Investment in jointly controlled entities			1,592,374		1,592,374
Investments in associates			3,860,051		3,860,051
Unallocated assets					16,112,326
Total assets					<u>402,626,876</u>
Liabilities					
Segment liabilities	58,077,046	21,867,174	2,363,536	-	82,307,756
Unallocated liabilities					144,309,179
Total liabilities					<u>226,616,935</u>
Other information					
Capital expenditure	85,996	112,828,007	7,832,508	-	120,746,511
Unallocated capital expenditure					975,060
					<u>121,721,571</u>
Depreciation	265,558	40,359,276	127,725	-	40,752,559
Unallocated depreciation					256,255
					<u>41,008,814</u>
Amortisation	-	-	308,732	-	308,732
Impairment losses	-	284,244	2,542	-	286,786

41. SEGMENT INFORMATION (CONTD.)

(b) Business Segments (Contd.)

	Sales and marketing RM	Technical support and management RM	Others RM	Eliminations RM	Consolidated RM
Non-cash expense other than depreciation, amortisation and impairment losses	1,709,574	5,930,395	522,827	-	8,162,796
Unallocated non-cash expense other than depreciation, amortisation and impairment losses					256,477
					8,419,273
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 (restated)			669,811		669,811
Profit before tax					33,279,146
Income tax expense					(1,808,918)
Profit for the year					31,470,228

31 December 2007

41. SEGMENT INFORMATION (CONTD.)**(b) Business Segments (Contd.)**

	Sales and marketing RM	Technical support and management RM	Others RM	Eliminations RM	Consolidated RM
Assets					
Segment assets	83,526,896	179,122,750	11,181,454	-	273,831,100
Investments in associates (restated)			1,273,660		1,273,660
Unallocated assets					8,860,631
Total assets					<u>283,965,391</u>
Liabilities					
Segment liabilities	46,164,584	25,891,252	77,238	-	72,133,074
Unallocated liabilities					73,133,425
Total liabilities					<u>145,266,499</u>
Other information					
Capital expenditure	1,038,229	59,227,809	880,276	-	61,146,314
Unallocated capital expenditure					324,014
					<u>61,470,328</u>
Depreciation (restated)	107,707	30,564,269	100,836	-	30,772,812
Unallocated depreciation					446,112
					<u>31,218,924</u>
Amortisation (restated)	-	-	153,556	-	<u>153,556</u>
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
					<u>4,539,791</u>

41. SEGMENT INFORMATION (CONTD.)**(c) Geographical Segments**

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers are based on geographical location of its customers.

Although the Group's business segments are managed on a worldwide basis, they operate in seven main geographical areas of the world. In Malaysia, its home country, the Group's areas of operation are principally sales and marketing and technical support and management of gaming and amusement machines, renting of property, manufacturing and research and development.

The Group also operates in other countries in the Asia Pacific region:

- Macau - mainly sales and marketing.
- Cambodia - mainly sales and marketing, technical support and management and gaming and leisure.
- The Philippines - mainly sales and marketing and technical support and management.
- Vietnam - mainly sales and marketing and technical support and management.
- Singapore - mainly sales and marketing and technical support and management.
- Mongolia - mainly technical support and management.
- Laos - mainly technical support and management.

The following table provides an analysis of the Group's revenue by geographical segment:

	Revenue by geographical segments	
	2007 RM	2006 RM
Macau	32,574,362	39,562,249
Cambodia	102,721,757	85,857,712
Malaysia	27,914,995	31,192,086
The Philippines	93,499,561	41,853,070
Vietnam	9,653,153	8,631,209
Singapore	5,038,786	5,398,542
Mongolia	-	1,355,627
Laos	2,473,596	-
Other countries	2,430,330	1,529,793
	276,306,540	215,380,288

31 December 2007

41. SEGMENT INFORMATION (CONTD.)**(c) Geographical Segments (Contd.)**

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

	Segment assets		Capital expenditure	
	2007	2006	2007	2006
	RM	RM	RM	RM
Macau	11,047,690	29,580,107	-	24,839
Cambodia	200,518,515	110,758,901	108,456,783	36,947,399
Malaysia	47,032,780	50,700,934	3,006,478	1,930,734
The Philippines	102,886,460	55,020,888	5,307,292	16,355,613
Vietnam	8,130,960	8,923,562	3,543,476	132,453
Singapore	400,837	4,642,963	-	-
Mongolia	211,896	5,825,875	-	5,755,276
Laos	1,222,587	-	432,482	-
Other countries	9,610,400	8,377,870	-	-
	381,062,125	273,831,100	120,746,511	61,146,314

42. SUBSEQUENT EVENTS

- (a) On 31 January 2008, the listing of and quotation for the entire issued and paid-up share capital of the Company was transferred from the MESDAQ Market to the Main Board of Bursa Malaysia Securities Berhad.
- (b) On 19 February 2008, the Company acquired 1 ordinary share of HKD1, representing the entire issued and paid-up share capital of Frontier Wish International Limited ("FWIL"), a company incorporated in Hong Kong for a purchase consideration HKD1 (approximately RM0.41). The intended activities of FWIL are investment and property holding, entertainment and leisure as well as international business.
- (c) On 19 February 2008, Macrocept Sdn. Bhd. ("MCSB"), a wholly-owned subsidiary of the Company, acquired an additional 20% equity interest in an associate, Chateau de Bavet Club Co., Ltd ("CDBC"), a company incorporated in Cambodia for a total consideration of USD1,000 (approximately RM3,127). As a result, CDBC became a subsidiary of MCSB.
- (d) On 6 March 2008, RGB Ltd., a wholly owned subsidiary of the Company had entered into an agreement with OMMCO Investment Co., Ltd., a corporation incorporated in Japan to co-operate for the purpose of investment in the projects in Cambodia by way of the setting up of a company, RGB OMMCO Ltd., incorporated in the Federal Territory of Labuan, Malaysia.
- (e) On 25 March 2008, MCSB had entered into the Contract on The Transfer of Shares and Slot Machine Licenses with a third party to acquire 100% of the equity interest in Club 88 Co., Ltd. ("Club 88") and the slot machine licenses held by Club 88 for a total consideration of USD145,000 (approximately RM463,782) being USD5,000 (approximately RM15,992) for the Shares and USD140,000 (approximately RM447,790) for the slot machine licenses, business license and any other approvals by relevant authorities and regulatory bodies to commence business in Club 88. On 27 March 2008, the shares in Club 88 have been transferred to MCSB and Club 88 became a wholly-owned subsidiary of MCSB.

NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting of the Company will be held at G Hotel, 168A Persiaran Gurney, 10250 Penang, Malaysia on Thursday, 29 May 2008 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 2007 together with the Reports of Directors and Auditors thereon. | Resolution 1 |
| 2. To approve the payment of a first and final dividend of 0.68 sen per ordinary share of 10 sen each which consists of 0.50 sen less 26% income tax and 0.18 sen tax exempt dividend for the financial year ended 31 December 2007. | Resolution 2 |
| 3. To approve the payment of Directors' Fees of RM176,000 for the financial year ended 31 December 2007. | 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: | |
| 4.1 Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T. | Resolution 4 |
| 4.2 Mr. Chuah Kim Chiew | Resolution 5 |
| 5. 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. | Resolution 6 |

As Special Business:

6. To consider and, if thought fit, to pass the following Ordinary Resolution:

Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares

Resolution 7

"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."

7. 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 DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a first and final dividend of 0.68 sen per ordinary share of 10 sen each which consists of 0.50 sen less 26% income tax and 0.18 sen tax exempt dividend for the financial year ended 31 December 2007, if approved, will be paid on 18 August 2008 to depositors registered in the Record of Depositors of the Company on 28 July 2008.

A depositor shall qualify for entitlement only in respect of:

- a) Shares transferred into the depositor's securities account before 4.00 pm on 28 July 2008 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
6 May 2008

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.
6. Where a member of the Company is an authorized nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

Explanatory Note on Special Business**Resolution 7****Authority under section 132D of the Companies Act, 1965 for the Directors to issue shares**

The Ordinary Resolution 7 proposed under agenda 6, if approved, 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.

STATEMENT ACCOMPANYING NOTICE OF FIFTH ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.28(2) OF BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

1. Retirement and re-election of the Directors at the Fifth Annual General Meeting

Directors retiring by rotation pursuant to Article 100(1) of the Articles of Association and seeking re-election are as follows:

- (a) Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.
- (b) Mr. Chuah Kim Chiew

The details of the Directors who are seeking re-election are set out in their personal profiles under Profile of Directors in this Annual Report.

Shareholdings of the said Directors above in the Company and its subsidiaries are disclosed under the Analysis of Shareholdings in this Annual Report.

2. Fifth Annual General Meeting of Dreamgate Corporation Bhd.

Place : G Hotel, 168A Persiaran Gurney, 10250 Penang
Day, Date & Time : Thursday, 29 May 2008 at 10.00 am

Form of Proxy



Number of Share Held

Dreamgate Corporation Bhd. (603831-K)
(Incorporated in Malaysia)

*I/We NRIC No./Company No.....
(FULL NAME IN BLOCK CAPITALS)

of
(FULL ADDRESS)

being a *member/members of Dreamgate Corporation Bhd. (603831-K) ("the Company"), hereby appoint

..... NRIC No.
(FULL NAME IN BLOCK CAPITALS)

of
(FULL ADDRESS)

or failing *him/her, NRIC No.....of
(FULL NAME IN BLOCK CAPITALS)

.....
(FULL ADDRESS)

or failing *him/her, the *CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us and on *my/our behalf at the Fifth Annual General Meeting of the Company to be held at G Hotel, 168A Persiaran Gurney, 10250 Penang, Malaysia on Thursday, 29 May 2008 at 10.00 am and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided below as to how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.)

ORDINARY RESOLUTIONS	1	2	3	4	5	6	7
FOR							
AGAINST							

Signed this day of 2008
.....
Common Seal/Signature of Member

Note:

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b)&(c) of the Companies Act, 1965 shall not apply to the Company.
2. For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company, Suite 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.
6. Where a member of the Company is an authorized nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

* Strike out whichever is not applicable.

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AFFIX STAMP

To:
The Company Secretaries
DREAMGATE CORPORATION BHD (603831-K)
Suite 2-1, 2nd Floor, Menara Penang Garden
42-A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia

first fold here



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