Dreamgate Corporation Bhd. (603831-K)

annual report 2008

RGB GAMES™

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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 Securities" throughout the entire Annual Report) on 13 January 2004. On 31 January 2008, its listing was successfully transferred to the Main Board of Bursa Securities.

DCB is an investment holding company with subsidiary and associate companies ("DCB Group" or "the Group") primarily involved in:

- Sales & marketing, manufacturing of electronic gaming machines and equipment
- Machines concession program & technical support management
- Equity investment and management of boutique casinos, hotels and clubs with gaming licenses

The history of DCB's involvement with the gaming industry began way back in 1986 through its wholly owned subsidiary, RGB Sdn. Bhd. ("RGBSB" throughout the entire Annual Report). Through RGBSB, DCB is acknowledged as a premier supplier of electronic gaming machines and equipment in Asia region. Today, the Group is also a major machines concession programs operator in Asia and has diversified into hospitality and leisure as well.

DCB has marked its presence in Malaysia and also operates in Cambodia, Lao PDR, Vietnam, Singapore, the Philippines, South Korea, Macau SAR and Japan.

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

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

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
  - Uphold 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

CORPORATE INFORMATION

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
Group Executive Directors

Dato' Mahinder Singh Dulku, DSPN, PKT
Senior Independent Non-Executive Director

Mr. Chuah Eng Hun
Non-Independent Non-Executive Director

Audit Committee
Mr. Ooi Teng Chew, *Chairman*
Dato' Mahinder Singh Dulku, DSPN, PKT
Mr. Chuah Eng Hun

Remuneration Committee
Dato' Mahinder Singh Dulku, DSPN, PKT, *Chairman*
Datuk Chuah Kim Seah, JP
Mr. Ooi Teng Chew

Nomination Committee
Dato' Mahinder Singh Dulku, DSPN, PKT, *Chairman*
Mr. Ooi Teng Chew
Mr. Chuah Eng Hun

ESOS Committee
Dato' Mahinder Singh Dulku, DSPN, PKT, *Chairman*
Datuk Chuah Kim Seah, JP
Mr. Ooi Teng Chew
En. Mazlan bin Ismail

Credit Review & Risk Assessment Committee
En. Mazlan bin Ismail, *Chairman*
Mr. Ooi Teng Chew
Dato' Mahinder Singh Dulku, DSPN, PKT
Ms. Teh Mun Hui

Company Secretaries
Ms. Lam Voon Kean (MIA 4793)
Ms. Ong Tze-En (MAICSA 7026537)

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
Email : info@dreamgatecorp.com
Websites : www.dreamgatecorp.com
www.rgbgames.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 / 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

GROUP FINANCIAL HIGHLIGHTS

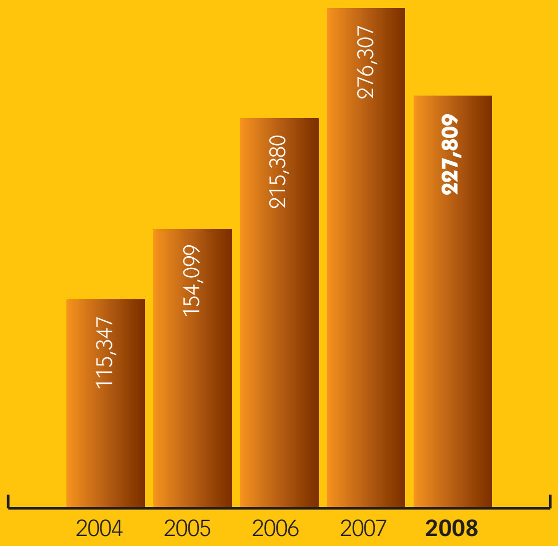
Audited Consolidated Income Statements for Years Ended 31 Dec 2004 to 31 Dec 2008

	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000 Restated	2008 RM'000
Revenue	115,347	154,099	215,380	276,307	227,809
EBITDA*	26,480	49,184	69,529	88,349	66,321
Amortisation	(11)	(82)	(154)	(308)	(652)
Depreciation	(7,769)	(19,293)	(31,219)	(41,009)	(59,823)
Interest	(251)	(1,937)	(4,877)	(6,620)	(9,140)
Pretax Profit/(Loss)	18,449	27,872	33,279	40,421	(3,294)
Taxation	(211)	(80)	(1,809)	(977)	(319)
Minority Interests	-	-	-	(13)	739
Net Profit/(Loss)	18,238	27,792	31,470	39,422	(2,874)
EBITDA* Margin	23%	32%	32%	32%	29%
Pretax Profit/(Loss) Margin	16%	18%	15%	15%	(1%)
Weighted Average Number of Ordinary Share in issue ('000)	840,000	840,000	843,629	864,334	872,026
EPS/(LPS) (sen) - Basic #	2.18	3.31	3.73	4.56	(0.33)
EPS/(LPS) (sen) - Diluted #	-	3.31	3.67	4.47	(0.33)
Revenue growth	42%	34%	40%	28%	(18%)
Net profit growth	44%	52%	13%	25%	(107%)

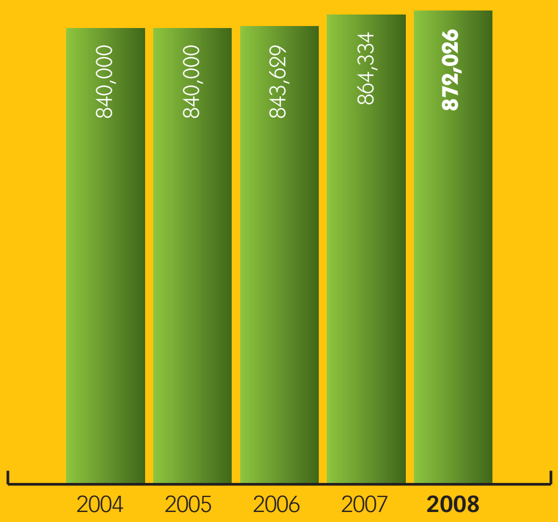
* Earnings Before Interest, Taxation, Depreciation & Amortisation

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

REVENUE



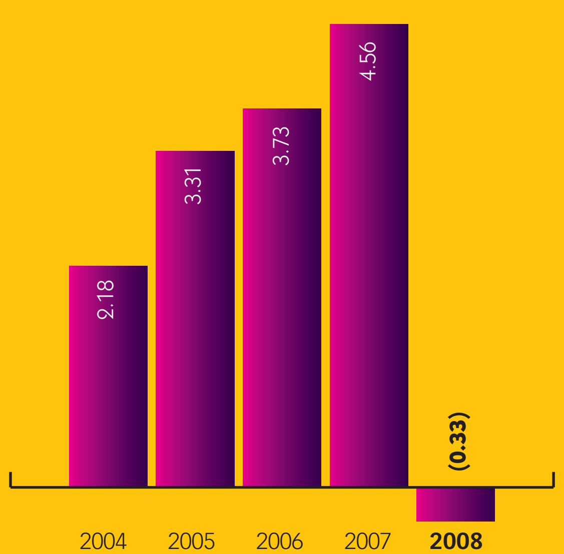
Weighted Average Number of Ordinary Share in issue ('000)



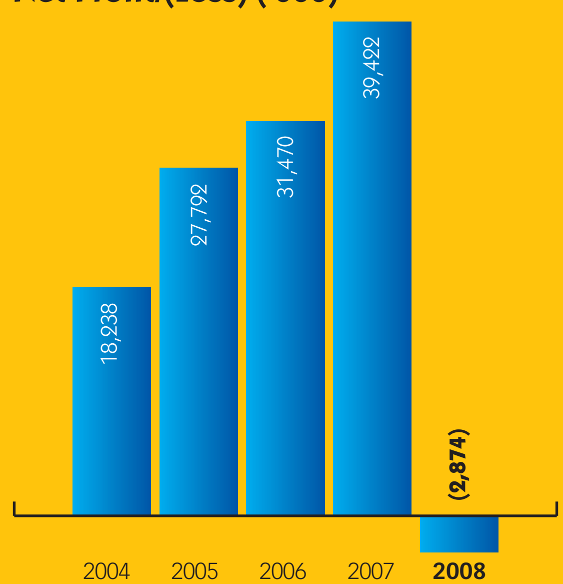
Audited Consolidated Segmental Information for Years Ended 31 Dec 2004 to 31 Dec 2008

	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000 Restated	2008 RM'000
Revenue					
Sales & Marketing	89,047	93,145	121,299	152,860	80,238
Technical Support & Management	26,355	61,361	90,080	119,214	128,804
Others	977	1,028	4,927	4,718	19,197
Eliminations	(1,032)	(1,435)	(926)	(485)	(430)
	115,347	154,099	215,380	276,307	227,809
Profit/(Loss) Before Tax					
Sales & Marketing	8,539	5,104	9,348	15,769	1,517
Technical Support & Management	12,800	27,815	37,142	41,784	16,495
Others & Unallocated	(2,890)	(5,047)	(13,211)	(17,141)	(21,306)
	18,449	27,872	33,279	40,412	(3,294)

EPS/(LPS) (sen) - Basic



Net Profit/(Loss) ('000)



GROUP CORPORATE STRUCTURE

as at 24 April 2009

Dreamgate Corporation Bhd. (603831-K)

RED DRAGON

Experience our unique and exciting Chinese mythical themed slots-Red Dragon. Every appearance of the Red Dragon will surely immerse you with infinite excitement as it will turn all 3 reels on the same column into wild symbols.

PROFILE OF DIRECTORS

Mr. Ooi Teng Chew
Independent Non-Executive Chairman, Malaysian, age 63

A Board member since 30 October 2003, Mr. Ooi assumed the Chairmanship of the Board on 17 March 2004. In addition, he chairs the Audit Committee and serves as member of the Remuneration, Nomination, Employee Share Options Scheme ("ESOS") and Credit Review & Risk Assessment ("CRRA") Committees.

Mr. Ooi is a Fellow of the Institute of Chartered Accountants of England and Wales and the Malaysian Institute of Certified Public Accountant. He was in public practice for 27 years and retired from an international firm of accountants in 2001.

He is also an Independent Non-Executive Director of Johan Holdings Berhad.

Mr. Ooi had attended all 6 board meetings held in the financial year.

Datuk Chuah Kim Seah, JP
Group Managing Director, age 56

Datuk Chuah joined the Board on 30 October 2003. He is also a member of both Remuneration and ESOS Committees.

He attained professional qualifications from Association for Chartered Certified Accountants ("ACCA"), UK. Datuk Chuah is a Fellow of the ACCA and a member of the Malaysian Institute of Accountants.

Datuk Chuah leads the senior management team in the development of strategic business direction, plans and policies for the DCB Group. Capitalising on his extensive knowledge of the amusement and gaming industry, he also oversees the evaluation of potential strategic business alliances and synergistic business ventures.

He 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.

Mr. Steven Lim Tow Boon
Group Executive Director, age 48

A board member since 30 October 2003, Mr. Lim is primarily responsible for the development of strategic plan and the daily operational management for the sales, services and marketing as well as the technical support and management ("TSM") functions for the Group.

On 01 January 2009, he was appointed as the Chief Operating Officer of the RGB Business Division.

A graduate of Brock University, Canada in 1985 with a Bachelor of Arts degree majoring in Administrative Studies, Mr. Lim joined the Group in 1988 as Management Executive focusing on the marketing of gaming and amusement machines. He had used his extensive experience in sales and marketing to spearhead the growth of 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 had attended 5 out of 6 board meetings held in the financial year.

Mr. Chuah Kim Chiew
Group Executive Director, age 46

A graduate of Waseda University, Japan, Mr. Chuah Kim Chiew was appointed to the Board on 30 October 2003. He is presently the Group Executive Director responsible for Research & Development ("R&D") as well as Security & Surveillance functions for the Group.

On joining the Group more than 20 years ago, Mr. Chuah was tasked to coordinate backroom support activities for technical services and sales and marketing functions. Later, he led the Group's research and development efforts through a fruitful partnership with Japanese games developers. Today, the Group has developed a range of award winning games under our own proprietary brand – RGB Games - that were not catered for under existing distributorship arrangements.

Mr. Chuah also sits on the board of several subsidiary and associate companies of DCB. He had attended 5 out of 6 board meetings held in the financial year.

PROFILE OF DIRECTORS

En. Mazlan bin Ismail
Group Executive Director, age 46

Appointed to the Board on 30 October 2003, En. Mazlan chairs the CCRA Committee and serves as a member of the ESOS Committee. He is principally responsible for treasury, credit control and risk assessment for the Group.

Holder of a Diploma in Management from the Malaysian Institute of Management ("MIM"), he is an Associate of MIM since 1999.

He has extensive experience in audit and general management having started out his career as Audit Senior with Chuah & Associates. Presently, En. Mazlan is a director of Institut Teknologi Dan Pengurusan Victoria Sdn. Bhd., a private institution of higher learning to which he was appointed to in 1997.

He sits on the board of several associate and subsidiary companies of the Group. He had attended all 6 board meetings convened during the year.

Dato' Mahinder Singh Dulku, DSPN, PKT
Senior Independent Non-Executive Director, age 66

Dato' Mahinder Singh Dulku joined the Board as 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. The Chairman of the Remuneration, Nomination and ESOS Committees, Dato' Mahinder also serves as member of both the Audit and CRRA Committees.

Dato' Mahinder was admitted as an Advocate & Solicitor, Malaya in 1973. He has been in legal practice for more than 34 years and specialises in land, contract and corporate laws. He is currently the President of the Old Xaverians' Association, Penang.

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

He had attended all 6 board meetings convened during the financial year.

Mr. Chuah Eng Hun
Non-Independent Non-Executive Director, age 25

Mr. Chuah Eng Hun joined the Board as Non-Independent Non-Executive Director on 18 February 2009. He also serves as member of both the Audit and Nomination Committees.

He holds a Bachelor of Commerce degree majoring in Accounting from Deakin University, Australia and is an Associate member of CPA Australia.

Mr. Chuah started his career with an international audit firm, Ernst & Young, as an Associate in February 2006. He was promoted to Senior Associate in September 2007, a position he held until his resignation on 16 February 2009.

Notes:

All of the Directors are Malaysians.

Family Relationship with Director and/or Major Shareholder
Datuk Chuah Kim Seah, JP and Mr. Chuah Kim Chiew are siblings and also substantial shareholders of DCB. Mr. Chuah Eng Hun is the son of Datuk Chuah Kim Seah, JP and the nephew of Mr. Chuah Kim Chiew.

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

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

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

Other Directorships
Except as disclosed by Mr. Ooi Teng Chew, none of the Directors hold directorships in other public listed companies.

KEY MANAGEMENT TEAM

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 as well as training and development 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 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.

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

Teh Mun Hui
Group Finance Director, Malaysian

KEY MANAGEMENT TEAM

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 RGBSB in 1999. At RGBSB, 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.

Ganaser Kaliappen
Group Regulatory/Legal Compliance & Investor Relations Director, Malaysian

Assumed current role on 1 January 2009, Mr. K. Ganaser was earlier primarily responsible for investor relations and licensing/legal compliance with regulatory authorities in the various countries where the Group operates. He joined the Group in 2004 as General Manager for Regulatory Compliance before assuming his current position.

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.

Chuah Kee Yong
Group Technology Director, Malaysian

Ganaser Kaliappen
Group Regulatory/Legal Compliance & Investor Relations Director, Malaysian

KEY MANAGEMENT TEAM

David Overton
Vice President - Technical Support & Management ("TSM"), British

Mr. Overton is the Vice President – TSM since January 2009 and is responsible for the entire operations and manpower management of the TSM division.

He joined the Group in 2007 as Operations Director for the TSM in Phnom Penh region, Cambodia where he was 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.

Cheah Swee Wai
General Manager - TSM, Malaysian

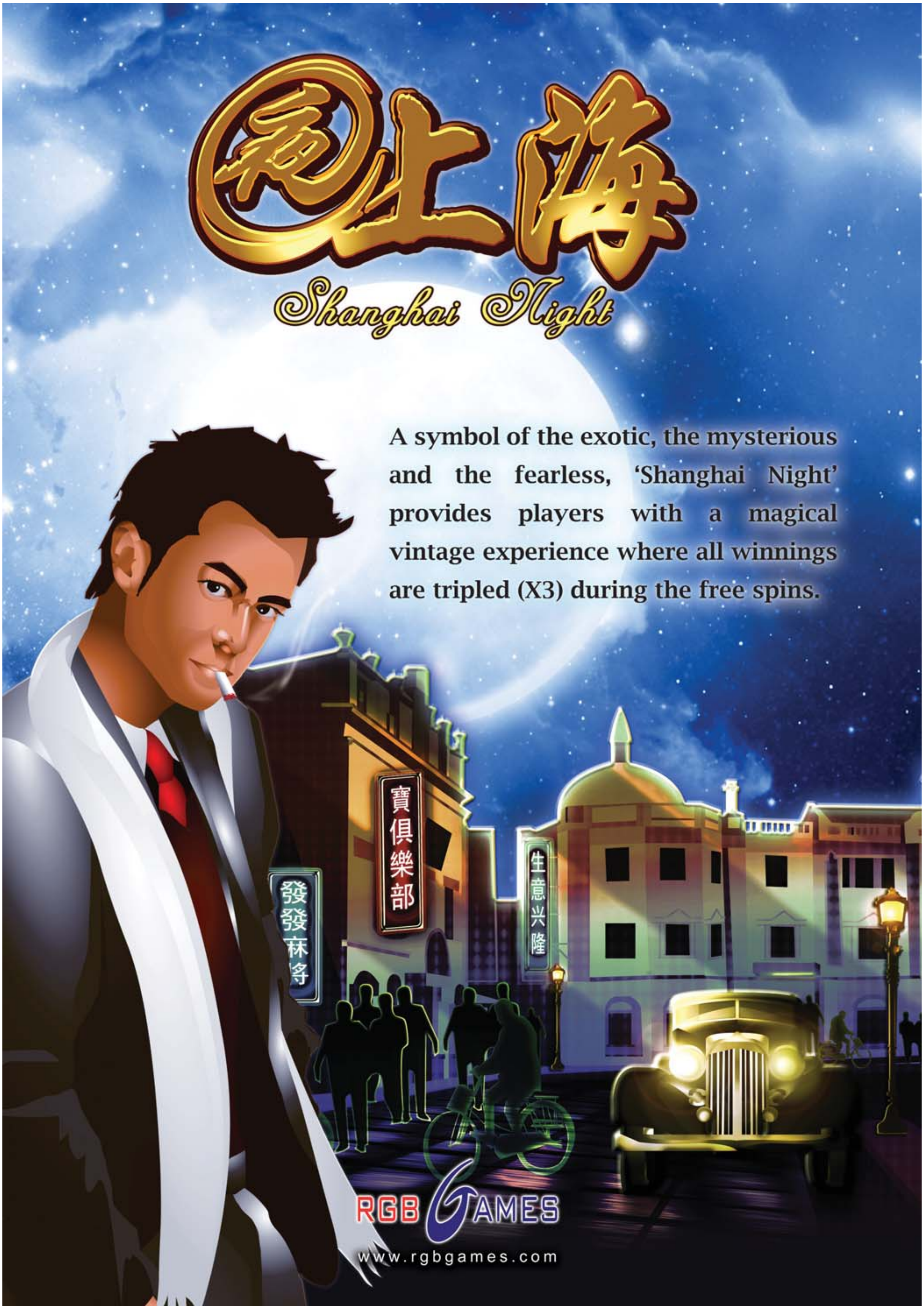
Mr. Cheah is the General Manager of the TSM division since 2008. He is responsible for the operational management, development and implementation of concession programs, casinos and hotels in Cambodia, Vietnam, Lao PDR, Macau SAR and the Philippines.

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.

David Overton
Vice President - Technical Support & Management ("TSM"), British

Cheah Swee Wai
General Manager - TSM, Malaysian


上海
Shanghai Night
A symbol of the exotic, the mysterious and the fearless, 'Shanghai Night' provides players with a magical vintage experience where all winnings are tripled (X3) during the free spins.
寶
俱樂部
生意兴隆
RGB GAMES
www.rgbgames.com

CHAIRMAN'S STATEMENT

DEAR VALUED SHAREHOLDERS

On behalf of the Board of Directors, I present the Annual Report and Financial Statements of Dreamgate Corporation Bhd. and its group of companies for the financial year ended 31 December 2008.

FINANCIAL HIGHLGHTS

The onset of recessionary pressures across the world and its consequent credit squeeze plus regulatory changes, particularly in China and Cambodia, have adversely affected our operations during the year, resulting in the Group reporting its first annual loss of RM2.9 million (2007: Net Profit RM39.4 million) since it was listed on Bursa Securities in 2004. The Group would have made a profit of RM10.4 million had it not been for the impairment charges of RM13.3 million due to the directive of the Cambodian Government to close slot clubs in Cambodia in February 2009.

	2008 RM'000	2007 RM'000 (Restated)
Revenue	227,809	276,307
Pretax (Loss)/Profit	(3,294)	40,412
Net (Loss)/Profit	(2,874)	39,422
(LPS)/EPS (sen) – Basic	(0.33)	4.56

DIVIDEND

In view of the losses sustained and to strengthen our financial position to face the challenges going forward, the Board is not recommending the declaration of a dividend for the financial year ended 31 December 2008.

CORPORATE DEVELOPMENTS

On the corporate front, the listing for the Company's shares was transferred from the MESDAQ Market to the Main Board of the Bursa Securities on 31 January 2008.

During the 4th quarter of 2008, the authorities approved the Company's proposal to undertake a private placement of new ordinary shares of RM0.10 each in the Company of up to 10% of the total issued and paid up share capital at a price to be determined. However, the exercise will only proceed when market conditions improve.

All other corporate developments are highlighted under "Review of Operations" and "Calendar of Events 2008" in this Annual Report.

INDUSTRY TRENDS AND DEVELOPMENT PROSPECTS

The liberalisation of the gaming industry in the region continued during the year with Taiwan being the latest nation to legalise and license casinos as a means of establishing successful tourism and entertainment industries and generating tax revenue. Meanwhile, the Philippines and Singapore continued to attract significant investments for new projects and projects in progress while Macau witnessed a slowdown because of regulatory changes in China restricting travel by its citizens and financial problems faced by its major local and overseas investors in projects there.

On the other hand, as stated earlier, Cambodia shocked many in the industry by imposing a ban on sports betting and electronic gaming machines in slot clubs, citing morality issues affecting its citizens. This move was also contrary to official encouragement to the Group to invest in the country.

Whilst demand for gaming machines had slowed considerably, the Group has been encouraged by signs of casinos wanting to enter into concession arrangements for the management of gaming machines as a means of reducing capital commitments.

Celebrating our successful listing transfer to the Main Board of Bursa Securities

FUTURE PROSPECTS

Although the action taken by the Cambodian Government had affected the Group very seriously, the Group's management has taken immediate remedial action to alleviate its impact by implementing plans for the re-utilisation of the affected machines, reducing headcount and staff costs and taking cost saving measures.

With the commencement of new concession agreements in the Philippines and Macau, the planned opening of our own casino in Bavet later this year and the focus by our sales team on marketing the Group's in-house brand, the Board is confident that the Group will be able to operate profitably in the financial year ending 31 December 2009.

IN APPRECIATION

To my fellow colleagues on the Board, I thank you for your continued support through the turbulent times.

On behalf of the Board, I would also like to thank our management and staff for their perseverance and commitment. Your dedication is very much appreciated.

As to valued shareholders, customers, business partners, bankers and the authorities, your support and continued faith have been essential for the Group's growth. We look forward to your ongoing support and confidence in 2009.

Finally, I wish to place on record our sincere gratitude and appreciation to Mr. Wong Chee Fai, our Group Executive Director, who retired on 31 January 2009, for his contribution and loyal service to the Group during his tenure of service.

MR. OOI TENG CHEW
Chairman

24 April 2009
Penang


The game to satisfy one's desire...
TM
百楽門
Paramount
The Pinnacle of Pleasure
RGB GAMES
www.rgbgames.com

REVIEW OF OPERATIONS

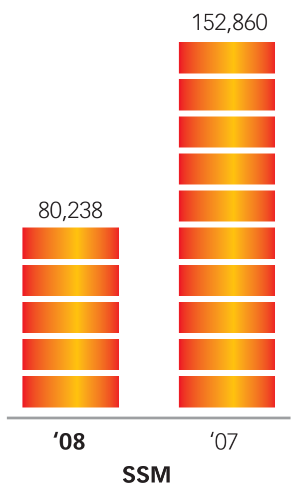
MY FELLOW SHAREHOLDERS,

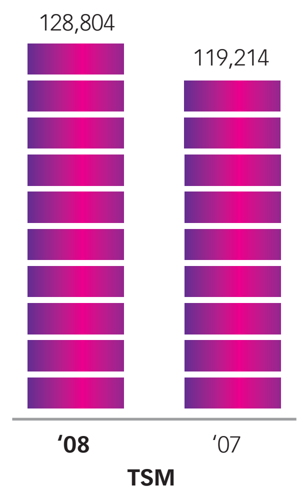
2008 has been a challenging year for the Group in meeting its expectations. We believe that there are extensive opportunities during this turbulent times and will continue to reposition ourselves to achieve our goals.

This year, the Group reported a drop in its revenue and incur a loss, a break from our profits tradition, but one which is due to influences beyond our control.

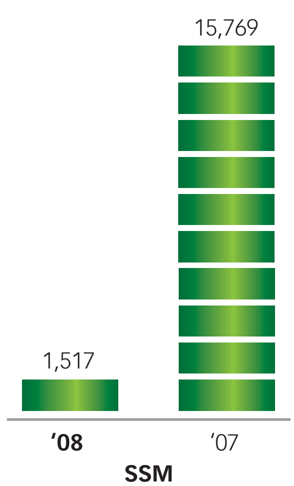
	FY 2008 RM'000	FY 2007 RM'000	% of change
Revenue			
SSM	80,238	152,860	(48%)
TSM	128,804	119,214	8%
Profit before tax			
SSM	1,517	15,769	(90%)
TSM	16,495	41,784	(61%)

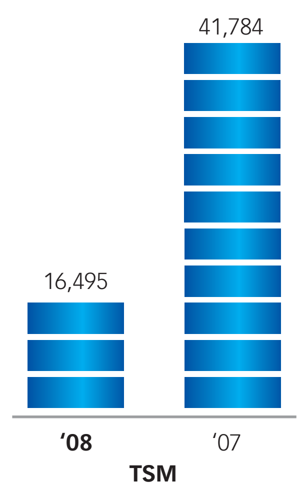
Revenue





Profit before tax





The SSM division reported a 48% reduction in revenue this year compared to preceding year. It managed to sell 1,145 units of machines compared to 2,475 units sold last year. As a result, profit before tax also dropped by 90% due to lower sales and margins.

As for the TSM division, it enjoyed a slight increase in revenue of 8% for the year ended 31 December 2008 as compared to preceding year due to placement of additional machines in various venues.

However, higher operating costs and competition as well as regulatory issues in Cambodia has reduced profit margins for 2008 as compared to the preceding year.

Towards the end of the year, we ceased operations at 23 slot clubs in Phnom Penh and Siem Reap, Cambodia in part due to:

- poor performance; and
- in compliance with the introduction of additional regulatory policies which require slot clubs to be located in approved hotels.

Two months later, following a directive issued on 26 February 2009 which decreed that all slot clubs in Cambodia to cease operations, a further 21 slot clubs were closed.

Following an in-depth review of the situation in Cambodia, we had taken a prudent view that the closure directive for slot clubs is permanent until further notice and have thus reflected its impact in our financial statements. However, this directive does not have any impact on our concession programs in casinos.

During the year, the Group had set up a new division – Leisure & Entertainment – which represented the Group's equity investments in casinos and clubs in Cambodia. The revenue generated under this division in 2008 is contributed by Mekong Hotel & Club which is owned by a subsidiary of the Group. The division recorded a loss before tax of RM 7.5 million due to:

- pre-operating costs of clubs and casino scheduled to be opened in 2009;
- impairment loss on gaming licenses; and
- impairment loss on assets and renovation of clubs yet to commence operations and affected by change in regulatory policies

in line with the Board's stand on the impact of closure directive in Cambodia.

Our sales team

The combined strengths of TSM and SSM at the head office

SALES & MARKETING ("SSM")

The stagnant world economy had dampened the growth of the gaming industry regionally in that:

- Venue operators have deferred capital expenditure on gaming machine and equipment; and
- the opening of certain casinos and clubs have been delayed

which have reduced demand for our products in general.

We are pleased to note that our efforts to introduce the Malaysian made synthetic table layouts to the Asian market have been well received with 1,300 pieces valued at about RM1.175 million sold during 2008.

During the year, SSM commenced marketing of products from our joint venture company, RGB Abbiati Pte. Ltd. and its products have received encouraging results from the market.

The sale of products under the Group's proprietary brand, RGBGames, in the market is favourable and SSM is expected to gear up its marketing efforts to increase RGBGames' market share in the near future.

RGB GAMES™

Games development in progress

The Group has participated in two major regional expositions in Macau and the Philippines as part of its continuous program to highlight awareness for all its products.

TECHNICAL SUPPORT & MANAGEMENT ("TSM")

We are pleased to note that the concession in Lao PDR which commenced operations last year has yielded positive returns.

As for the Cambodian market, approximately 1,500 units of machines were removed from operations in Phnom Penh and Siem Reap following the closure of 23 clubs in late December 2008. A further 1,800 units ceased operations due to the new directive from the government in February 2009.

However, the Management would continue to seek opportune time to make representation to the Cambodian government to allow the Group resume operations of slot clubs in the country.

In the mean time, the Management has taken swift actions by mobilizing these machines available from Phnom Penh and Siem Reap to other existing and new venues which are able to absorb all these available machines and where we were able to improve our products in the market. This has resulted in promising improvement in performance and revenue for 2009.

The total concession programs of the Group in operations today stand at 33.

RESEARCH & DEVELOPMENT ("R&D)

In full collaboration with our associate company in Japan, CRON Corporation, the R&D team has been successful in following through on its development plans:

- Implemented the "SmartLink" system, a gaming floor management tool in various locations throughout IndoChina. Efforts are ongoing to add on new modules to enhance and improve its capabilities; and

- Released a total of 10 games and among the games released were Paramount, Shanghai Night, The Legend of Sparta, Captain Jack, Red Dragon and Golden Statue. These games are very well received in Malaysia, Lao PDR, Macau SAR and the Philippines.

Recently released games

The "Shanghai Night" and "The legend of Sparta" games were judged as Champion and 2nd runner up respectively in a recent Slot Machine Tournament at 2009 Asia' GEM in Manila, the Philippines. The success of these themed games affirmed our ability to offer games that appeal to the market whilst generating good revenues to the operators.

The R&D team will continue its focus on games development with special emphasis on Asian themes to meet the market demands.

Prize winning games and the award ceremony at AGEM Expo, Manila.

TECHNOLOGY – Manufacturing Activities

Our latest manufacturing locale, the Technology Centre has been in operation since May 2008 and focused on the production of gaming table layouts, assembly of RGBGames machines and third party products besides repairs and refurbishment of used machines.

During the year, we commenced assembly of both Ainsworth Gaming Technology ("AGT") electronic gaming machines and "Elaut" multi-terminal machines under strategic alliances with these two internationally known manufacturers.

Our ability and capacity of manufacturing synthetic gaming table layouts and assembly of electronic gaming machines and multi-terminal machines allow us to offer shorter delivery time and competitive pricing structure to customers and contributing better margin to the Group.

The Technology Centre, Prai, Penang

Machine assembly, gaming table layout manufacturing and the technical team

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

Despite the economic slow down, the Board has maintained its CSR agenda. Donations in various forms continue to be made to alleviate the conditions of the underprivileged societies in various locations.

The Board is also in the process of drafting a CSR policy to guide the Group in engaging itself and our employees towards initiatives that are beneficial to the communities around us.

The Group's CSR initiatives are shown under the heading of Corporate Social Responsibility 2008 in this Annual Report.

REVIEW OF OPERATIONS

HUMAN CAPITAL DEVELOPMENT

In 2008, recruitment to fulfill crucial positions within the Group remained a top priority with the continued hiring of both qualified and experienced locals and expatriates.

Finance & Human Resource - pillars of our back office operations

PROSPECTS

Gaming operators, suppliers and manufacturers are all experiencing the difficult world economy. We believe that in every crisis, there are opportunities for us to excel and we have developed strategies to bring us back into profitability and sustainable growth. We focus on our strengths – well trained personnel, extensive range of products and machines and availability of customization to suit needs - to provide attractive products and services aimed at targeted clientele.

Selected new projects of various sizes are expected to come on stream in Macau, the Philippines, Lao PDR and Vietnam in 2009 and beyond and these present opportunities for revenue growth.

The Group's efforts to enter the Macau market with our concession programs have been successful and have seen us commencing operations of 2 concessions in this market this year with the signing of agreements with Sociedade de Jogos de Macau ("SJM"). This is a major milestone for the Group after many years of negotiations with SJM.

The Group is in the process of negotiating for a few more concession programs in Macau SAR and is expected to conclude them this year.

The signing of 9 new concession programs with a company in the Philippines has improved our operational standing and resulted in us being the major operator of concession machines in that market.

Our concession program business module is gaining popularity as a viable alternative for gaming operators who need our preferred services and experience in managing gaming machines.

As for our investment in Chateau de Bavet, a boutique hotel and casino, we are pleased to note that it is to commence operations later this year.

APPRECIATION

It has indeed been a challenging year which we had been through and for this, I would like to thank our Management team and staff for their dedication and commitment in 2008.

I would also like to extend my appreciation to Mr. Wong Chee Fai, our Group Executive Director, for his tireless support and unstinting contribution to the Group during his tenure of service and wish him well on his retirement.

We have geared up to grow a sustainable business focusing on generating growth and improving productivity. Going forward, we anticipate more challenges and I look forward to working with the Management team and staff to sail through this challenging period.

DATUK CHUAH KIM SEAH, JP
Group Managing Director

24 April 2009
Penang


TIKI-TIKI™
BANG BANG
Do the hula...
Sway away with our new and exciting 6-level, symbol-driven jackpot tuned with QuickRoll™ jackpot hits
RGB GAMES™
www.rgbgames.com

CALENDAR OF EVENTS 2008

31 Jan

a) Transfer of listing to the Main Board of the Bursa Securities.

A dinner was held at the head office to celebrate the success of our listing transfer and to thank our stakeholders for their support over the years and continued support in the coming years.

15-16 Feb

b) Cron Corporation, our associate company, exhibited its latest games at AOU 2008 Amusement Expo organised by All Nippon Amusement Machine Operators' Union which was held at in Chiba City, Japan.

15-16 Mar

c) A teambuilding program themed "Building High Performance Team" was held at Pulau Jerejak, Penang. It was attended by 35 staff across all levels and regional offices.

21 Mar

d) A representative office was set up in Lao People's Democratic Republic to facilitate review of potential investment opportunities.

27 Mar

e) The Group acquired a 100% stake in Club 88 Co., Ltd. which owns gaming license in Cambodia.

28 Mar

f) DCB Group Staff Annual Dinner 2008 "A Starlit Celebration".

This event was held at Equatorial Hotel, Penang. Staff from our regional offices joined head office personnel in celebrating the Group's appreciation of their star quality and efforts. Loyalty is rewarded with staff serving more than 5 years receiving special awards from the Management.

a)

b)

c)

a)

b)

c)

f)

f)

2-4 Apr

g) Our latest games, products and technology were showcased at Asia's GEM - Asia's Gaming & Entertainment + Leisure Expo 2008 convened in Manila, the Philippines.

9 Apr

h) We incorporated a 65% owned subsidiary, RGB OMMCO Ltd., for the purpose of facilitating concessions and investment in projects in Cambodia.

12 Apr

i) RGB Challenge Trophy 2008 - a marketing event to promote the Group's products.

12 May

j) The Group incorporated an associate company, Diamond House (Nipo) Co., Ltd. for the purpose of acquiring business and gaming licenses in Cambodia.

13-16 May

k) We attended the Merrill Lynch Asia Rising Stars Conference which was held at The Ritz-Carlton Millenia, Singapore.

29 May

l) Fifth Annual General Meeting

10 Jun

m) The Group incorporated a jointly controlled company, Rasa Perpaduan Malaysia Sdn. Bhd. ("RPM") to lead the Group's investment in food and beverages industry.

g)

i)

l)

g)

i)

l)

h)

CALENDAR OF EVENTS 2008

12 Jun

n) A subsidiary, CDI International Services Pty. Ltd., was incorporated to develop signage and system design business and services in Australia.

3-5 Jun

o) We exhibited our latest range of gaming machines and products at G2E Asia Conference & Exhibition 2008, a major exposition on the casino industry held in Macau SAR.

23 Jul

p) The Group formed a 55% owned subsidiary, Movieland Entertainment Co., Ltd. for the purpose of participating in the hotel and leisure as well as gaming industries in Cambodia.

18 Aug

q) The Company paid a first and final dividend of 0.68 sen per ordinary share of 10 sen each which consists of 0.5 sen less 26% income tax and 0.18 sen tax exempt dividend for the financial year ended 31 December 2007.

20 Aug

r) The Group launched the brand - "Chateau" in Penang for the purpose of branding its boutique casinos and hotels.

12 Sep

s) Staff at the head office celebrate the Mid-Autumn Festival with a small get-together at the garden of the R&D Center.

o)

r)

s)

o)

r)

s)

18-20 Sep

t) Our associate company, Cron Corporation, had showcased CRON machines and games at Amusement Machine Show 2008 sponsored by Japan Amusement Machinery Manufacturers Association (JAMMA) convened in Chiba, Japan.

26 Sep

u) Diamond House (Nipo) Co., Ltd. became a 51% owned subsidiary of the Group.

v) The Group signed agreement with SJM for machine concession at Golden Dragon Casino, Macau SAR.

17-18 Oct

w) We participated at the Investor Expo 2008 held at the Kuala Lumpur Convention Centre, KL where we met with a number of investment and research analysts.

20 Oct

x) A jointly controlled company, Star Legend Import Export Co., Ltd. was formed for the purpose of providing forwarding and custom clearance services to the Group in Cambodia.

27-29 Nov

y) The Group introduced a selected group of business partners to our business activities and operations in Cambodia.

t)

t)

v)

CORPORATE SOCIAL RESPONSIBILITY 2008

a)

b)

b) Our representative with the foundation trustees and the underpriviliged

a) Staff visit to the Light House to help distribute the food donation.

c)

Throughout the year, the Group made cash donations to various charitable bodies in the countries where we have operations as part of our efforts to benefit the communities that have been supporting us.

a) Charity dinner for the underpriviliged

The Group has been sponsoring weekly dinners for the underpriviliged under the Light House, Penang's Lend a Hand Campaign.

4-Feb

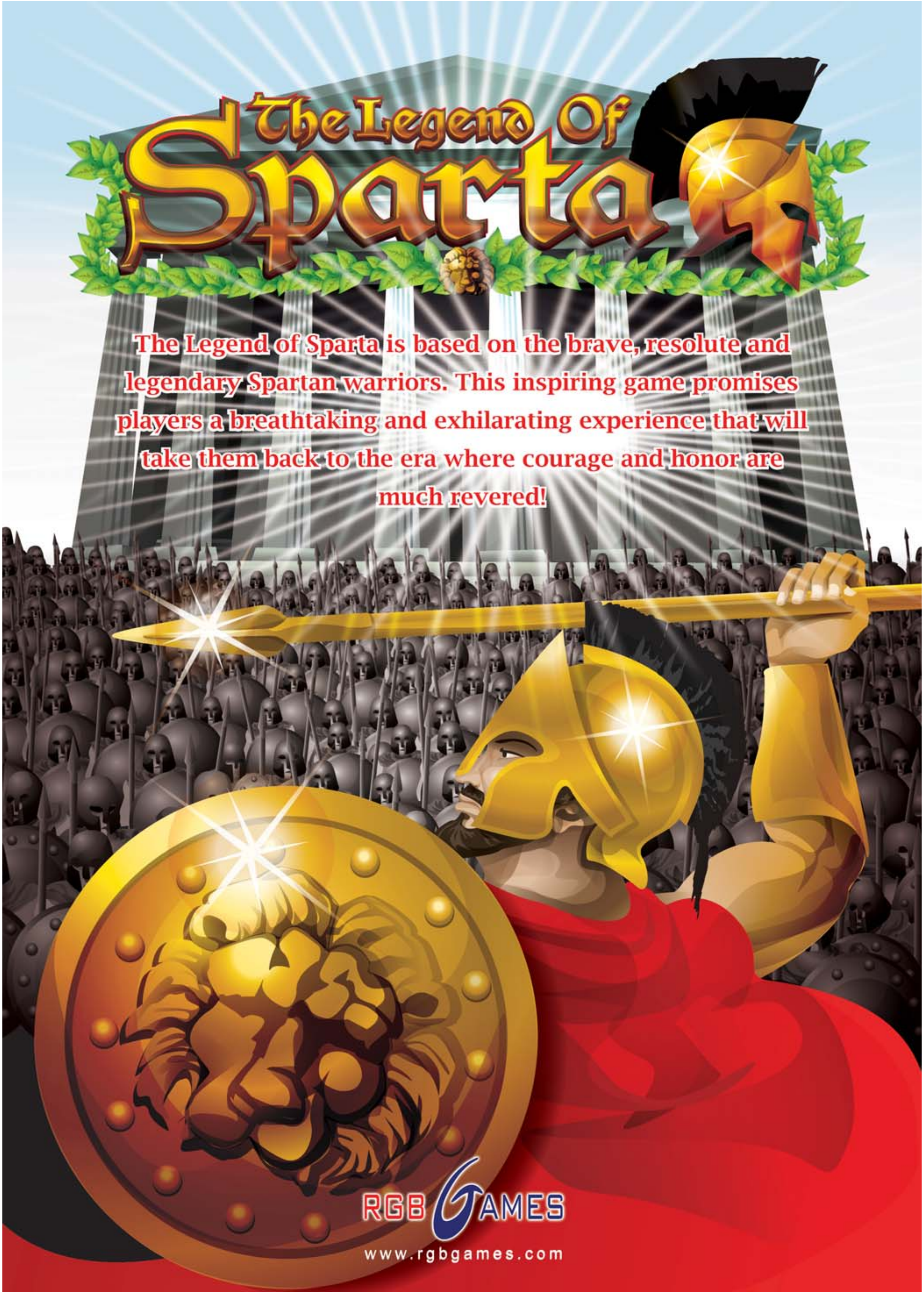
b) Beautiful Gate Foundation for the Disabled, Kuala Lumpur

Donation in cash and kind were handed over to the trustees of the foundation.

26-Sep

c) 2nd MacauBusiness Charity Golf Tournament, Macau SAR

The Group joined prominent corporate citizens to sponsor and participate at this charity golf tournament in aid of local institutions.


The Legend Of
Sparta
The Legend of Sparta is based on the brave, resolute and legendary Spartan warriors. This inspiring game promises players a breathtaking and exhilarating experience that will take them back to the era where courage and honor are much revered!
RGB GAMES
www.rgbgames.com

LIST OF GROUP PROPERTIES
as at 31 December 2008

	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	26	113	605,411	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	35	1,035.03	1,509,434	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	35	1,109.71	1,353,564	-
	Data Touch Sdn Bhd							
4.	No. 8 Green Hall 10200 Penang Malaysia	Land & Building	Office	In Perpetuity	30	2,387.16	3,450,731	31 December 2002
	Total						**6,919,140**	

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

LIST OF ASSOCIATE'S PROPERTIES

as at 31 December 2008

	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 & Club	Freehold	8	480	5,470,437	29 May 2007
2.	No. 13 & 14 Block C, E0, E1, Chantrea, Bavet Sway Rieng Kingdom of Cambodia	Shoplot	Office	Freehold	2	64	385,016	-
	Total						**5,855,453**	

ADDITIONAL COMPLIANCE INFORMATION

Utilisation Of Proceeds

The status of utilisation of proceeds raised from the listing of DCB on the MESDAQ Market of Bursa Securities as at 31 March 2009 is as follows:

Purpose	Revised Proposed Utilisation RM'000	Actual Utilisation as at 31 Mar 2009 RM'000	Expected Utilisation by 12 Jan 2011 RM'000
i. Purchase of plant and machinery	3,415	3,415	-
ii. Research & development	5,915	5,694	221
iii. Overseas expansion	15,000	15,000	-
iv. Regional trade mark registration	670	173	497
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	36,496	718

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 2008.

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 RM35,929 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 profit estimate, forecast or projection 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 Company 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 Company involving the interests of major shareholders and/or directors.

Revaluation of Landed Properties

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

CORPORATE GOVERNANCE STATEMENT

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 Code").

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 extend of the Group's compliance with the Best Practices set out in Part 2 of the Code is as stated in the Compliance Statement.

BOARD OF DIRECTORS

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

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

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

The Board currently comprised 4 executive directors, 2 independent non-executive directors and 1 non-independent non-executive director. The composition complied with the Code and the Bursa Securities 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 independent 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 4 times a year, with additional meetings convened as necessary. 6 meetings were convened during the financial year ended 31 December 2008. 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	5/6
Steven Lim Tow Boon	5/6
Dato' Mahinder Singh Dulku, DSPN, PKT	6/6
Wong Chee Fai (retired on 31 January 2009)	6/6
Chuah Eng Hun (appointed on 18 February 2009)	NA

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.

In January 2009, the Nomination Committee recommended the appointment of Mr. Chuah Eng Hun as Non-Independent Non-Executive Director and the Board approved the appointment.

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 1/3 of the Directors or if their number is not 3 or a multiple of 3, then the number nearest to 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 3 years and shall be eligible for re-election.

Directors' Training

The newly appointed Director, Mr. Chuah Eng Hun, has attended the Mandatory Accreditation Program as required by Bursa Securities and has been briefed on the Group's operations.

The Directors are aware of the need for continuous update of their skills and knowledge to maximize their effectiveness as Directors and assist them in discharging their duties during their tenure of service. During the year, they have attended, either collectively or individually, various programs and briefings to keep them updated on the latest regulatory changes as well as new developments in the gaming industry. The Directors have also visited the Group's operations overseas in order to better understand the environment in which the Group operates.

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 Audit Committee, Remuneration Committee, Nomination Committee, Employee Share Option Scheme ("ESOS") Committee and Credit Review & Risk Assessment ("CRRA") 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:

a) 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.

b) Nomination Committee

Dato' Mahinder Singh Dulku, DSPN, PKT, Chairman
Ooi Teng Chew
Chuah Eng Hun

The Nomination Committee convened two meetings during the financial year ended 31 December 2008.

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.

Details of the attendance of the members at the meetings are as follows:

Members	Attendance
Dato' Mahinder Singh Dulku, DSPN, PKT	2/2
Ooi Teng Chew	2/2
Chuah Eng Hun (appointed on 18 February 2009)	NA

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; and
(e) contribution of each individual Director, the effectiveness of the Board as a whole and the committees of the Board.

c) Remuneration Committee

Dato' Mahinder Singh Dulku, DSPN, PKT, 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 decisions 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.

There was no meeting held during the financial year ended 31 December 2008.

d) ESOS Committee

Dato' Mahinder Singh Dulku, DSPN, PKT, 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.

No meeting was held during the financial year.

e) CRRA Committee

Mazlan bin Ismail, Chairman
Ooi Teng Chew
Dato' Mahinder Singh Dulku, DSPN, PKT
Teh Mun Hui

The CRRA Committee is tasked to:

(a) oversee the functions of the Credit Control Department
(b) undertake Enterprise Risk Management review of the Group
(c) develop a detailed risk register
(d) establish risk management policies and guidelines

The CRRA Committee had 1 meeting during the financial year ended 31 December 2008. Details of the attendance of the members at the CRRA Committee meetings are as follows:

Members	Attendance
Mazlan Bin Ismail	1/1
Ooi Teng Chew	1/1
Dato' Mahinder Singh Dulku, DSPN, PKT	1/1
Teh Mun Hui	1/1

DIRECTORS' REMUNERATION

The Directors are satisfied that the current level of remuneration is 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 2008 is as follows:

Directors	Salaries/Other Emoluments (RM)	Fees (RM)	Share Options Granted Under ESOS	Total (RM)
Executive	1,081,216	-	-	1,081,216
Non-Executives	32,000	133,200	-	165,200

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

Remuneration bands	No. of Directors Executive	Non-Executive
RM50,001-RM100,000	-	2
RM100,001-RM150,000	1	-
RM150,001-RM200,000	2	-
RM200,001-RM250,000	-	-
RM250,001-RM300,000	1	-
RM300,001-RM350,000	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.

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

All shareholders have an opportunity to participate in discussion with the Board on matters relating to the Company's operation and performance at the AGM which is the principal forum for dialogue with shareholders who are encouraged to participate in the open question and answer sessions pertaining to the resolutions being proposed at the meeting and the financial performance and business operation in general.

Alternatively, they may obtain the Group's latest announcements via the Company's website at www.dreamgatecorp.com or at Bursa Securities's website: www.bursamalaysia.com. In addition, information about the Group's products can be found on www.rgbgames.com.

Any queries or concerns regarding the Group may be directed to the Investor Relations / Corporate Communications Department.

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 2008, 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

For the financial year ended 31 December 2008, the Group has complied with the principles and best practices of the Code except for the disclosure of details of the remuneration of each director as the Board is of the opinion that the transparency and accountability aspects of corporate governance as applicable to Directors' Remuneration is sufficiently served by the disclosure of remuneration band above.

This is statement is issued in accordance with a resolution of the directors dated 24 April 2009.

AUDIT COMMITTEE REPORT

MEMBERS

Ooi Teng Chew, Chairman
Independent Non-Executive Director

Dato' Mahinder Singh Dulku, DSPN, PKT
Senior Independent Non-Executive Director

Chuah Eng Hun
Non-Independent Non-Executive Director (appointed on 18 February 2009)

Mazlan bin Ismail
Group Executive Director (resigned on 31 January 2009)

Secretaries of the Audit Committee
Ms. Lam Voon Kean (MIA 4793)
Ms. Ong Tze-En (MAICSA 7026537)

TERMS OF REFERENCE

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 3 members all of whom shall be non-executive and financially literate, a majority of whom are Independent Non-Executive Directors.

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

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

The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every 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 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 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.

On 31 January 2009, En. Mazlan bin Ismail resigned as a member of the Audit Committee in compliance with para 15.10(1)(b) of the Bursa Securities Listing Requirements which mandated that all members of the Audit Committee must be non-executive directors.

AUDIT COMMITTEE REPORT

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 Securities Listing Requirements, the Committee shall promptly report such matter to Bursa Securities.

Responsibilities

The Committee is to serve as a focal point for communication between non-Committee Directors, the external auditors, the internal auditors and the management on matters in connection with financial accounting, reporting and controls. The Committee is to assist the Board in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Group and the 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 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 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 representatives of the internal auditors shall be in attendance at meetings of the Committee. The Committee may invite external auditors, other directors or members of the management and employees of the Group to be in attendance during meetings to assist in its deliberations.

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

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

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

Attendance at meetings

For the financial year ended 31 December 2008, a total of 5 meetings were held, details of which are as follows:

Name	Attendance
Ooi Teng Chew	5/5
Dato' Mahinder Singh Dulku, DSPN, PKT	5/5
Mazlan bin Ismail (resigned on 31 January 2009)	5/5
Chuah Eng Hun (appointed on 18 February 2009)	NA

SUMMARY OF ACTIVITIES

The main activities undertaken by the Committee for the financial year ended 31 December 2008 were as follows:

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

b) Reviewed the internal audit plan, 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, Bursa Securities Listing Requirements, 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 and other related party transactions entered into by the Group; and

g) Considered the 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 ON INTERNAL CONTROL

Pursuant to Paragraph 15.27(b) of Bursa Securities Listing Requirements, the Board of Directors of DCB 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 Institute of Internal Auditors Malaysia and adopted by Bursa Securities.

RESPONSIBILITY FOR RISK AND INTERNAL CONTROL

The Board recognises the importance of a structured risk management framework and risk-based internal audit to establish and maintain a sound system of internal control. 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 practise 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 profile. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the Audit Committee. The audit focuses on areas with high risk and inadequate controls to ensure that an adequate action plan is in place to improve the controls. For those areas with high risk and adequate 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.

STATEMENT ON INTERNAL CONTROL

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 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 planning 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, 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 internal control weaknesses were identified during the financial period, 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 has been reviewed by the external auditors in compliance with Paragraph 15.24 of Bursa Securities Listing Requirements.

The statement is issued by the Board in accordance with a resolution of the directors dated 24 April 2009.

STATISTICS OF SHAREHOLDINGS
as at 24 April 2009

Share Capital

Authorised	:	RM150,000,000
Issued and fully paid up	:	RM87,204,970
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	10	0.15	325	0.00
100 - 1000	154	2.31	118,600	0.01
1,001 - 10,000	3,000	44.98	17,522,835	2.01
10,001 -100,000	2,968	44.50	107,908,545	12.37
100,001 - 43,602,484 (*)	534	8.00	262,884,189	30.15
43,602,485 and above (**)	4	0.06	483,615,206	55.46
Total	6,670	100.00	872,049,700	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

	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Datuk Chuah Kim Seah, JP	337,676,390	38.72	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

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

STATISTICS OF SHAREHOLDINGS
as at 24 April 2009

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	337,676,390	38.72	1,753,800 [a]	0.20
Mazlan Bin Ismail	1,740,000	0.20	162,031,986 [b]	18.58
Chuah Kim Chiew	26,764,194	3.07	1,603,800 [c]	0.18
Lim Tow Boon	5,434,500	0.62	-	-
Ooi Teng Chew	300,000	0.03	-	-
Dato' Mahinder Singh Dulku, DSPN, PKT	140,000	0.02	-	-
Chuah Eng Hun	-	-	-	-
RGB (Macau) Limited				
Lim Tow Boon	1	4.00	-	-

[a] Deemed interested by virture of holding more than 15% in the shares of RGB (Sabah) Sdn Bhd and Manju Sdn Bhd and 150,000 ordinary shares held by his spouse, Datin Tan Soon Kim.

[b] Deemed interested by virture of holding more than 15% in the shares of Gerak Juara Sdn Bhd.

[c] Deemed interested by virture 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 Options Scheme

Name	Balance of Options Unexercised (c/f)
Chuah Kim Chiew	3,600,000
Lim Tow Boon	1,050,000
Ooi Teng Chew	2,400,000
Dato' Mahinder Singh Dulku, DSPN, PKT	1,800,000

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

THIRTY LARGEST SHAREHOLDERS
as at 24 April 2009

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	111,181,730	12.75
4	Chuah Kim Seah	109,906,830	12.60
5	Chuah Kim Chiew	26,764,194	3.07
6	Gerak Juara Sdn Bhd	16,093,170	1.85
7	Goh Sin Tien	13,869,000	1.59
8	Citigroup Nominees (Tempatan) Sdn Bhd		
	Exempt an for American International Assurance Berhad	8,875,900	1.02
9	Lim Tow Boon	5,434,500	0.62
10	Teng Whye Lok	3,623,400	0.42
11	Ong Teong Seng	3,085,000	0.35
12	Yii Yeang Ping	3,045,000	0.35
13	First Genesis Sdn Bhd	3,000,000	0.34
14	Lim Lay Hong	2,925,000	0.34
15	Kam Chooi Suan	2,345,100	0.27
16	Citigroup Nominees (Asing) Sdn Bhd		
	CBNY for DFA Emerging Markets Small Cap Series	2,061,200	0.24
17	Loh Ah Lek	2,000,000	0.23
18	Cimsec Nominees (Tempatan) Sdn Bhd		
	CIMB Bank for Mak Tian Meng (MY0343)	2,000,000	0.23
19	Ung Chi Fong	1,961,400	0.22
20	Tan Chee Sing	1,944,000	0.22
21	Lim Teong Soon	1,807,500	0.21
22	Jade Project Sdn Bhd	1,800,000	0.21
23	Mazlan Bin Ismail	1,740,000	0.20
24	Chuah Kim Heng	1,713,625	0.20
25	ECML Nominees (Tempatan) Sdn Bhd		
	Pledged securities account for Loh Oon Ling (003)	1,604,000	0.18
26	Manju Sdn Bhd	1,603,800	0.18
27	Yeong Bee Bee	1,576,200	0.18
28	WTSJ Holdings Sdn Bhd	1,550,000	0.18
29	Ainsworth Leonard Hastings	1,500,000	0.17
30	Lao Ka Wai	1,500,000	0.17
		599,037,195	68.70

Directors' Report and Audited Financial Statements

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2008.

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
(Loss)/Profit for the year attributable to:		
Equity holders of the Company	(2,874,299)	6,917,665
Minority interests	(739,004)	-
	(3,613,303)	6,917,665

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 2007 was as follows:

	RM
In respect of the financial year ended 31 December 2007 as reported in the directors' report of that year:	
First and final non-tax exempt dividend of 5% less 26% taxation and tax exempt dividend of 1.8% on 872,049,700 ordinary shares, approved on 29 May 2008 and paid on 18 August 2008	4,796,274

No dividend has been paid or declared by the Company for the financial year ended 31 December 2008. The Directors do not recommend any payment of dividend for the current financial year.

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 (retired on 31 Jan 2009)
Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.
Chuah Eng Hun (appointed on 18 Feb 2009)

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 38 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 2008	**Acquired**	**Sold**	**31 December 2008**
The Company				
Direct interest:				
Ooi Teng Chew	300,000	-	-	300,000
Datuk Chuah Kim Seah, JP	336,431,490	1,244,900	-	337,676,390
Mazlan bin Ismail	1,740,000	-	-	1,740,000
Chuah Kim Chiew	26,764,194	-	-	26,764,194
Lim Tow Boon	5,434,500	-	-	5,434,500
Wong Chee Fai	4,500,000	100,000	-	4,600,000
Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.	140,000	-	-	140,000
Indirect interest:				
Datuk Chuah Kim Seah, JP	1,603,800	150,000	-	1,753,800
Mazlan Bin Ismail	162,031,986	-	-	162,031,986
Chuah Kim Chiew	1,603,800	-	-	1,603,800

Directors' interests (cont'd)

	Number of ordinary shares of MOP1,000 each			
	1 January 2008	Acquired	Sold	31 December 2008
Subsidiary				
- RGB (Macau) Limited				
Direct interest:				
Lim Tow Boon	1	-	-	1

	Number of ordinary shares of RM0.10 each			
	1 January 2008	Granted	Exercised	31 December 2008
The Company				
Ooi Teng Chew	2,400,000	-	-	2,400,000
Chuah Kim Chiew	3,600,000	-	-	3,600,000
Lim Tow Boon	1,050,000	-	-	1,050,000
Wong Chee Fai	3,600,000	-	-	3,600,000
Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.	1,800,000	-	-	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 issued and paid-up ordinary share capital from RM87,164,660 to RM87,204,970 by way of issuance of 403,100 ordinary shares of RM0.10 each for cash pursuant to the Company's Employee Share Options Scheme at a weighted average exercise price of RM0.38 per ordinary share.

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

Employee share options scheme

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

The salient features and other terms of the ESOS are disclosed in Note 31 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 all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

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

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

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; 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.

(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 44 to the financial statements.

Significant events

Details of significant events are disclosed in Note 15 and Note 43 to the financial statements.

Subsequent events

Details of subsequent events are disclosed in Note 44 to the financial statements.

Auditors

The auditors, Ernst & Young, retire and do not wish to seek re-appointment.

Signed on behalf of the Board in accordance with a resolution of the directors dated 24 April 2009.

Datuk Chuah Kim Seah, JP **Mazlan Bin Ismail**

STATEMENT BY DIRECTORS

Pursuant to section 169(15) of the Companies ACT, 1965

We, Datuk Chuah Kim Seah, JP and Mazlan Bin Ismail, being two of the directors of Dreamgate Corporation Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 60 to 129 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 2008 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 24 April 2009.

Datuk Chuah Kim Seah, JP **Mazlan Bin Ismail**

STATUTORY DECLARATION

Pursuant to section 169(16) of the Companies ACT, 1965

I, Teh Mun Hui, being the officer primarily responsible for the financial management of Dreamgate Corporation Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 60 to 129 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 Teh Mun Hui
at Georgetown in the state of the Penang
on 24 April 2009 : **Teh Mun Hui**

Before me,

GOH SUAN BEE
NO. P125
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
to the members of Dreamgate Corporation Bhd.

We have audited the financial statements of Dreamgate Corporation Bhd., which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 60 to 129.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

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

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

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements.

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

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

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

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No. 1748/01/10(J)
Chartered Accountant

Penang, Malaysia
24 April 2009

INCOME STATEMENTS
for the year ended 31 December 2008

	Note	Group 2008 RM	Group 2007 RM (restated, Note 2.5)	Company 2008 RM	Company 2007 RM
Revenue	3	227,809,209	276,306,540	3,780,000	33,439,860
Cost of sales	4	(147,538,328)	(186,126,405)	-	-
Gross profit		80,270,881	90,180,135	3,780,000	33,439,860
Other income	5	674,047	1,627,857	4,943,859	1,787,018
Administrative expenses		(56,469,165)	(38,698,624)	(2,785,570)	(3,143,255)
Selling and marketing expenses		(4,892,674)	(4,978,450)	-	-
Other (expenses)/gains, net		(12,972,629)	(956,599)	5,712,562	(2,598,498)
Operating profit		6,610,460	47,174,319	11,650,851	29,485,125
Finance costs	6	(9,554,766)	(6,944,382)	(4,843,334)	(1,851,335)
Share of (loss)/profit of jointly controlled entities		(205,649)	106,236	-	-
Share of (loss)/profit of associates		(144,326)	75,996	-	-
(Loss)/Profit before tax	7	(3,294,281)	40,412,169	6,807,517	27,633,790
Income tax expense	10	(319,022)	(977,184)	110,148	(1,309,764)
(Loss)/Profit for the year		(3,613,303)	39,434,985	6,917,665	26,324,026
Attributable to:					
Equity holders of the Company		(2,874,299)	39,422,340	6,917,665	26,324,026
Minority interests		(739,004)	12,645	-	-
		(3,613,303)	39,434,985	6,917,665	26,324,026

(Loss)/Earnings per share attributable to equity holders of the Company:		**Sen**	**Sen**
Basic, for (loss)/profit for the year	11(a)	(0.33)	4.56
Diluted, for (loss)/profit for the year	11(b)	(0.33)	4.47

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

BALANCE SHEETS
as at 31 December 2008

	Note	Group 2008 RM	Group 2007 RM (restated, Note 2.5)	Company 2008 RM	Company 2007 RM
Assets					
Non-current assets					
Property, plant and equipment	13	236,599,603	203,608,076	43,462	53,163
Prepaid land lease payments	14	1,400,656	1,421,877	-	-
Investments in subsidiaries	15	-	-	44,660,605	44,348,530
Investments in jointly controlled entities	16	1,186,955	1,592,374	282,650	232,651
Investments in associates	17	1,599,064	4,635,175	-	-
Other investment	18	4,000	4,000	-	-
Intangible assets	19	2,016,061	2,080,630	-	-
Long term lease receivables	22	2,956,735	4,803,921	-	-
Other receivables	23	1,058,877	714,790	-	-
		246,821,951	218,860,843	44,986,717	44,634,344
Current assets					
Inventories	20	11,562,301	7,445,756	-	-
Trade receivables	21	88,796,106	103,257,295	-	-
Short term lease receivables	22	1,921,094	1,921,094	-	-
Other receivables	23	15,940,244	20,213,264	315,257	51,191
Tax recoverable		875,757	490,041	493,489	318,049
Due from subsidiaries	24	-	-	143,074,981	120,124,971
Due from jointly controlled entities	25	357,700	246,464	2,949	55,646
Due from associates	26	7,663,418	8,361,034	-	-
Deposits with licensed banks	28	5,074,145	7,936,989	2,559,357	5,606,935
Cash and bank balances		31,062,201	35,000,470	303,846	3,415,658
		163,252,966	184,872,407	146,749,879	129,572,450
Total assets		410,074,917	403,733,250	191,736,596	174,206,794

BALANCE SHEETS
as at 31 December 2008

	Note	Group 2008 RM	Group 2007 RM (restated, Note 2.5)	Company 2008 RM	Company 2007 RM
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	29	87,204,970	87,164,660	87,204,970	87,164,660
Share premium	29	826,817	651,084	826,817	651,084
Foreign exchange translation reserve	30	(5,207,440)	(13,744,659)	-	-
Share option reserve	30	3,241,762	2,998,027	3,279,095	3,030,955
Retained earnings	32	92,325,906	99,996,479	5,842,594	3,721,203
		178,392,015	177,065,591	97,153,476	94,567,902
Minority interests		4,917,926	50,724	-	-
Total equity		183,309,941	177,116,315	97,153,476	94,567,902
Non-current liabilities					
Borrowings	33	24,641,215	41,448,441	-	-
Deferred tax liabilities		35 794,159	634,307	-	-
		25,435,374	42,082,748	-	-
Current liabilities					
Borrowings	33	127,991,705	99,381,498	94,241,233	79,266,562
Trade payables	36	46,584,037	69,209,324	-	-
Other payables	37	13,630,150	14,612,481	276,595	372,330
Due to jointly controlled entities	25	956,694	585,780	-	-
Due to associates	26	8,689	-	-	-
Due to minority shareholders of subsidiaries	27	11,384,233	-	-	-
Tax payable		774,094	745,104	65,292	-
		201,329,602	184,534,187	94,583,120	79,638,892
Total liabilities		226,764,976	226,616,935	94,583,120	79,638,892
Total equity and liabilities		410,074,917	403,733,250	191,736,596	174,206,794

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

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2008

		← Attributable to equity holders of the Company →							
		← Non-distributable			→ Distributable				
Group	**Note**	**Share capital RM**	**Share premium RM**	**Foreign currency translation reserve RM**	**Share option reserve RM**	**Retained earnings RM**	**Total RM**	**Minority interests RM**	**Total equity RM**
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		-	-	(7,159,915)	-	-	(7,159,915)	-	(7,159,915)
Jointly controlled entities		-	-	(3,315)	-	-	(3,315)	-	(3,315)
Associates		-	-	(162,070)	-	-	(162,070)	-	(162,070)
Net expense recognised directly in equity		-	-	(7,325,300)	-	-	(7,325,300)	-	(7,325,300)
Profit for the year		-	-	-	-	39,422,340	39,422,340	12,645	39,434,985
Total recognised income and expense for the year		-	-	(7,325,300)	-	39,422,340	32,097,040	12,645	32,109,685
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	(13,744,659)	2,998,027	99,996,479	177,065,591	50,724	177,116,315

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2008

Group	Note	Share capital RM	Share premium RM	Foreign currency translation reserve RM	Share option reserve RM	Retained earnings RM	Total RM	Minority interests RM	Total equity RM
		← Attributable to equity holders of the Company					→		
		← Non-distributable			→	Distributable			
At 1 January 2008									
As previously stated		87,164,660	651,084	(13,729,662)	2,998,027	98,875,108	175,959,217	50,724	176,009,941
Restatement of prior year comparatives	2.5	-	-	(14,997)	-	1,121,371	1,106,374	-	1,106,374
At 1 January 2008 (restated)		87,164,660	651,084	(13,744,659)	2,998,027	99,996,479	177,065,591	50,724	177,116,315
Foreign currency translation:									
Group		-	-	7,914,275	-	-	7,914,275	264,225	8,178,500
Jointly controlled entities		-	-	9,759	-	-	9,759	-	9,759
Associates		-	-	613,185	-	-	613,185	-	613,185
Net income recognised directly in equity		-	-	8,537,219	-	-	8,537,219	264,225	8,801,444
Loss for the year		-	-	-	-	(2,874,299)	(2,874,299)	(739,004)	(3,613,303)
Total recognised income and expense for the year		-	-	8,537,219	-	(2,874,299)	5,662,920	(474,779)	5,188,141
Dividend	12	-	-	-	-	(4,796,274)	(4,796,274)	-	(4,796,274)
Issue of ordinary shares pursuant to ESOS		40,310	175,733	-	(63,935)	-	152,108	-	152,108
Share options granted under ESOS		-	-	-	307,670	-	307,670	4,405	312,075
Subscription of share application monies and share capital by the minority interests in subsidiaries		-	-	-	-	-	-	5,337,576	5,337,576
At 31 December 2008		87,204,970	826,817	(5,207,440)	3,241,762	92,325,906	178,392,015	4,917,926	183,309,941

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2008

Company	Note	Share capital RM	Share premium RM	Share option reserve RM	Retained earnings RM	Total equity RM
		Non-distributable			Distributable	
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
At 1 January 2008		87,164,660	651,084	3,030,955	3,721,203	94,567,902
Profit for the year, representing total recognised income and expense for the year		-	-	-	6,917,665	6,917,665
Dividend	12	-	-	-	(4,796,274)	(4,796,274)
Issue of ordinary shares pursuant to ESOS		40,310	175,733	(63,935)	-	152,108
Share options granted under ESOS:						
Included in investments in subsidiaries		-	-	312,075	-	312,075
At 31 December 2008		87,204,970	826,817	3,279,095	5,842,594	97,153,476

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

CASH FLOW STATEMENTS
for the year ended 31 December 2008

	Note	Group		Company	
		2008 RM	2007 RM (restated, Note 2.5)	2008 RM	2007 RM
Cash flows from operating activities					
(Loss)/Profit before tax		(3,294,281)	40,412,169	6,807,517	27,633,790
Adjustments for:					
Dividend income	3	-	-	(3,780,000)	(33,439,860)
Interest income	5	(517,040)	(1,421,172)	(4,943,630)	(1,785,272)
Interest expense	6	9,140,188	6,620,487	4,827,478	1,832,873
Amortisation of intangible assets	7	630,747	288,387	-	-
Amortisation of prepaid land lease payments	7	21,221	20,345	-	-
Bad debts written off	7	213,183	-	-	-
Bad debts recovered	7	-	(44,725)	-	-
Deposits written off	7	2,899,656	-	-	-
Depreciation of property, plant and equipment	7	59,823,606	41,008,814	17,987	16,242
Impairment of intangible assets	7	2,062,823	-	-	-
Impairment of investment in a jointly controlled entity	7	-	-	1	-
Impairment of property, plant and equipment	7	13,984,591	286,786	-	-
Impairment of property, plant and equipment written back	7	(149,125)	-	-	-
Loss on disposal of property, plant and equipment	7	940	11,046	133	-
Property, plant and equipment written off	7	948,677	609,362	-	-
Provision for doubtful debts (trade)	7	1,898,169	5,092,110	-	-
Provision for doubtful debts (non-trade)	7	1,375,908	-	667,324	-
Reversal of provision for doubtful debts (trade)	7	(661,344)	-	-	-
Write-down of inventories	7	994,179	1,605,457	-	-
Share options granted under ESOS		312,075	1,101,298	-	(98,020)
Share of loss/(profit) of jointly controlled entities		205,649	(106,236)	-	-
Share of loss/(profit) of associates		144,326	(75,996)	-	-
Operating profit/(loss) before working capital changes		90,034,148	95,408,132	3,596,810	(5,840,247)

CASH FLOW STATEMENTS

for the year ended 31 December 2008

	Note	Group		Company	
		2008 RM	2007 RM (restated, Note 2.5)	2008 RM	2007 RM
Cash flows from operating activities (cont'd)					
Decrease in inventories		1,780,566	2,440,168	-	-
Decrease/(Increase) in short term receivables		18,225,536	(30,076,493)	(264,066)	126,916
Decrease in lease receivables		1,847,186	2,287,176	-	-
(Increase)/Decrease in long term receivables		(344,087)	1,433,372	-	-
Increase in amount due from subsidiaries		-	-	(18,123,080)	(103,399,495)
Increase in amount due from jointly controlled entities		(778,560)	(246,464)	(614,627)	(55,646)
Decrease/(Increase) in amount due from associates		544,061	(5,984,704)	-	-
(Decrease)/Increase in payables		(27,392,062)	10,079,711	(95,735)	(102,903)
Increase in amount due to jointly controlled entities		638,826	585,780	-	-
Increase in amount due to associates		8,689	-	-	-
Increase in amount due to other shareholders		9,468,973	-	-	-
Cash generated from/ (used in) operations		94,033,276	75,926,678	(15,500,698)	(109,271,375)
Interest paid		(4,312,710)	(5,727,267)	-	(939,653)
Taxes paid		(515,896)	(3,002,359)	-	(1,227,168)
Net cash generated from/ (used in) operating activities		89,204,670	67,197,052	(15,500,698)	(111,438,196)
Cash flows from investing activities					
Purchase of property, plant and equipment		(98,965,306)	(121,642,371)	(8,419)	(16,273)
Prepayment of land lease		-	(715,000)	-	-
Proceeds from disposal of property, plant and equipment		996,819	2,711,504	-	-
Expenditure on development costs		-	(954,984)	-	-

CASH FLOW STATEMENTS
for the year ended 31 December 2008

	Note	Group 2008 RM	Group 2007 RM (restated, Note 2.5)	Company 2008 RM	Company 2007 RM
Cash flows from investing activities (cont'd)					
Acquisition of subsidiaries	15	(357,951)	-	-	-
Acquisition of intangible assets	19	(1,224,188)	(331,250)	-	-
Acquisition of jointly controlled entities		(58,689)	(1,490,000)	(50,000)	(232,651)
Acquisition of associates		-	(3,396,943)	-	-
Proceeds from disposal of an associate		87,235	-	-	-
Interest received		517,040	1,421,172	116,700	982,206
Net dividend received		-	-	3,780,000	33,439,860
Net cash (used in)/generated from investing activities		(99,005,040)	(124,397,872)	3,838,281	34,173,142
Cash flows from financing activities					
Proceeds from issuance of ordinary shares		152,108	8,791,994	152,108	8,791,994
Draw down of term loans		-	11,220,329	-	-
Repayment of term loans		(16,254,513)	(10,801,608)	-	-
Proceeds from onshore foreign currency loan		19,848,160	-	-	-
Repayment of onshore foreign currency loan		(19,848,160)	-	-	-
Proceeds from bankers' acceptances		36,704,000	11,180,000	-	-
Repayment of bankers' acceptances		(23,715,000)	(17,280,000)	-	-
Net draw down of commercial papers		10,147,193	78,373,342	10,147,193	78,373,342
Repayment of hire purchase		(187,901)	(48,431)	-	-
Proceeds from subscription of ordinary shares by minority interests		5,337,576	5,151	-	-
Dividends paid	12	(4,796,274)	(3,590,705)	(4,796,274)	(3,590,705)
Net cash generated from financing activities		7,387,189	77,850,072	5,503,027	83,574,631

CASH FLOW STATEMENTS

for the year ended 31 December 2008

	Group		Company	
	2008 RM	2007 RM (restated, Note 2.5)	2008 RM	2007 RM
Net (decrease)/increase in cash and cash equivalents	(2,413,181)	20,649,252	(6,159,390)	6,309,577
Effects of foreign exchange rate changes	(4,488,974)	1,747,666	-	-
Cash and cash equivalents at beginning of financial year	41,029,049	18,632,131	9,022,593	2,713,016
Cash and cash equivalents at end of financial year	34,126,894	41,029,049	2,863,203	9,022,593

Cash and cash equivalents comprise:

		Group		Company	
	Note	2008 RM	2007 RM (restated, Note 2.5)	2008 RM	2007 RM
Deposits with licensed banks	28	5,074,145	7,936,989	2,559,357	5,606,935
Cash and bank balances		31,062,201	35,000,470	303,846	3,415,658
Bank overdrafts	33	(2,009,452)	(1,908,410)	-	-
		34,126,894	41,029,049	2,863,203	9,022,593

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

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 24 April 2009.

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 (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(a) Subsidiaries and basis of consolidation (cont'd)

ii. Basis of consolidation (cont'd)

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.

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.

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(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. Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

ii. 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.

iii. Gaming licenses

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

2. **Significant accounting policies (cont'd)**

2.2 Summary of significant accounting policies (cont'd)

(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.

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.

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(f) Impairment of non-financial assets (cont'd)

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
Food, beverage and other hotel supplies	- 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 of completion and the estimated costs necessary to make the sale.

(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.

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(h) Financial instruments (cont'd)

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.

(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.

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(i) Leases (cont'd)

ii. Finance leases - the Group as lessee (cont'd)

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)(iv)). 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 straightline basis over the lease term.

(j) Borrowing costs

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

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(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.

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.

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(m) Employee benefits (cont'd)

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 except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2. Significant accounting policies (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(n) Foreign currencies (cont'd)

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. Management fees

Management fees are recognised when services are rendered.

vi. Dividend income

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

vii. Royalty income

Royalty income is recognised on each meter of layout produced in accordance with term of agreement.

2. Significant accounting policies (cont'd)

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs

On 1 January 2008, the Group and the Company adopted the following revised FRSs, amendment to FRS and interpretations which are effective for financial periods beginning on or after 1 July 2007:

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129_{2004} - Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2

The adoption of the abovementioned revised FRSs, amendment to FRS and Interpretations do not result in significant changes in accounting policies of the Group and the Company.

2.4 Standards and Interpretations issued but not yet effective

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

FRSs, and Interpretations		**Effective for financial periods beginning on or after**
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010

The new FRSs and Interpretations above are expected to have no significant impact on the financial statements of the Group and the Company upon their initial application except for the changes in disclosures arising from the adoption of FRS 8.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 7 and FRS 139.

2. Significant accounting policies (cont'd)

2.5 Restatement of prior year comparatives

In the previous financial year, certain subsidiaries and associates of the Group had acquired gaming licenses, which meet the recognition criteria as intangible assets under FRS 138, Intangible Assets. However, these amounts were not capitalised and were instead expensed off to the income statement in the prior year. Accordingly, the comparative figures have been restated to reflect the recognition of the intangible assets by these subsidiaries and associates as follows:

Description of change	Previously stated RM	Increase/ (Decrease) RM	Restated RM
At 31 December 2007			
Group			
Investments in associates	3,860,051	775,124	4,635,175
Gaming licenses	-	331,250	331,250
Foreign exchange translation reserve	(13,729,662)	(14,997)	(13,744,659)
Retained earnings	98,875,108	1,121,371	99,996,479
For the year ended 31 December 2007			
Group			
Administrative expenses	(39,034,364)	335,740	(38,698,624)
Share of (loss)/profit of associates	(709,635)	785,631	75,996
Profit before tax	39,290,798	1,121,371	40,412,169
Profit for the year	38,313,614	1,121,371	39,434,985

2.6 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 (cont'd)

2.6 Significant accounting estimates and judgments (cont'd)

ii. Impairment of property, plant and equipment, goodwill, gaming licenses with indefinite useful lives and investments in subsidiaries

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

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

The Company has also reviewed the carrying amounts of its investments in subsidiaries and when there are any indications of impairment, a similar impairment test has been performed, based on the expected discounted cash flow of these subsidiaries.

Estimating a value-in-use amount requires management to make an estimate of the expected cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

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

The carrying amounts of the property plant and equipment, goodwill and gaming licenses of the Group were RM 236,599,603 (2007: RM203,608,076), RM271,838 (2007: Nil) and RM625,590 (2007: RM331,250) respectively.

The carrying amount of the investments in subsidiaries of the Company were RM44,660,605 (2007: RM44,348,530).

Further details of the impairment losses recognised on the property, plant and equipment are disclosed in Note 13. Further details of the investments in subsidiaries, goodwill and gaming licenses are disclosed in Notes 15 and 19 respectively.

iii. Allowance for doubtful debts

The policy for allowance for doubtful debts of the Group and the Company is based on the evaluation of the collectibility and ageing analysis of the receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers and counter-parties of the Group and the Company were to deteriorate, additional allowances may be required.

iv. 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 RM942,000 (2007: RM259,000).

3. Revenue

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Sales and marketing	80,168,276	152,734,769	-	-
Technical support and management	128,803,880	119,214,115	-	-
Dividend income from subsidiaries	-	-	3,780,000	33,439,860
Others	18,837,053	4,357,656	-	-
	227,809,209	276,306,540	3,780,000	33,439,860

4. Cost of sales

	Group 2008 RM	Group 2007 RM
Sales and marketing	69,586,526	127,307,705
Technical support and management	71,788,178	54,741,980
Others	6,163,624	4,076,720
	147,538,328	186,126,405

5. Other income

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Interest income	517,040	1,421,172	4,943,630	1,785,272
Rental income	17,153	13,527	-	-
Sundry income	139,854	193,158	229	1,746
	674,047	1,627,857	4,943,859	1,787,018

6. Finance costs

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Interest on:				
- Bank overdrafts	148,310	115,569	-	-
- Bankers' acceptances	619,576	119,858	-	-
- Hire purchase payables	47,893	13,954	-	-
- Term loans	3,005,730	4,538,233	-	-
- Commercial papers	4,827,478	1,832,873	4,827,478	1,832,873
- Onshore foreign currency loan	267,799	-	-	-
- Payables	223,402	-	-	-
Total interest expense	9,140,188	6,620,487	4,827,478	1,832,873
Bank and other charges	414,578	323,895	15,856	18,462
	9,554,766	6,944,382	4,843,334	1,851,335

7. (Loss)/Profit before tax

The following amounts have been included in arriving at (loss)/profit before tax:

	Group		Company	
	2008 RM	2007 RM (restated)	2008 RM	2007 RM
Amortisation of intangible assets (Note 19)				
- included in administrative expenses	630,747	288,387	-	-
Amortisation of prepaid land lease payments (Note 14)	21,221	20,345	-	-
Auditors' remuneration:	213,745	139,361	35,000	25,000
- statutory audits:				
- current year	173,732	127,617	35,000	25,000
- underprovision in prior year	4,368	-	-	-
- special audits	35,645	11,744	-	-
Bad debts recovered	-	(44,725)	-	-
Bad debts written off	213,183	-	-	-
Deposits written off	2,899,656	-	-	-
Depreciation of property, plant and equipment (Note 13)	59,823,606	41,008,814	17,987	16,242
Employee benefits expense (Note 8)	17,664,504	14,694,146	473,798	255,106
Impairment of intangible assets (Note 19):				
- included in other expenses	2,062,823	-	-	-
Impairment of investment in a jointly controlled entity	-	-	1	-

7. (Loss)/Profit before tax (cont'd)

	Group 2008 RM	Group 2007 RM (restated)	Company 2008 RM	Company 2007 RM
Impairment of property, plant and equipment (Note 13):				
- included in other expenses	13,984,591	286,786	-	-
Loss on disposal of property, plant and equipment	940	11,046	133	-
Net foreign exchange (gain)/losses	(3,942,404)	45,752	(5,712,695)	2,598,498
Non-executive directors' remuneration (Note 9)	170,200	211,000	165,200	206,000
Property, plant and equipment written off	948,677	609,362	-	-
Provision for doubtful debts (trade)	1,898,169	5,092,110	-	-
Provision for doubtful debts (non trade)	1,375,908	-	667,324	-
Operating leases:				
- minimum lease payments for land and buildings	3,822,633	2,256,362	60,000	60,000
Reversal of impairment of property, plant and equipment	(149,125)	-	-	-
Reversal of provision for doubtful debts (trade)	(661,344)	-	-	-
Write-down of inventories	994,179	1,605,457	-	-

8. Employee benefits expense

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Wages and salaries	15,641,924	12,708,600	419,205	335,063
Social security contributions	157,742	118,938	1,721	812
Contributions to defined contribution plan	1,433,247	1,389,243	49,437	40,118
Short term accumulating compensated absence	119,516	74,667	3,435	(22,867)
Share options granted under ESOS	312,075	1,101,298	-	(98,020)
	17,664,504	15,392,746	473,798	255,106
Less:				
Capitalised in development cost (Note 19)	-	(698,600)	-	-
	17,664,504	14,694,146	473,798	255,106

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM2,258,333 (2007: RM2,513,734) and RM181,824 (2007: RM240,096) respectively as further disclosed in Note 9.

9. Directors' remuneration

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Directors of the Company:				
Executive:				
Salaries and bonus	1,081,216	1,496,608	181,824	227,572
Non-executive:				
Fees	133,200	176,000	133,200	176,000
Share options granted under ESOS	-	-	-	-
Other emoluments	32,000	30,000	32,000	30,000
	165,200	206,000	165,200	206,000
Directors of the Subsidiaries:				
Executive:				
Salaries and bonus	1,118,852	816,756	-	10,132
Share options granted under ESOS	43,265	185,370	-	2,392
Fees	15,000	15,000	-	-
	1,177,117	1,017,126	-	12,524
Non-executive:				
Fees	5,000	5,000	-	-
Total directors' remuneration	2,428,533	2,724,734	347,024	446,096
Analysis:				
Total executive directors' remuneration (Note 8)	2,258,333	2,513,734	181,824	240,096
Total non-executive directors' remuneration (Note 7)	170,200	211,000	165,200	206,000
	2,428,533	2,724,734	347,024	446,096

10. Income tax expense

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Income tax:				
Malaysian current income tax	445,168	461,000	70,409	1,265,000
(Over)/Under provided in prior year	(285,998)	596,471	(180,557)	44,764
	159,170	1,057,471	(110,148)	1,309,764
Deferred tax (Note 35):				
Relating to origination and reversal of temporary differences	208,084	353,148	(4)	-
Relating to changes in tax rates	(31,002)	(33,277)	-	-
(Over)/Underprovided in prior year	(17,230)	(400,158)	4	-
	159,852	(80,287)	-	-
Total income tax expense	319,022	977,184	(110,148)	1,309,764

Domestic income tax is calculated at the Malaysian statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. Certain subsidiaries of the Company being Malaysian resident companies with paid-up capital of RM2.5 million or less qualify for the preferential tax rates under Paragraph 2A, Schedule 1 of the Income Tax Act, 1967 as follows:

On the first RM500,000 of chargeable income	:	20%
In excess of RM500,000 of chargeable income	:	Malaysian corporate statutory tax rate

The taxation of two of the subsidiaries is fixed at RM20,000 per annum and charged at the rate of 3% on the audited net profits respectively under the Labuan Offshore Business Activity Tax Act, 1990 Section 7(1). Any non-offshore business activity carried out by these two subsidiaries shall be subjected to the provisions of the Income Tax Act, 1967. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

10. Income tax expense (cont'd.)

A reconciliation of income tax expense applicable to (loss)/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	
	2008 RM	2007 RM (restated)	2008 RM	2007 RM
(Loss)/Profit before tax	(3,294,281)	40,412,169	6,807,517	27,633,790
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	(856,513)	10,911,286	1,769,954	7,461,123
Effect of different tax rates in other countries and for Labuan offshore business activities	(2,259,060)	(12,731,899)	-	-
Effect of income subject to tax rate of 20%	(30,589)	(45,873)	-	-
Effect of share of loss/(profit) of jointly controlled entities	53,469	(28,684)	-	-
Effect of share of loss/(profit) of associates	37,525	(20,519)	-	-
Effect of changes in tax rates	(30,806)	(33,277)	-	-
Income not subject to tax	(215,978)	(33,776)	(2,268,203)	(7,950,919)
Expenses not deductible for tax purposes	3,789,636	2,773,094	567,374	1,754,796
Utilisation of previously unrecognised unused tax losses and unabsorbed capital allowances	-	(71,723)	-	-
Deferred tax asset not recognised in respect of current year's tax losses and unabsorbed capital allowances	134,566	62,242	1,280	-
(Over)/Underprovision of income tax in prior year	(285,998)	596,471	(180,557)	44,764
(Over)/Underprovision of deferred tax in prior year	(17,230)	(400,158)	4	-
Income tax expense for the year	319,022	977,184	(110,148)	1,309,764

Tax savings during the financial year arising from:

	Group	
	2008 RM	2007 RM
Utilisation of current year's tax losses	-	309,000
Utilisation of previously unrecognised unused tax losses	-	71,723

11. (Loss)/Earnings per share

(a) Basic

Basic (loss)/earnings per share amounts are calculated by dividing (loss)/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.

	2008	2007 (restated)
(Loss)/Profit attributable to ordinary equity holders of the Company (RM)	(2,874,299)	39,422,340
Weighted average number of ordinary shares in issue	872,026,000	864,334,000
Basic (loss)/earnings per share for (loss)/profit for the year (sen)	(0.33)	4.56

The comparative basic earnings per share has been restated to take into account the effect of the prior year adjustment (Note 2.5) on the profit for that year.

(b) Diluted

For the purpose of calculating diluted (loss)/earnings per share, the (loss)/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.

	2008	2007 (restated)
(Loss)/Profit attributable to ordinary equity holders of the Company (RM)	(2,874,299)	39,422,340
Weighted average number of ordinary shares in issue	872,026,000	864,334,000
Effect of dilution on share options	-	18,029,000
Adjusted weighted average number of ordinary shares in issue and issuable	872,026,000	882,363,000
Diluted (loss)/earnings per share for (loss)/profit for the year (sen)	(0.33)	4.47

The comparative diluted earnings per share has been restated to take into account the effect of the prior year adjustment (Note 2.5) on the profit for that year.

12. Dividends

	Dividend recognised in year		Net dividends per ordinary share	
	2008 RM	2007 RM	2008 Sen	2007 Sen
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
First and final dividend in respect of financial year 2007: 5% less 26% taxation and 1.8% tax exempt on 872,049,700 ordinary shares, approved on 29 May 2008 and paid on 18 August 2008				
- net dividend paid to shareholders	3,226,584	-	0.37	-
- tax exempt dividend paid to shareholders	1,569,690	-	0.18	-
	4,796,274	3,590,705	0.55	1.24

The Directors do not recommend any payment of dividend for the current financial year.

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 2008										
Cost										
At 1 January 2008	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
Additions	-	-	1,930,767	75,289	1,439,863	62,253,362	214,107	3,317,579	29,915,021	99,145,988
Acquisition of subsidiaries (Note 15(a))	-	-	-	-	-	-	-	-	3,609,613	3,609,613
Disposals/written off	-	-	(349,265)	(21,378)	(14,654)	(3,881,464)	(400)	(603,579)	-	(4,870,740)
Reclassification	-	-	5,009,650	1,376,174	36,954	-	55,300	2,169,040	(8,647,118)	-
Transfer to inventories	-	-	-	-	-	(9,538,102)	-	(76,084)	-	(9,614,186)
Exchange differences	-	-	285,364	68,753	119,416	15,895,585	-	463,354	2,263,432	19,095,904
At 31 December 2008	4,394,400	1,598,930	11,774,458	1,568,986	3,796,392	330,746,321	1,271,153	16,525,808	33,244,804	404,921,252
Accumulated depreciation and impairment losses										
At 1 January 2008	277,164	106,487	629,943	70,147	983,683	87,363,249	211,560	4,304,364	-	93,946,597
Depreciation charge for the year (Note 7)	61,094	30,101	1,000,363	226,343	484,684	56,089,622	142,740	1,788,659	-	59,823,606
Disposals/written off	-	-	(75,195)	(9,798)	(8,548)	(2,427,896)	(143)	(402,724)	-	(2,924,304)
Transfer to inventories	-	-	-	-	-	(2,707,593)	-	(15,303)	-	(2,722,896)
Impairment loss recognised in income statement (Note 7)	-	-	2,832,733	-	-	3,342,164	-	3,292,841	4,367,728	13,835,466
Exchange differences	-	-	(6,234)	7,026	26,739	6,384,379	-	48,104	(96,834)	6,363,180
At 31 December 2008	338,258	136,588	4,381,610	293,718	1,486,558	148,043,925	354,157	9,015,941	4,270,894	168,321,649

13. Property, plant and equipment (cont'd)

	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
Analysed as:										
Accumulated depreciation	338,258	134,046	1,548,877	293,718	1,486,558	144,408,108	354,157	5,717,557	-	154,281,279
Accumulated impairment losses	-	2,542	2,832,733	-	-	3,635,817	-	3,298,384	4,270,894	14,040,370
At 31 December 2008	338,258	136,588	4,381,610	293,718	1,486,558	148,043,925	354,157	9,015,941	4,270,894	168,321,649
Net carrying amount										
At 31 December 2008	4,056,142	1,462,342	7,392,848	1,275,268	2,309,834	182,702,396	916,996	7,509,867	28,973,910	236,599,603
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:	55,432	30,837	389,910	1,266	245,038	39,189,538	68,830	1,211,920	-	41,192,771
Recognised in income statement (Note 7)	55,432	30,837	389,910	1,266	245,038	39,189,538	68,830	1,027,963	-	41,008,814
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

13. Property, plant and equipment (cont'd)

Company	Furniture, fittings and office equipment RM
At 31 December 2008	
Cost	
At 1 January 2008	93,466
Additions	8,419
Disposal	(799)
At 31 December 2008	101,086
Accumulated depreciation	
At 1 January 2008	40,303
Depreciation charge for the year (Note 7)	17,987
Disposal	(666)
At 31 December 2008	57,624
Net carrying amount	
At 31 December 2008	43,462
At 31 December 2007	
Cost	
At 1 January 2007	77,193
Additions	16,273
At 31 December 2007	93,466
Accumulated depreciation	
At 1 January 2007	24,061
Depreciation charge for the year (Note 7)	16,242
At 31 December 2007	40,303
Net carrying amount	
At 31 December 2007	53,163

13. Property, plant and equipment (cont'd)

(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	
	2008	**2007**
	RM	**RM**
Freehold land and buildings	4,913,072	4,984,718

(b) A motor vehicle of the Group with a net carrying amount of RM47,046 (2007: RM78,378) 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 RM99,145,988 (2007: RM121,721,571) of which RM180,682 (2007: RM79,200) was acquired by means of hire purchase. The motor vehicles of the Group with net carrying amounts of RM408,548 (2007: RM138,444) are held under hire purchase agreements.

(d) The Group has carried out a review of the recoverable amount of its property, plant and equipment during the year. The review has led to the recognition of an impairment loss of RM13,984,591 (2007: RM286,786). The recoverable amount was based on either the value-in-use of the cash generating unit ("CGU") to which the property, plant and equipment are allocated or the estimated fair value less costs to sell.

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

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

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

In arriving at the discounted projected cash flows and recoverable amounts, the management has taken into consideration the effects of the subsequent event which has been disclosed in Note 44.

14. Prepaid land lease payments

	Group 2008 RM	Group 2007 RM
At 1 January	1,421,877	727,222
Additions	-	715,000
Amortisation for the year (Note 7)	(21,221)	(20,345)
At 31 December	1,400,656	1,421,877
Analysed as:		
Long term leasehold land	1,400,656	1,421,877

Leasehold land with an aggregate carrying value of RM1,400,656 (2007: RM1,421,877) are pledged as securities for borrowings (Note 33).

15. Investments in subsidiaries

	Company 2008 RM	Company 2007 RM
Unquoted shares at cost	44,660,605	44,348,530

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Proportion of ownership interest 2008 %	Proportion of ownership interest 2007 %	Principal activities
Held by the Company:				
RGB Sdn. Bhd.	Malaysia	100	100	Manufacturing, refurbishment, technical support, and maintenance, sales and marketing of gaming and amusement machines and equipment, sales and marketing of security surveillance products and systems for local and overseas markets.

15. Investments in subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation	Proportion of ownership interest 2008 %	2007 %	Principal activities
Held by the Company:				
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.
Frontier Wish International Limited *	Hong Kong	100	-	Investment and property holding, entertainment and leisure.
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	100	Sales and marketing, technical support and maintenance of gaming and amusement machines and equipment.

15. Investments in subsidiaries (cont'd)

Name of subsidiaries	Country of incorporation	Proportion of ownership interest 2008 %	2007 %	Principal activities
Held through subsidiaries:				
Mekong Recreation Club Ltd. *	Cambodia	70	70	Gaming and leisure activities, international standard hotel, restaurant, modern night club, fun club, spa centre and such other business activities.
Chateau de Bavet Club Co., Ltd.*	Cambodia	60	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.
Club 88 Co., Ltd.*	Cambodia	100	-	Gaming and leisure activities, international standard hotel, restaurant, modern night club, fun club, spa centre and such other business activities.
RGB OMMCO Ltd.	Malaysia	65	-	Technical support and maintenance of gaming and amusement machines and equipment.
Diamond House (Nipo) Co., Ltd. *	Cambodia	51	-	Gaming and leisure activities.
Movieland Entertainment Co., Ltd. *	Cambodia	55	-	Gaming and leisure activities, international standard hotel, restaurant, modern night club, fun club, spa centre and such other business activities.
CDI International Services Pty Ltd. *	Australia	60	-	Signages and systems design.

* *Audited by firms other than Ernst & Young.*

15. Investments in subsidiaries (cont'd)

(a) On 19 February 2008, the Company acquired 100% of the equity interest, at par, in Frontier Wish International Limited, which is incorporated in Hong Kong for a purchase consideration of HKD1 (approximately RM0.41).

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"), which is incorporated in Cambodia for a total consideration of USD1,000 (RM3,501). As a result, CDBC became a 60% owned subsidiary of MCSB.

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). The actual cost of investment was approximately USD120,000 (RM390,814) as the remaining amount of USD25,000 was deemed to be payments made on behalf of 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.

On 9 April 2008, RGB Ltd., a wholly owned subsidiary of the Company, subscribed to a 65% of the equity interest in RGB OMMCO Ltd., which is incorporated in the Federal Territory of Labuan, Malaysia with a total issued and paid up capital of USD100,000, for USD65,000 (RM212,193).

On 12 May 2008 and 26 September 2008, MCSB acquired 50% and 1% respectively of the equity interest in Diamond House (Nipo) Co., Ltd., which is incorporated in Cambodia with a total issued and registered share capital of Riels 20,000,000 for Riels 10,200,000 (RM8,278).

On 12 June 2008, CDI Corporation Sdn. Bhd., a 60% subsidiary of the Company, incorporated a wholly owned subsidiary, CDI International Services Pty. Ltd., which is incorporated in Australia with a total issued and paid up capital of AUD1 (RM2).

On 23 July 2008, MCSB subscribed to 55% of the equity interest in Movieland Entertainment Co., Ltd., which is incorporated in Cambodia with a total issued and registered share capital of Riels 20,000,000 for Riels 1 1,000,000 (RM8,957).

Certain amounts reflected as share applications monies in the prior year by Mekong Recreation Club Ltd. have been reclassified to amounts due to the shareholders, as the directors have ascertained that the planned increase in share capital was no longer required. Consequently, there is a reduction in the amounts reflected by the Group as the cost of investment in this subsidiary.

These subsidiaries have contributed the following results to the Group:

	2008 RM
Revenue	560,402
Loss for the year	(3,376,844)

If the acquisitions had occurred on 1 January 2008, there would not be any material difference as compared to the revenue and loss presented above.

15. Investments in subsidiaries (cont'd)

(a) The assets and liabilities arising from the acquisitions/incorporation of the subsidiaries are as follows: (Cont'd)

	2008 RM
Property, plant and equipment (Note 13)	3,609,613
Gaming licenses (Note 19)	949,720
Other receivables	4,019,883
Cash and bank balances	265,794
	8,845,010
Other payables	(6,577,843)
Due to other minority shareholders of the subsidiary	(1,915,260)
	(8,493,103)
Fair value of net assets	351,907
Less: Minority interests	-
Group's share of net assets	351,907
Goodwill on acquisition (Note 19)	271,838
Total cost of acquisition/incorporation of subsidiaries	623,745
Purchase consideration satisfied by cash	623,745
Cash and cash equivalents of subsidiaries acquired/incorporated	(265,794)
Net cash outflow of the Group	357,951

16. Investments in jointly controlled entities

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Unquoted shares at cost	1,280,777	1,490,000	282,650	232,651
Share of post-acquisition reserves	(100,266)	105,689	-	-
	1,180,511	1,595,689	282,650	232,651
Exchange differences	6,444	(3,315)	-	-
	1,186,955	1,592,374	282,650	232,651

16. Investments in jointly controlled entities

Details of the jointly controlled entities are as follows:

Name of jointly controlled entities	Country of incorporation	Proportion of ownership interest 2008 %	2007 %	Principal activities
Held by the Company:				
RGB Abbiati Pte. Ltd.	Singapore	50	50	Sales and marketing of gaming products and equipment.
RGB Xtale Sdn. Bhd.	Malaysia	50	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.
RGB Sibel International Sdn. Bhd.	Malaysia	50	50	Manufacturing and selling of gaming layouts.
Rasa Perpaduan Malaysia Sdn. Bhd.	Malaysia	50	-	Food and beverage industry.
Star Legend Import Export Co., Ltd.	Cambodia	50	-	Forwarding and custom clearance services.

During the year, the Group has entered into joint venture agreements with two venturers to setup two newly incorporated jointly controlled entities.

Certain amounts reflected as share applications monies in the prior year by the jointly controlled entities have been reclassified to amounts due to the shareholders, as the directors have ascertained that the planned increase in share capital was no longer required. Consequently, there is a reduction in the amounts reflected by the Group as the cost of investment in these jointly controlled entities.

16. Investments in jointly controlled entities (cont'd)

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:

	2008 RM	2007 RM
Assets and liabilities		
Current assets	2,046,482	1,883,270
Non-current assets	7,848	2,916
Total assets	2,054,330	1,886,186
Current liabilities	(866,672)	(293,109)
Non-current liabilities	(703)	(703)
Total liabilities	(867,375)	(293,812)
Results		
Revenue and other income	1,081,576	416,348
Expenses, including financial costs and taxation	(1,287,225)	(310,112)

17. Investments in associates

	Group	
	2008 RM	2007 RM
Unquoted shares at cost	756,134	4,206,945
Share of post-acquisition reserves	591,176	789,661
	1,347,310	4,996,606
Exchange differences	251,754	(361,431)
	1,599,064	4,635,175

17. Investments in associates (cont'd)

Details of the associates are as follows:

Name of associates	Country of incorporation	Proportion of ownership interest 2008 %	2007 %	Principal activities
Held through subsidiaries:				
Star RGB Corporation	Philippines	-	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	49	Dormant.
Players Club Co., Ltd.	Cambodia	35	35	Gaming and leisure activities.
Rainbow World Club Ltd.	Cambodia	20	20	Gaming and leisure activities.
GoldenMac, Ltd.	Cambodia	25	25	Gaming and leisure activities.
Cash Box Entertainment Co., Ltd.	Cambodia	20	20	Gaming and leisure activities.
Olympic Entertainment Co., Ltd.	Cambodia	20	20	Gaming and leisure activities.
Golden Beach Club Ltd.	Cambodia	50	50	Gaming and leisure activities.

17. Investments in associates (cont'd)

The summarised financial information of the associates are as follows:

	2008 RM	2007 RM
Assets and liabilities		
Current assets	6,623,381	12,819,174
Non-current assets	6,674,909	12,341,944
Total assets	13,298,290	25,161,118
Current liabilities	(11,827,458)	(15,242,167)
Non-current liabilities	(2,310,000)	(1,957,303)
Total liabilities	(14,137,458)	(17,199,470)
Results		
Revenue	10,175,021	10,898,303
Loss for the year	(2,804,218)	(265,094)

As disclosed in Note 15(a), 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"), which is incorporated in Cambodia for a total consideration of USD1,000 (RM3,501). As a result, CDBC became a 60% owned subsidiary of MCSB. The related cost of investment and share of post acquisition reserves of CDBC which have previously been equity accounted for have been reclassified from the investments in associates balance and have been consolidated into the financial statements of the Group in the current year.

Certain amounts reflected as share applications monies in the prior year by certain associates have been reclassified to amounts due to the shareholders, as the directors of the associates have ascertained that the planned increase in share capital was no longer required. Consequently, there is a reduction in the amounts reflected by the Group as the cost of investment in these associates.

18. Other investment

	Group	
	2008 RM	2007 RM
Unquoted shares at cost	4,000	4,000

19. Intangible assets

Group	Goodwill RM	Development cost RM	Gaming licenses RM	Total RM
Cost				
At 1 January 2007	-	1,113,117	-	1,113,117
Additions	-	1,138,941	331,250	1,470,191
At 31 December 2007 (Restated)	-	2,252,058	331,250	2,583,308
Additions	-	-	1,224,188	1,224,188
Acquisition of subsidiaries (Note 15(a))	271,838	-	949,720	1,221,558
Exchange differences	-	-	145,824	145,824
At 31 December 2008	271,838	2,252,058	2,650,982	5,174,878
Accumulated amortisation and impairment				
At 1 January 2007	-	214,291	-	214,291
Amortisation (Note 7)	-	288,387	-	288,387
At 31 December 2007	-	502,678	-	502,678
Amortisation (Note 7)	-	630,747	-	630,747
Impairment loss recognised in income statement (Note 7)	-	-	2,062,823	2,062,823
Exchange differences	-	-	(37,431)	(37,431)
At 31 December 2008	-	1,133,425	2,025,392	3,158,817
Net carrying amount				
At 31 December 2007 (Restated)	-	1,749,380	331,250	2,080,630
At 31 December 2008	271,838	1,118,633	625,590	2,016,061

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

	Group 2008 RM	Group 2007 RM
Depreciation charge (Note 13)	-	183,957
Employee benefits expense (Note 8)	-	698,600

19. Intangible assets (cont'd)

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

Allocation of goodwill and gaming licenses

The goodwill and gaming licenses have been allocated to the Group's cash generating unit ("CGU") identified to the leisure and entertainment segment in Cambodia, which does not constitute a separately reportable segment, and as such have been included within other business segments in Note 42.

Key assumptions used in value-in-use calculations

The recoverable amount of the CGU is determined based on value-in-use calculations using cash flow projections based on financial forecasts approved by management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated assuming zero growth rates.

Key assumptions and management's approach to determine the values assigned to each key assumption are as follows:

(i) Net revenues

The estimated net revenues used to calculate the cash inflows from operations were determined after taking into consideration the estimated net collections from similar operations in Cambodia. Values assigned are consistent with the external sources of information.

In arriving at the estimated net cash inflows, the management has taken into consideration the effects of the subsequent event which has been disclosed in Note 44.

(ii) Exchange rate

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

(iii) Discount rate

The discount rate used is pre-tax and reflects specific risks relating to the relevant segment.

Sensitivity to changes in assumptions

The Group believes that no reasonable change in any of the above key assumptions would cause the carrying value of the units to materially exceed their recoverable amounts.

20. Inventories

	Group 2008 RM	Group 2007 RM
Cost		
Gaming and amusement machines, coin and notes counting machines and binding machines	2,143,057	421,199
Spare parts, gaming and amusement accessories, table game equipment and accessories	5,726,695	2,056,696
Trading merchandise	212,283	521,003
Food, beverage and other hotel supplies	254,939	-
Goods-in-transit	3,225,327	4,446,858
	11,562,301	7,445,756

21. Trade receivables

	Group 2008 RM	Group 2007 RM
Trade receivables		
Third parties	95,598,055	108,563,618
Related parties	10,862	120,648
	95,608,917	108,684,266
Less: Provision for doubtful debts:		
Third parties	(6,812,811)	(5,426,971)
Trade receivables, net	88,796,106	103,257,295

Included in trade receivables - third parties is RM5,674,961 (2007: RM6,106,345) which is being paid by monthly installments and interest is charged at 9.7% (2007: 9.7%) 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 79% (2007: 80%) of the total trade receivables as at balance sheet date. These customers contributed approximately 25% (2007: 44%) of the total revenue of the Group.

Further details on related party transactions are disclosed in Note 38.

Other information on financial risk of trade receivables are disclosed in Note 41.

22. Lease receivables

	Group 2008 RM	Group 2007 RM
Future minimum lease receivables:		
Not later than 1 year	2,207,208	2,350,417
Later than 1 year and not later than 2 years	2,207,208	2,350,417
Later than 2 years and not later than 5 years	889,849	2,879,940
Total future minimum lease receivables	5,304,265	7,580,774
Less: Unearned finance income	(426,436)	(855,759)
Present value of finance lease receivables	4,877,829	6,725,015
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	2,075,485	2,064,303
Later than 2 years and not later than 5 years	881,250	2,739,618
	4,877,829	6,725,015
Less: Amount due within 12 months	(1,921,094)	(1,921,094)
Amount due after 12 months	2,956,735	4,803,921

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 41.

23. Other receivables

	Group 2008 RM	Group 2007 RM	Company 2008 RM	Company 2007 RM
Deposits	11,936,325	13,709,695	186,574	10,000
Prepayments	3,270,254	6,434,774	-	850
Interest receivables	200,601	109,690	128,683	40,341
Sundry receivables	1,591,941	673,895	-	-
	16,999,121	20,928,054	315,257	51,191
Representing receivables:				
- Current	15,940,244	20,213,264	315,257	51,191
- Non-current	1,058,877	714,790	-	-
	16,999,121	20,928,054	315,257	51,191

23. Other receivables (cont'd)

Included in non-current receivables are:

(a) an amount of RM383,695 (2007: RM295,149) 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 RM675,182 (2007: RM419,641) which is unsecured, non-interest bearing and not receivable within the next one year.

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 RM87,500,000 (2007: RM73,500,000) on which interest is charged at 6.7% (2007: 4.1%) per annum.

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/to associates

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

27. Due to minority shareholders of subsidiaries

The amounts due to minority shareholders of subsidiaries are non-trade in nature, non-interest bearing, unsecured, repayable on demand and to be settled in cash.

28. Deposits with licensed banks

Included in the deposits of the Group and of the Company are amounts of RM4,965,502 (2007: RM4,889,411) and RM2,559,357 (2007: RM2,559,357) 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 41.

29. Share capital and share premium

	Number of ordinary shares of RM0.10 each	Amount		
	Share capital (Issued and fully paid)	Share capital (Issued and fully paid) RM	Share premium RM	Total share capital and share premium RM
At 1 January 2008	871,646,600	87,164,660	651,084	87,815,744
Issue of ordinary shares pursuant to ESOS (Note 31)	403,100	40,310	175,733	216,043
At 31 December 2008	872,049,700	87,204,970	826,817	88,031,787
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 31)	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 31)	1,788,800	178,880	651,084	829,964
At 31 December 2007	871,646,600	87,164,660	651,084	87,815,744

	Number of Ordinary Shares of RM0.10 each		Amount	
	2008	2007	2008 RM	2007 RM
Authorised share capital				
At 1 January	1,500,000,000	500,000,000	150,000,000	50,000,000
Created during the year	-	1,000,000,000	-	100,000,000
At 31 December	1,500,000,000	1,500,000,000	150,000,000	150,000,000

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

In the previous 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.

30. 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.

31. 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.

31. Employee benefits (cont'd)

Employee share options scheme ("ESOS") (cont'd)

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.

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

	Number of share options				
Grant Date	**Outstanding at 1 January '000**	**Exercised '000**	**Forfeited '000**	**Outstanding at 31 December '000**	**Exercisable at 31 December '000**
2008					
2005 Options:					
Grant 1	24,311	276	440	23,595	23,595
2006 Options:					
Grant 2	5,698	110	981	4,607	4,607
Grant 3	4,700	-	520	4,180	4,180
2007 Options:					
Grant 4	2,085	17	146	1,922	1,922
	36,794	403	2,087	34,304	34,304
WAEP (RM)	0.38	0.38	0.41	0.38	0.38

31. Employee benefits (cont'd)

Employee share options scheme ("ESOS") (cont'd)

Grant Date	Number of share options: Outstanding at 1 January '000	Granted '000	Exercised '000	Forfeited '000	Outstanding at 26 September '000	Adjustment* '000	Exercised '000	Forfeited '000	Outstanding at 31 December '000	Exercisable at 31 December '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.

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

	Exercise price RM	Exercise period
2008		
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
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

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

31. Employee benefits (cont'd)

Employee share options scheme ("ESOS") (cont'd)

(ii) Share options exercised during the year

As disclosed in Note 29, options exercised during the financial year resulted in the issuance of:

(a) Nil (2007: 7,407,600) ordinary shares before the bonus issue of shares at an average price of nil (2007: RM1.10) each. The related weighted average share price at the date of exercise was nil (2007: RM1.63); and

(b) 403,100 (2007:1,788,800) ordinary shares subsequent to the bonus issue of shares at an average price of RM0.38 (2007: RM0.37) each. The related weighted average share price at the date of exercise was RM0.52 (2007: RM0.63).

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

The fair value of share options granted during the prior 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
	Grant 4
Grant date	29 May 2007
Fair value of share options granted (RM)	0.46
Share price (RM)	1.75
Exercise price (RM)	1.44
Expected volatility (%)	33.37
Option life (years)	3.30
Risk free rate (%)	3.26
Expected dividend yield (%)	0.97
Expected employee exit rate (%)	22
Expected early exercise price multiple (times)	1.5

The expected employee exit rate and the expected early exercise price multiple are based on historical data and are 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.

32. 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.

As at 31 December 2008, the 108 balance of the Company is nil (2007: RM3,539,386). The Company may distribute dividends out of its entire retained earnings as at 31 December 2008 under the single tier system.

33. Borrowings

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Short term borrowings (secured):				
Bank overdrafts	2,009,452	1,908,410	-	-
Bankers' acceptances	12,989,000	-	-	-
Hire purchase payables (Note 34)	62,604	55,776	-	-
Term loans	18,689,416	18,150,750	-	-
	33,750,472	20,114,936	-	-
Short term borrowings (unsecured):				
Commercial papers	94,241,233	79,266,562	94,241,233	79,266,562
	127,991,705	99,381,498	94,241,233	79,266,562
Long term borrowings (secured):				
Hire purchase payables (Note 34)	-	14,047	-	-
Term loans	24,641,215	41,434,394	-	-
	24,641,215	41,448,441	-	-
Total borrowings:				
Bank overdrafts	2,009,452	1,908,410	-	-
Bankers' acceptances	12,989,000	-	-	-
Hire purchase payables (Note 34)	62,604	69,823	-	-
Term loans	43,330,631	59,585,144	-	-
Commercial papers	94,241,233	79,266,562	94,241,233	79,266,562
	152,632,920	140,829,939	94,241,233	79,266,562

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

(a) legal charges over certain freehold land, leasehold land and buildings of the Group as disclosed in Note 13(a) and Note 14;

(b) certain deposits with licensed banks as disclosed in Note 28;

(c) corporate guarantees of RM129.34 million (2007: RM125.78 million) by the Company; and

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

Other information on financial risks of borrowings are disclosed in Note 41.

34. Hire-purchase payables

	Group 2008 RM	Group 2007 RM
Future minimum hire purchase payments:		
Not later than 1 year	77,670	70,065
Later than 1 year and not later than 2 years	-	17,412
Total future minimum hire purchase payments	77,670	87,477
Less: Future finance charges	(15,066)	(17,654)
Present value of hire purchase payables	62,604	69,823
Analysis of present value of hire purchase payables:		
Not later than 1 year	62,604	55,776
Later than 1 year and not later than 2 years	-	14,047
	62,604	69,823
Less: Amount due within 12 months (Note 33)	(62,604)	(55,776)
Amount due after 12 months (Note 33)	-	14,047

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 41.

35. Deferred tax liabilities

	Group 2008 RM	Group 2007 RM
At 1 January	634,307	714,594
Recognised in income statement (Note 10)	159,852	(80,287)
At 31 December	794,159	634,307

35. Deferred tax liabilities (cont'd)

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 2008	632,464	439,000	1,071,464
Recognised in income statement	(8,199)	(174,000)	(182,199)
At 31 December 2008	624,265	265,000	889,265
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

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 2008	(153,000)	(90,000)	(194,000)	(157)	(437,157)
Recognised in income statement	(27,000)	282,000	87,000	51	342,051
At 31 December 2008	(180,000)	192,000	(107,000)	(106)	(95,106)
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)

35. Deferred tax liabilities (cont'd)

Deferred tax assets of the Group: (cont'd)

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

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Unused tax losses	903,000	220,000	-	-
Unabsorbed capital allowances	39,000	39,000	39,000	39,000
	942,000	259,000	39,000	39,000

The unused tax losses of the Group amounting to RM903,000 (2007: RM220,000) are available for offsetting against future taxable profits of a subsidiary in Singapore, subject to the agreement with the tax authority.

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

36. Trade payables

	Group	
	2008 RM	2007 RM
Trade payables		
Third parties	43,873,010	67,358,287
Related parties	2,711,027	1,851,037
	46,584,037	69,209,324

Included in trade payables - third parties is RM1,028,438 (2007: RM5,278,287) which is being paid by monthly installments and interest is charged at 9.7% (2007: 9.7%) 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 38.

Other information on financial risk of trade payables are disclosed in Note 41.

37. Other payables

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Amounts due to related parties	166,691	55,684	-	-
Advances received from customers	1,035,497	1,686,405	-	-
Accruals	7,772,096	11,210,898	256,069	340,267
Deposits received	410,287	188,602	2,814	-
Sundry payables	4,245,579	1,470,892	17,712	32,063
	13,630,150	14,612,481	276,595	372,330

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 38.

38. Related parties disclosures

(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	2008 RM	2007 RM
Group			
Related parties*:			
- Sales of products	(i)	766,689	1,878,618
- Purchase of products	(ii)	255,320	538,058
- Purchase of plant and equipment	(iii)	-	2,414,279
- Purchase of spare parts and services	(ii)	106,928	183,354
- Repair and maintenance income	(i)	193,611	262,278
- Operating lease income	(iv)	-	13,527
- Operating lease expense	(iv)	180,000	180,000
Associates/Jointly controlled entities:			
- Purchase of products	(ii)	4,158,781	1,517,566
- Purchase of plant and equipment	(iii)	329,839	98,304
Company			
Subsidiaries:			
- Dividend income		3,780,000	33,439,860
- Interest income	(v)	4,826,929	1,620,564
- Operating lease expense	(iv)	60,000	60,000

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

38. Related parties disclosures

(a) (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	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
Short-term employee benefits	3,217,445	3,129,296	327,440	438,773
Post-employment benefits:				
Defined contribution plan	272,636	303,530	19,584	27,696
Share-based payment	53,532	230,422	-	9,134
	3,543,613	3,663,248	347,024	475,603

Included in the total remuneration of key management personnel are:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	RM	**RM**	**RM**	**RM**
Directors' remuneration (Note 9)	2,428,533	2,724,734	347,024	446,096

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").

38. Related parties disclosures (cont'd)

(b) Compensation of key management personnel (cont'd)

	Group		Company	
	2008	**2007**	**2008**	**2007**
At 1 January	18,188,000	10,230,000	12,450,000	8,520,000
Adjustment	374,000	-	-	-
Granted	-	783,000	-	-
Exercised	-	(4,840,000)	-	(4,370,000)
Forfeited	-	(300,000)	-	-
Adjustment for bonus issue	-	12,315,000	-	8,300,000
At 31 December	18,562,000	18,188,000	12,450,000	12,450,000

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 31).

39. Capital commitments

	Group		Company	
	2008 RM	**2007 RM**	**2008 RM**	**2007 RM**
Capital expenditure				
Approved but not contracted for:				
Property, plant and equipment	59,445,000	104,220,000	-	-
Investments in associates	-	12,339,000	-	-
Share of capital commitments of jointly controlled entities	355,000	768,000	233,000	652,000
	59,800,000	117,327,000	233,000	652,000

40. 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 RM129.34 million (2007: RM125.78 million) of which RM56,488,531 (2007: RM61,415,764) 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 RM39 million (2007: RM29 million) of which RM18,111,677 (2007: RM3,256,965) was utilised at balance sheet date.

41. 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.

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 2008								
Group								
Fixed rate								
Trade receivables	21	9.7	5,674,961	-	-	-	-	5,674,961
Lease receivables	22	6.5	1,921,094	2,075,485	881,250	-	-	4,877,829
Hire purchase payables	34	37.3	(62,604)	-	-	-	-	(62,604)
Trade payables	36	9.7	(1,028,438)	-	-	-	-	(1,028,438)
Floating rate								
Deposits with licensed banks	28	3.1	5,074,145	-	-	-	-	5,074,145
Bank overdrafts	33	8.2	(2,009,452)	-	-	-	-	(2,009,452)
Bankers' acceptances	33	4.6	(12,989,000)	-	-	-	-	(12,989,000)
Term loans	33	5.6	(18,689,416)	(14,553,571)	(7,277,985)	(2,319,318)	(490,341)	(43,330,631)
Commercial papers	33	6.7	(94,241,233)	-	-	-	-	(94,241,233)

41. Financial instruments (cont'd)

(b) Interest rate risk (cont'd)

	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
Company								
Fixed rate								
Due from subsidiaries	24	6.7	87,500,000	-	-	-	-	87,500,000
Floating rate								
Deposits with licensed banks	28	3.2	2,559,357	-	-	-	-	2,559,357
Commercial papers	33	6.7	(94,241,233)	-	-	-	-	(94,241,233)
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
Hire purchase payables	34	23.5	(55,776)	(14,047)	-	-	-	(69,823)
Trade payables	36	9.7	(5,278,287)	-	-	-	-	(5,278,287)
Floating rate								
Deposits with licensed banks	28	3.3	7,936,989	-	-	-	-	7,936,989
Bank overdrafts	33	8.1	(1,908,410)	-	-	-	-	(1,908,410)
Term loans	33	7.4	(18,150,750)	(18,150,750)	(14,208,875)	(7,071,625)	(2,003,144)	(59,585,144)
Commercial papers	33	4.1	(79,266,562)	-	-	-	-	(79,266,562)
Company								
Fixed rate								
Due from subsidiaries	24	4.1	73,500,000	-	-	-	-	73,500,000
Floating rate								
Deposits with licensed banks	28	3.4	5,606,935	-	-	-	-	5,606,935
Commercial papers	33	4.1	(79,266,562)	-	-	-	-	(79,266,562)

(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.

41. Financial instruments (cont'd)

(c) Foreign currency risk (cont'd)

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												
	United States Dollar RM	Australian Dollar RM	Euro RM	Pound Sterling RM	Singapore Dollar RM	Ringgit Malaysia RM	Hong Kong Dollar RM	Japanese Yen RM	Philippine Peso RM	Macau Pataca RM	Thai Baht RM	Mongolia Tughrik RM	Total RM
At 31 December 2008													
Ringgit Malaysia	132,074,689	1,424,983	(570,917)	(18,357)	2,575,644	-	1,995,563	19,432	1,089	-	805	-	137,502,931
United States Dollar	-	1,095,846	(4,421,180)	-	(2,179)	361,560	5,146,636	1,280,159	8,472,675	609	19,888,411	-	31,822,537
Hong Kong Dollar	(4,296,864)	(3,604)	-	-	-	-	-	-	-	23,523	-	-	(4,276,945)
	127,777,825	2,517,225	(4,992,097)	(18,357)	2,573,465	361,560	7,142,199	1,299,591	8,473,764	24,132	19,889,216	-	165,048,523
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

The net unhedged financial assets of the Company that are not denominated in its functional currency as at 31 December 2008 amounted to RM111,939,657 (2007: RM95,611,998).

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.

(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.

41. Financial instruments (cont'd)

(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:

		Group	
	Note	Carrying amount RM	Fair value RM
At 31 December 2008			
Non-current unquoted shares	18	4,000	*
Non-current receivables	23	1,058,877	945,427
At 31 December 2007			
Non-current unquoted shares	18	4,000	*
Non-current receivables	23	714,790	616,398

* 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

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.

42. 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, none of which constitutes a separately reportable segment.

42. Segment information (cont'd)

(b) Business segments (cont'd)

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
2008					
Revenue					
Sales to external customers	80,168,276	128,803,880	18,837,053	-	227,809,209
Inter-segment sales	69,421	-	360,000	(429,421)	-
Total revenue	80,237,697	128,803,880	19,197,053	(429,421)	227,809,209
Results					
Segment results	1,516,610	16,495,047	(8,342,256)	-	9,669,401
Unallocated expenses					(3,058,941)
Operating profit					6,610,460
Finance costs					(9,554,766)
Share of loss of jointly controlled entities			(205,649)		(205,649)
Share of loss of associates			(144,326)		(144,326)
Loss before tax					(3,294,281)
Income tax expense					(319,022)
Loss for the year					(3,613,303)
Assets					
Segment assets	78,151,365	244,660,746	74,929,683	-	397,741,794
Investments in jointly controlled entities			1,186,955		1,186,955
Investments in associates			1,599,064		1,599,064
Unallocated assets					9,547,104
Total assets					410,074,917
Liabilities					
Segment liabilities	39,631,611	12,740,969	6,708,867	-	59,081,447
Unallocated liabilities					167,683,529
Total liabilities					226,764,976

42. Segment information (cont'd)

(b) Business segments (cont'd)

	Sales and marketing RM	Technical support and management RM	Others RM	Eliminations RM	Consolidated RM
Other information					
Capital expenditure	4,952,371	61,844,112	31,008,232	-	97,804,715
Unallocated capital expenditure					1,341,273
					99,145,988
Depreciation	386,241	57,925,589	1,293,692	-	59,605,522
Unallocated depreciation					218,084
					59,823,606
Amortisation	-	-	651,968	-	651,968
Impairment losses	-	9,453,876	6,444,413	-	15,898,289
Non-cash (income)/expense other than depreciation, amortisation and impairment losses	(213,858)	5,458,148	1,236,010	-	6,480,300
Unallocated non-cash expense other than depreciation, amortisation and impairment losses					1,501,143
					7,981,443

42. Segment information (cont'd)

(b) Business segments (cont'd)

	Sales and marketing RM	Technical support and management RM	Others RM	Eliminations RM	Consolidated RM
2007 (restated)					
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	(1,949,661)	-	55,603,844
Unallocated expenses					(8,429,525)
Operating profit					47,174,319
Finance costs					(6,944,382)
Share of profit of jointly controlled entities			106,236		106,236
Share of profit of associates			75,996		75,996
Profit before tax					40,412,169
Income tax expense					(977,184)
Profit for the year					39,434,985
Assets					
Segment assets	99,231,777	253,359,294	28,802,304	-	381,393,375
Investments in jointly controlled entities			1,592,374		1,592,374
Investments in associates			4,635,175		4,635,175
Unallocated assets					16,112,326
Total assets					403,733,250
Liabilities					
Segment liabilities	58,077,046	21,867,174	2,363,536	-	82,307,756
Unallocated liabilities					144,309,179
Total liabilities					226,616,935

42. Segment information (cont'd)

(b) Business segments (cont'd)

	Sales and marketing RM	Technical support and management RM	Others RM	Eliminations RM	Consolidated RM
Other information					
Capital expenditure	85,996	112,828,007	7,832,508	-	120,746,511
Unallocated capital expenditure					975,060
					121,721,571
Depreciation	265,558	40,359,276	127,725	-	40,752,559
Unallocated depreciation					256,255
					41,008,814
Amortisation	-	-	308,732	-	308,732
Impairment losses	-	284,244	2,542	-	286,786
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

(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.

42. Segment information (cont'd)

(c) Geographical segments (cont'd)

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 sales and marketing and technical support and management.

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

	Revenue by geographical segments	
	2008	**2007**
	RM	**RM**
Macau	17,753,099	32,574,362
Cambodia	123,695,809	102,721,757
Malaysia	8,490,440	27,914,995
The Philippines	61,805,170	93,499,561
Vietnam	7,818,107	9,653,153
Singapore	1,800,759	5,038,786
Laos	2,890,074	2,473,596
Other countries	3,555,751	2,430,330
	227,809,209	276,306,540

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

	Segment assets		**Capital expenditure**	
	2008	**2007**	**2008**	**2007**
	RM	**RM (restated)**	**RM**	**RM**
Macau	8,006,650	11,047,690	4,810,632	-
Cambodia	241,846,515	200,849,765	83,245,747	108,456,783
Malaysia	43,360,076	47,032,780	2,095,585	3,006,478
The Philippines	87,741,444	102,886,460	7,265,026	5,307,292
Vietnam	7,762,217	8,130,960	5,894	3,543,476
Singapore	2,755,984	400,837	49,504	-
Mongolia	107,729	211,896	-	-
Laos	1,607,523	1,222,587	332,327	432,482
Other countries	4,553,656	9,610,400	-	-
	397,741,794	381,393,375	97,804,715	120,746,511

43. Significant 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) During the year, the Group has acquired/incorporated a number of subsidiaries. Details of the acquisitions and incorporation of these subsidiaries are disclosed in Note 15(a).

44. Subsequent events

There were no material subsequent events from the balance sheet date up till the date the financial statements are authorised for issue except for the directive by the Cambodian government requiring all slot machines outlets in Cambodia to cease operations with effect from 26 February 2009. Following a review of the situation in Cambodia, the directors have concluded that it is appropriate to reflect the impact of the closure in the financial statements. However, this directive does not affect the Group's concession operations in casinos in Cambodia.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of the Company will be held at G Hotel, 168A Persiaran Gurney, 10250 Penang, Malaysia on Monday, 8 June 2009 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 2008 together with the Reports of Directors and Auditors thereon. **Ordinary Resolution 1**

2. To approve the payment of Directors' Fees of RM133,200 for the financial year ended 31 December 2008. **Ordinary Resolution 2**

3. 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:

   (a) En. Mazlan Bin Ismail **Ordinary Resolution 3**
   (b) Mr. Lim Tow Boon **Ordinary Resolution 4**

4. To re-elect the following Director retiring pursuant to Article 107 of the Company's Articles of Association and who, being eligible, offers himself for re-election:

   (a) Mr. Chuah Eng Hun **Ordinary Resolution 5**

5. To appoint Messrs. UHY Diong to act as Auditors of the Company in place of the retiring Auditors, Messrs. Ernst & Young, to hold office until the conclusion of the next annual general meeting and to authorise the directors to determine their remuneration. **Ordinary 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 **Ordinary 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.

By Order of the Board

LAM VOON KEAN (MIA 4793)
ONG TZE-EN (MAICSA 7026537)

Joint Secretaries
Penang

15 May 2009

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
Resolution 6 - Appointment of UHY Diong as Auditors

The auditors, Messrs. Ernst & Young ("EY"), retire and do not wish to seek re-appointment.

The Directors have confirmed that there were no disagreements with EY on accounting treatments within the last 12 months and that there are no other circumstances connected with the change of auditors that should be brought to the attention of shareholders.

Explanatory Note on Special Business
Resolution 7 - Authority to Issue Shares

The Ordinary Resolution 7 proposed under agenda 6, if passed, will give the Directors of the Company authority to issue shares in the Company up to an amount not exceeding 10% of the total issued capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next Annual General Meeting.

STATEMENT ACCOMPANYING NOTICE OF SIXTH 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 Sixth 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) En. Mazlan Bin Ismail
   (b) Mr. Lim Tow Boon

   Director retiring pursuant to Article 107 of the Articles of Association and seeking re-election is as follows:

   (a) Mr. Chuah Eng Hun

   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 Statistics of Shareholdings in this Annual Report.

2. Sixth Annual General Meeting of Dreamgate Corporation Bhd.

Place	G Hotel, 168A Persiaran Gurney, 10250 Penang, Malaysia
Day, Date & Time	Monday, 8 June 2009 at 10.00 am

GERAK JUARA SDN. BHD. (605400-T)
8, Green Hall, 10200 Pulau Pinang, Malaysia.
Tel: (6)04-263 1111 / 818 2100 (Hunting Line)
Fax: (6)04-263 1188

24 April 2009

The Board of Directors
Dreamgate Corporation Bhd.
Suite 2-1, 2nd Floor
Menara Penang Garden
42-A Jalan Sultan Ahmad Shah
10050 Penang
Malaysia

Dear Sirs

Notice of Nomination of Auditors

In accordance with Section 172 (12) of the Companies' Act, 1965, we, Gerak Juara Sdn. Bhd., being a shareholder of Dreamgate Corporation Bhd., hereby give you notice of our intention to nominate for appointment at the forthcoming Annual General Meeting of the Company, **Messrs. UHY Diong** of 51-21-F, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang as the Auditors of Dreamgate Corporation Bhd. for the year ending 31 December 2009 in place of Messrs. Ernst & Young who have indicated that they do not wish to seek for re-election as Auditors of the Company at the forthcoming 6th Annual General Meeting.

Yours faithfully
for and behalf of the
Board of Directors
Gerak Juara Sdn. Bhd.

AHMAD ANWAR BIN MOHD NOR
Director

LEE PENG LOON
(MACS 01258)
Company Secretary

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FORM OF PROXY

Dreamgate Corporation Bhd. (603831-K)

(Incorporated in Malaysia)

No. of Shares Held
CDS Account No.

*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. ....
(FULL NAME IN BLOCK CAPITALS)

of ....
(FULL ADDRESS)

or failing *him/her, the *CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us and on *my/our behalf at the Sixth Annual General Meeting of the Company to be held at G Hotel, 168A Persiaran Gurney, 10250 Penang, Malaysia on Monday, 8 June 2009 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 2009

	No. of Shares	%
Proxy 1		
Proxy 2		
Total		100%

....
Common Seal/Signature of Member

Note:

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b)&(c) of the Companies Act, 1965 shall not apply to the Company.
2. For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company, Suite 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.

Fold this flap for sealing

2nd Fold here

Affix
Stamp

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

1st Fold here

Dreamgate Corporation Bhd. (603831-K)

www.dreamgatecorp.com

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+604-263 1188 (F)