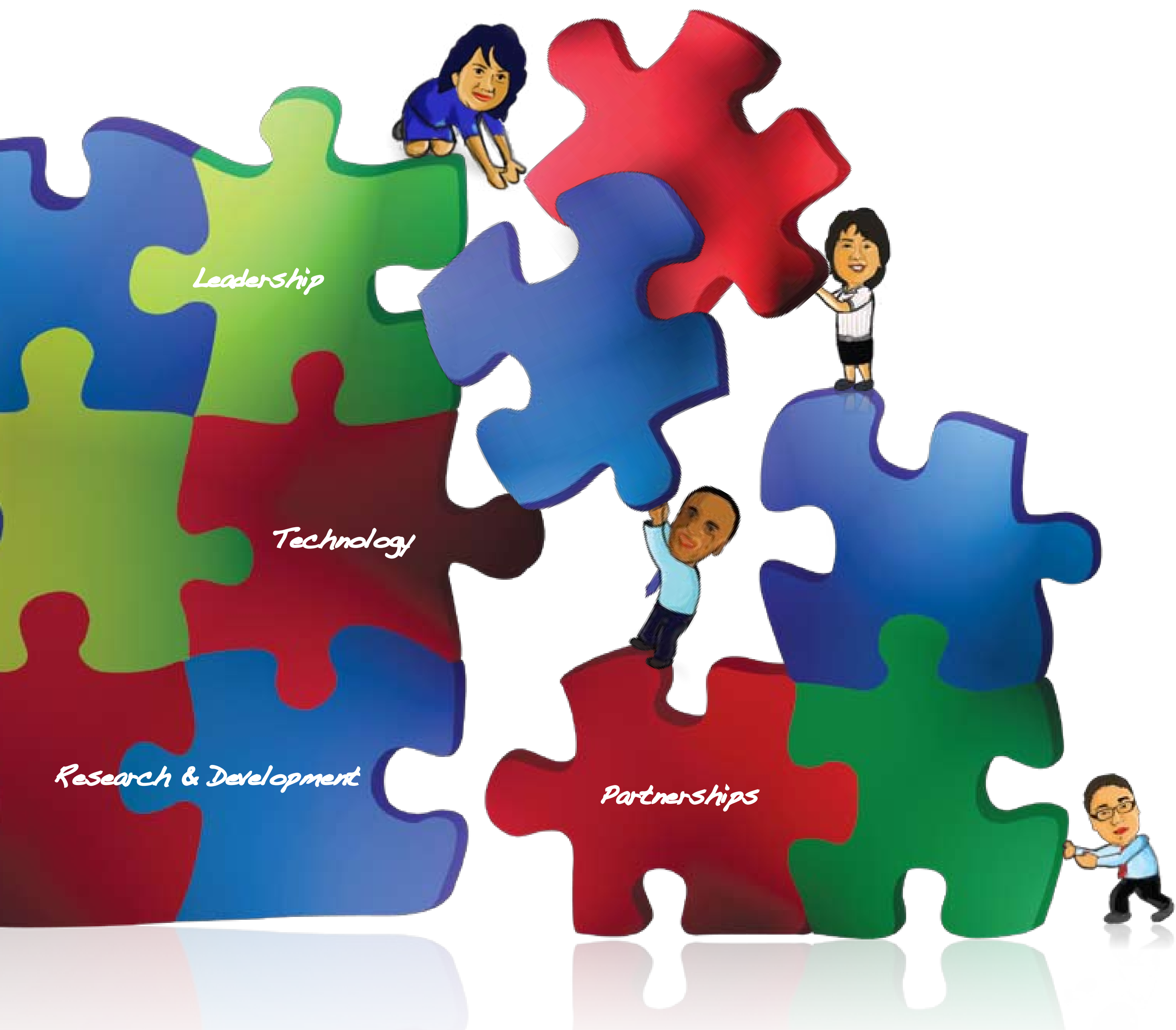
annual report 2009

# Dreamgate Corporation Bhd. (603831-K)



# CONTENTS



COVER RATIONALE

*Puzzle pieces emblazoned with the Group's key values, representing its core strengths. The Group's workforce is illustrated working as a team and accentuates the importance of teamwork in bringing together the fundamentals of the Group towards achieving greater heights of success. Splashes of Red, Green and Blue provide a subtle nod to the Group's upcoming phase of development.*

Dreamgate Corporation Bhd. (603831-K)

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 Market of Bursa Securities (formerly the Main Board).

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

- Sales & marketing, and manufacturing of electronic gaming machines and equipment ("SSM" throughout the entire Annual Report)
- Machines concession program & technical support management ("TSM" throughout the entire Annual Report)
- Equity investment and management of boutique casinos, hotels and clubs with gaming licenses ("L&E" throughout the entire Annual Report)

The history of DCB's involvement in 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 leading supplier of electronic gaming machines and casino 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

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

**Board of Directors**
Mr. Ooi Teng Chew
*Independent Non-Executive Chairman*

Datuk Chuah Kim Seah, JP
*Group Managing Director*

Mr. Mazlan 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
Mr. Mazlan Ismail
Mr. Chuah Eng Hun

**Credit Review & Risk Assessment Committee**
Mr. Ooi Teng Chew, *Chairman*
Dato' Mahinder Singh Dulku, DSPN, PKT
Mr. Mazlan Ismail
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, Malaysia
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
E-mail : info@dreamgatecorp.com
Websites: www.dreamgatecorp.com
www.rgbgames.com

**Share Registrars**
Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : 603 7841 8000
Fax: 603 7841 8008

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

**Stock Exchange Listing**
Main Market of Bursa Malaysia Securities Berhad

Stock code : 0037
Stock name : DGATE

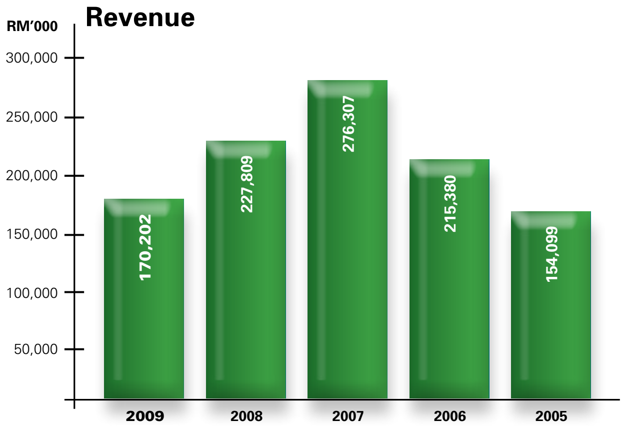
**Auditors**
UHY Diong (AF 1411)
Chartered Accountants
51-21-F Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang, Malaysia

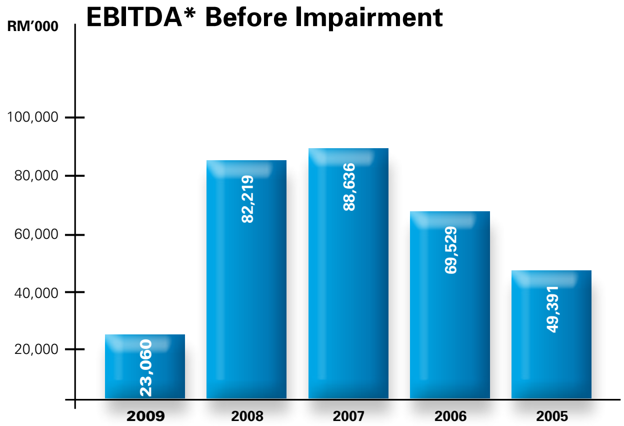
**Principal Bankers**
Malayan Banking Berhad
Maybank International (L) Ltd.
Hong Leong Bank Berhad

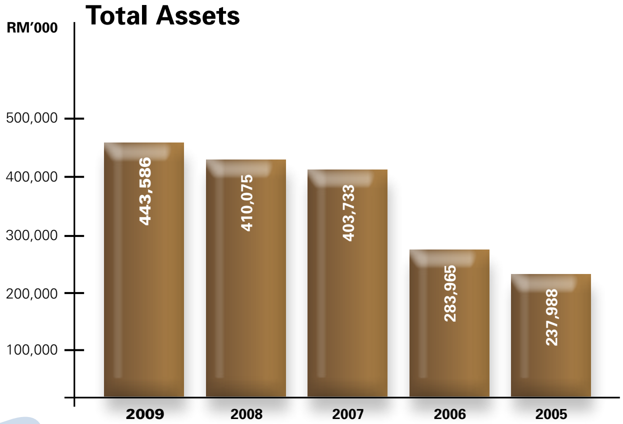
# GROUP FINANCIAL HIGHLIGHTS

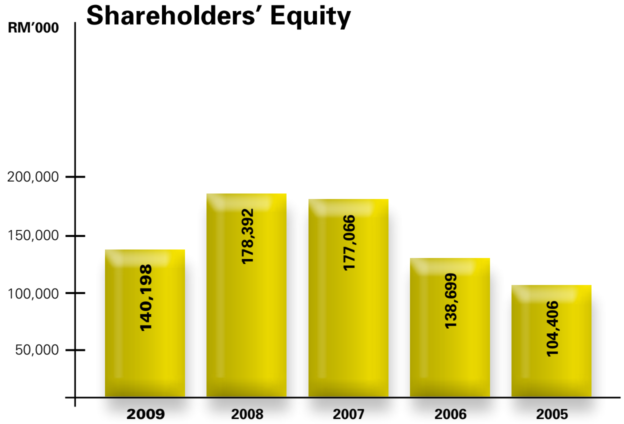
| | 2009<br>RM '000 | 2008<br>RM '000 | 2007<br>RM '000 | 2006<br>RM '000 | 2005<br>RM '000 |
|---|---|---|---|---|---|
| Revenue | 170,202 | 227,809 | 276,307 | 215,380 | 154,099 |
| EBITDA* Before Impairment | 23,060 | 82,219 | 88,636 | 69,529 | 49,391 |
| EBITDA* After Impairment | (3,235) | 66,321 | 88,349 | 69,529 | 49,184 |
| Net (Loss)/Profit | (64,752) | (3,613) | 39,435 | 31,470 | 27,792 |
| Cash Flows From Operations | 104,649 | 89,205 | 67,197 | 48,049 | 37,420 |
| Cash and Bank Balances | 21,556 | 31,062 | 35,000 | 16,782 | 8,872 |
| Property, Plant and Equipment | 278,473 | 236,600 | 203,608 | 136,383 | 127,845 |
| Total Assets | 443,586 | 410,075 | 403,733 | 283,965 | 237,988 |
| Shareholders' Equity | 140,198 | 178,392 | 177,066 | 138,699 | 104,406 |

*Earnings Before Interest, Taxation, Depreciation & Amortisation



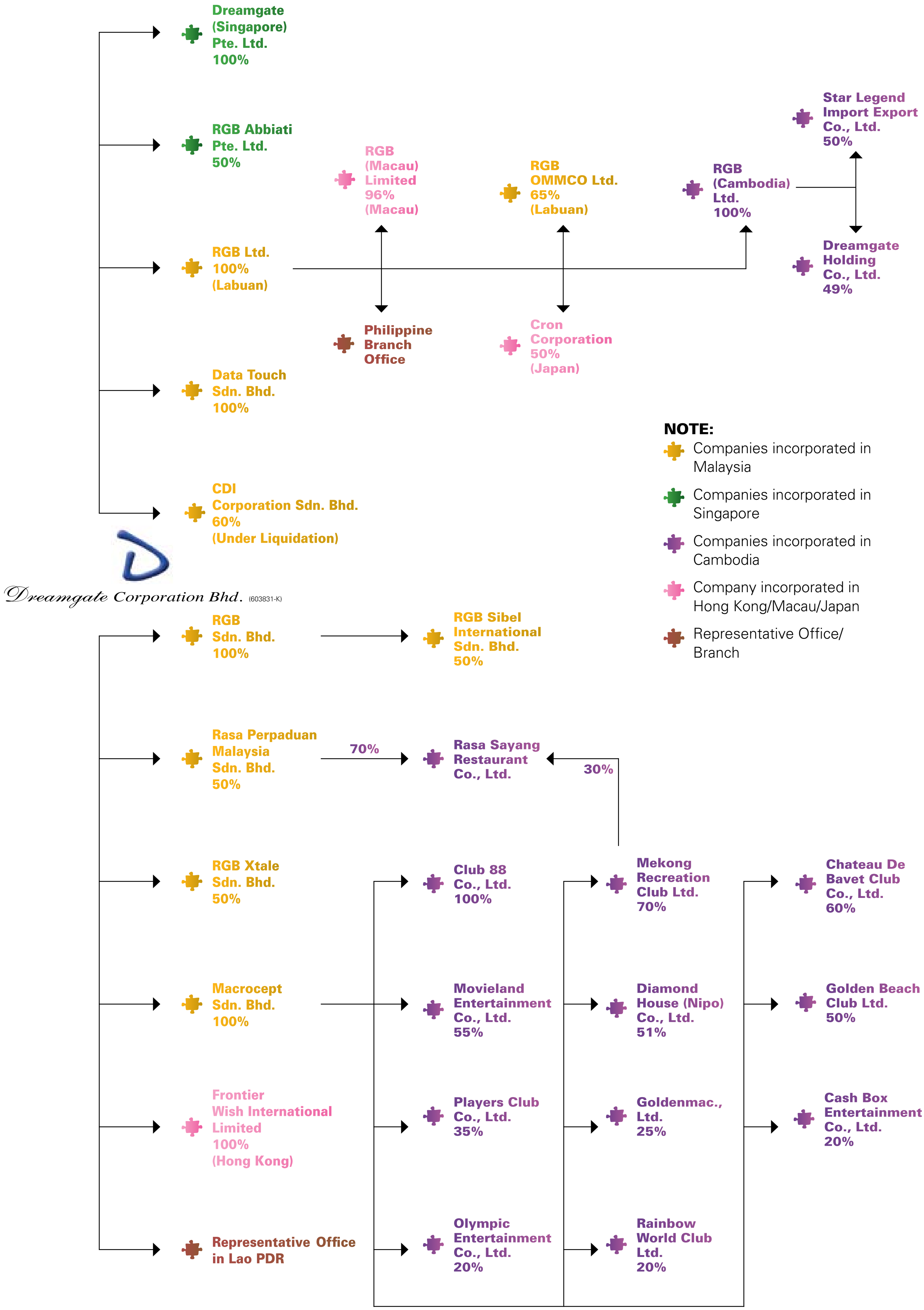



# GROUP CORPORATE STRUCTURE

as at 02 April 2010



# BOARD MEMBERS

1) **Mr. Steven Lim Tow Boon**
   *Group Executive Director*

2) **Mr. Chuah Eng Hun**
   *Non-Independent Non-Executive Director*

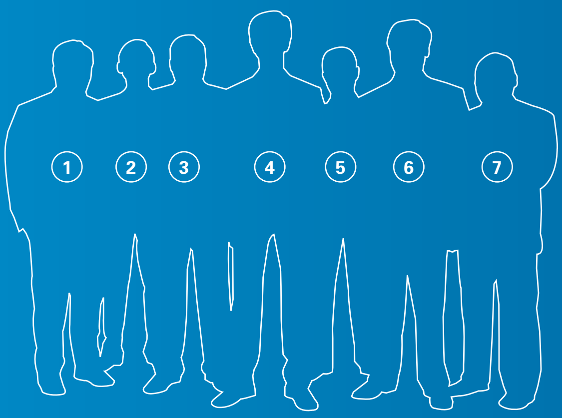
3) **Dato' Mahinder Singh Dulku, DSPN, PKT**
   *Senior Independent Non-Executive Director*

4) **Datuk Chuah Kim Seah, JP**
   *Group Managing Director*

5) **Mr. Chuah Kim Chiew**
   *Group Executive Director*

6) **Mr. Ooi Teng Chew**
   *Independent Non-Executive Chairman*

7) **Mr. Mazlan Ismail**
   *Group Executive Director*



## Mr. Ooi Teng Chew
*Independent Non-Executive Chairman*

Malaysian, 64 years of age
*Fellow, Institute of Chartered Accountants of England & Wales*
*Fellow, Malaysian Institute of Certified Public Accountants*

Appointed to the Board on 30 October 2003, Mr. Ooi assumed the position as Chairman of the Board on 17 March 2004. He is the chairman of the Audit and Credit Review & Risk Assessment ("CRRA") Committees and serves as member of the Remuneration, Nomination and Employees' Share Option Scheme ("ESOS") Committees.

Mr. Ooi 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 8 board meetings held in the financial year.

## Datuk Chuah Kim Seah, JP
*Group Managing Director*

Malaysian, 57 years of age
*Fellow, Association of Chartered Certified Accountants*
*Member, Malaysian Institute of Accountants*

A Board member since 30 October 2003, Datuk Chuah is also a member of Remuneration and ESOS Committees.

Datuk Chuah has been involved in the amusement and gaming industry for more than 25 years and has extensive experience in strategic, financial as well as sales and marketing management. He is instrumental for the growth of the Group from a private limited liability company to a group focused on concession management, sales of a wide array of gaming products and equity investment in casino and clubs with licenses.

At present, Datuk Chuah's principal responsibilities are to oversee the business management and implementation of the Group's strategic plans and policies. It also includes assessment of potential business ventures and alliances.

He sits on the board of certain subsidiary and associate companies of DCB and several other private limited companies. He had attended 7 out of 8 board meetings convened in the financial year.

# PROFILE OF BOARD MEMBERS

## Mr. Steven Lim Tow Boon
*Group Executive Director*

Malaysian, 49 years of age
*Bachelor of Arts, Brock University, Canada*

Mr. Lim joined the Board on 30 October 2003. He assumed the position as Chief Operating Officer ("COO") of RGB Business Division in 2009.

As COO, his key responsibilities are leading strategic planning and overseeing the daily operational management for SSM and TSM functions for DCB Group.

Mr. Lim's career began with the Group in 1998 when he joined as a Management Executive focusing on sale of amusement and gaming machines. His extensive experience in sales and marketing has propelled the growth of the Group's market share in the gaming industry.

He is also a director of several subsidiary and associate companies of DCB Group. He had attended 7 out of 8 board meetings held in the financial year.

## Mr. Chuah Kim Chiew
*Group Executive Director*

Malaysian, 47 years of age
*Bachelor of Business Administration, University of Waseda, Japan*

Mr. Chuah joined the Board on 30 October 2003. He heads the Research & Development ("R&D") division and leads the team on the creation and development of the Group's own proprietary gaming machines "RGBGames". The "RGBGames" gaming machines have been well received by players regionally.

He has been with the Group since its inception and was initially involved in the coordination of back end support services for technical and sales functions before moving into R&D.

Mr. Chuah also sits on the board of several subsidiary and associate companies of DCB. He had attended all 8 board meetings convened during the year.

## Mr. Mazlan Ismail
*Group Executive Director*

Malaysian, 47 years of age
*Diploma in Management, Malaysian Institute of Management*

A Board member since 30 October 2003, Mr. Mazlan is principally responsible for treasury, credit control and risk assessment functions for DCB Group. He also serves as member of the ESOS and CRRA Committees.

Mr. Mazlan began his career as Senior Audit Assistant with Chuah & Associates in 1988 before leaving for commercial environment 3 years later. Today, he is also a director of Institut Teknologi Dan Pengurusan Victoria Sdn. Bhd., a private higher learning institute and Gerak Juara Sdn. Bhd., an investment holding company.

He received a Diploma in Management from the Malaysian Institute of Management ("MIM") in 1998 and was subsequently elected as an Associate Member of MIM.

Mr. Mazlan sits on the board of several associate and subsidiary companies of the Group. He had attended all 8 board meetings held in the financial year.

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

Malaysian, 67 years of age
*Utter Barrister, Lincoln's Inn, UK*

Admitted as an Advocate & Solicitor, Malaya in 1973, Dato' Mahinder has been practising law specializing in land, contract and corporate laws.

He was appointed a Director of DCB on 28 April 2006 and later assumed the position as Senior Independent Non-Executive Director on 18 April 2007. Dato' Mahinder chairs the Remuneration, Nomination and ESOS Committees and serves as member of the Audit and CRRA Committees.

He had been elected twice as Chairman of Penang Bar Committee and a member of the Bar Council over that period. Dato' Mahinder is also currently the President of both the Penang Swimming Club and the Old Xaverians' Association, Penang.

He had attended all 8 board meetings convened during the financial year.

# PROFILE OF BOARD MEMBERS

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

Malaysian, 26 years of age
*Bachelor of Commerce (Accounting), Deakin University, Australia*
*Associate member, CPA Australia*

Mr. Chuah Eng Hun joined the Board on 18 February 2009. He also serves as member of the Audit, Nomination and ESOS Committees.

Prior to joining DCB Group, Mr. Chuah was with Ernst & Young, an international audit firm, for 3 years. He left in 2009 as Senior Associate in Audit Assurance.

He had attended all the 7 board meetings held after his appointment to the Board.

**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.

**Ms. Maxine Lee Yap Kuan**
*Group Corporate & Administration Director*

Ms. Lee joined the Group in 1998 as Company Secretary and was subsequently promoted to General Manager of Corporate & HR division. She assumed her current position in 2007.

In her current capacity, Ms. Lee oversees the implementation of policies and operational management for administrative and corporate compliance functions.

She was with Farlim Group (M) Bhd. and several other well known corporate secretarial services provider prior to joining the Group. Ms. Lee holds a Diploma in Business Administration from Kolej Tunku Abdul Rahman in 1989 and was elected as an Associate Member of the Institute of Chartered Secretaries and Administrators, UK since 1993.

Ms. Lee is also a board member of several associate and subsidiary companies of the Group.

**Ms. Teh Mun Hui**
*Group Finance Director*

Ms. Teh is currently the Group Finance Director, a position she held since 2007. She oversees the accounting and financial management as well as the corporate finance function for the Group.

She began her career with Arthur Andersen & Co. (now Ernst & Young) in audit assurance in 1997 before joining the Group 3 years later as Finance Manager.

A graduate of University Malaya with a Bachelor in Accounting degree (1st class honors) in 1997, Ms. Teh obtained the Malaysian Institute of Certified Public Accountants ("MICPA") qualifications a year later. She is a member of the Malaysian Institute of Accountants and MICPA.

Ms. Teh sits on the board of several subsidiary and associate companies of the Group.

# KEY MANAGEMENT TEAM

## Mr. Chuah Kee Yong
*Group Technology Director*

Mr. Chuah was promoted to the position of Group Technology Director in 2007. He was the General Manager for the Technical Division prior assuming his current position. He was with Intel Technology Sdn. Bhd. prior joining the Group in 1999.

He is principally responsible for the manufacturing operations, information technology, technical support and services for the Group. He has more than 15 years of extensive experience in technical and general management in both commercial and manufacturing environment.

Mr. Chuah received his Bachelor of Applied Science (Honors) and MBA degrees from Universiti Sains Malaysia in 1996 and 2003 respectively. He has been an Affiliate of the IEEE Computer Society, a United States based society for electrical engineers, since 2002.

He sits on the board of certain associate and subsidiary companies of the Group.

## Mr. Ganaser Kaliappen
*Group Regulatory & Legal Compliance Director*

As Group Regulatory & Legal Compliance Director, Mr. Ganaser is responsible for managing regulatory and legal compliance with the authorities and legislations in the various countries where the DCB Group operates.

Mr. Ganaser was previously the General Manager, Regulatory Compliance prior to assuming his current position in 2009.

He had a distinguished career in the public service. Mr. Ganaser was with the Administrative and Diplomatic Service of the Government for 25 years before retiring as Director in the Ministry of Defense. Earlier, he was the Principal Assistant Secretary with the Ministry of Finance where he managed the financial control, gaming licensing and regulatory compliance functions.

Mr. Ganaser graduated from University Malaya with a Bachelor of Arts degree and a Diploma in Education. In addition, he received a Diploma in Public Management from National Institute of Public Training in 1985 which was followed by a Master in Public & International Affairs from University of Pittsburgh, USA in 1999.

He also sits on the board of a subsidiary company.

**To Our Valued Shareholders,**

On behalf of the Board of Directors of Dreamgate Corporation Bhd., I present the Annual Report of the Company for the financial year ended 31 December 2009.

The uncertainties of the global economic recession affected many parties including our customers who were mainly casino operators, as well as our suppliers. As mentioned in my statement on industry trends last year, we were encouraged by signs of big operators changing their investment strategies to a willingness to accept concession arrangements for the placement of machines in their casinos rather than through outright purchase. Also during the year, our suppliers became more receptive to selling slot machines at lower prices and on easier payment terms.

Hence, we began 2009 confident that we would be able to operate profitably but we were immediately shocked by the very sudden prohibition of sports betting and electronic gaming machines in slot clubs by the Cambodian Government in early 2009 (without any compensation) which resulted in an immediate loss of income from more than 3,000 slot machines.

We responded to this unfortunate setback by seizing the opportunity to promote the concession arrangement to casino operators in Macau and the Philippines and immediately formulated a mobilisation plan to withdraw our machines from all slot clubs in Cambodia for refurbishment, for resale and deployment in new concessions in the region.

I am pleased to report that we were able to open 6 new concession venues in Macau and another 10 in the Philippines and elsewhere. We were able to refurbish and place back into operations about 58% of the machines affected by the closure of the slot clubs in Cambodia. In addition, new machines were purchased on favourable prices and credit terms from the machine manufacturers. As a result, we ended the year with a total of 40 concession venues with more than 5,000 machines placed and managed by our Group.

## FINANCIAL PERFORMANCE

Against the backdrop of the global economic crisis and the major setback in our slot club business in Cambodia, the Group registered the following:

- Revenue declined 25% to RM170 million (2008: RM228 million);
- EBITDA for the year was positive but lower at RM23 million (2008: RM82 million) before the impairment charge of RM26 million (2008: RM16 million);
- Loss for the year after taxes ballooned to RM65 million from RM4 million in 2008; and
- Cash flow from our operations increased to RM105 million (2008: RM89 million).

The losses were mainly (as mentioned earlier) attributed to the loss of revenue from the closure of the slot clubs in Cambodia, the impairment costs of the affected machines not yet mobilised at year end, the costs of setting up and lower contributions from new TSM concessions, and losses at the Group's 60% owned casino in Bavet, Cambodia.

Cash flow from operations improved as a result of efforts to strike a balance between our trade payables and trade receivables, to shorten debt collection periods and to cut costs to improve our cash liquidity.

The losses would have been greater had it not been for the swift and decisive action taken by senior executives to leverage on its long-standing relationship with certain casino operators in the region to enter into new TSM concession agreements and the technical executives to refurbish and reinstall the affected machines in other concessions. It was thus a feather in the cap for the Group to be able to effectively lower its exposure to Cambodia, enter the developed Macau market and expand its operations significantly in the Philippines.

## DIVIDEND

The Board is not recommending any dividend payment for the financial year ended 31 December 2009.

# CHAIRMAN'S STATEMENT

**FUND RAISING EXERCISE**

Despite the challenges faced during the year, we were able to secure the necessary funding for our business expansions in 2009. We issued an additional RM4 million Commercial Paper and raised approximately RM40 million through two placements that were carried out between July 2009 and January 2010 to part finance our working capital requirements.

**SYNERGY FROM NAME CHANGE**

The Board is proposing to change the name of the Company from Dreamgate Corporation Bhd. to RGB International Bhd. to significantly strengthen the Group's corporate branding and identity. The brand name "RGB" has been in existence for the last 25 years and well established in the Asian gaming industry. We also believe there will be synergies to be derived from the "RGB" brand name (as in RGBGames) as it already has an excellent reputation and is synonymous with the gaming and leisure industry.

The proposed name change will be put before shareholders at the forthcoming 7th Annual General Meeting ("AGM").

**MOVING FORWARD**

Whilst many predict that the global economy will return to positive territory in 2010, the pace of recovery is expected to be slow and subject to uncertainty with the emergence of recessionary pressures. The casino operators, we believe, will continue with their conservative approach for slot machines investment and purchase new machines mainly for the purpose of replacement. As an integrated gaming solutions provider, we believe the investment behavioural change of the casino operators will augur well for the Group, either in the replacement market or in the concession programme arrangement.

Riding on the positives that we have achieved in 2009, we will continue our efforts to look for opportunities to expand our market reach. As we look to complete our mobilisation plan for the remaining machines from the Cambodian slot clubs, we have also shifted our main focus in 2010 to improve the yield from the machines we manage. We will continue to strengthen our core businesses, particularly, in the TSM and the L&E segments, through strategies to improve the performance of the machines and the casino in Bavet, Cambodia to a satisfactory level. Where performances do not meet our investment criteria, exit strategies will be implemented.

The Board is cautiously optimistic that, with the commencement of new concession venues in the Philippines, Vietnam and Lao PDR, coupled by the concerted efforts to improve yield and on-going marketing promotions for our in-house brand of electronic gaming machines, the Group is able to return a positive result in 2010.

**ACKNOWLEDGEMENTS**

On behalf of the Board and the Company, I would like to express our sincere gratitude and appreciation to all the employees for their sacrifice and understanding even in the most difficult of times.

To our valuable shareholders, business partners, financial institutions and the regulatory authorities, I would also like to extend my gratitude for the continued support, trust and confidence in us during the challenging business environment.

Last but not least, I would like to thank the executive directors of the Board, for rising up to the challenge caused by the closure of slot clubs in Cambodia and working tirelessly to promote and commence new TSM concession operations across the region in a relatively short time, and my fellow non-executive directors for their continued invaluable advice, guidance and support.

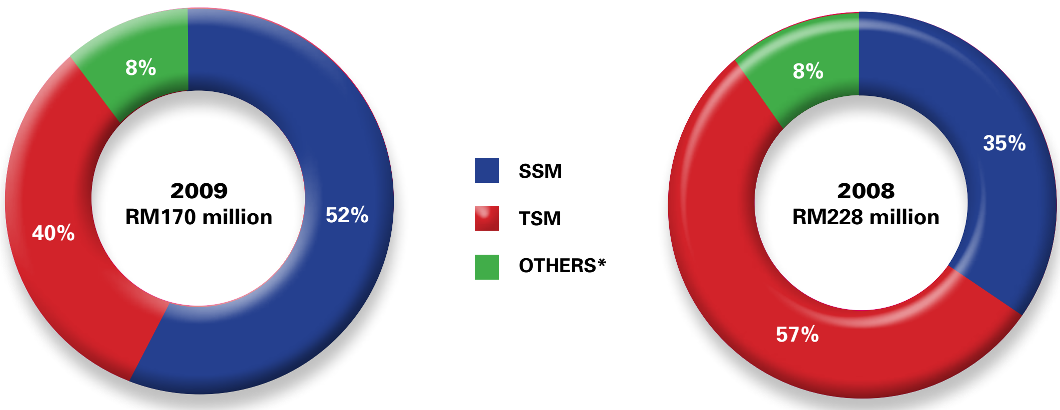
**OOI TENG CHEW**
*Chairman*
02 April 2010

**Dear Valued Shareholders,**

## AN OVERVIEW

The year 2009 was indeed an interesting and challenging one for the Group. Our financial results for 2008 and first quarter of 2009 gave clear indications of what was to be expected in 2009. The bottom line of the Group was mainly affected by the sudden change in the gaming regulations in Cambodia. We faced immediate loss of income from more than 3,000 machines in Cambodia and high mobilisation costs (removal, storage, relocation and reinstallation) for these affected machines. Our prudent approach of providing for the impairment loss of RM26 million for the remaining 1,470 affected machines from the mobilisation plan which were not in operations by year-end, further compounded our losses. The overall economy meltdown also saw gaming operators changing their purchasing patterns, opting not to increase their capital outlay and venturing into leasing or concession arrangements. However, we were able to capitalise on the change in investment patterns and at the same time, with our strengths and experience in the gaming industry, we still witnessed some positive numbers for the machine sale business.

**Group Revenue by Business Segments**




* Others: L&E, R&D, manufacturing and renting of property

## SSM

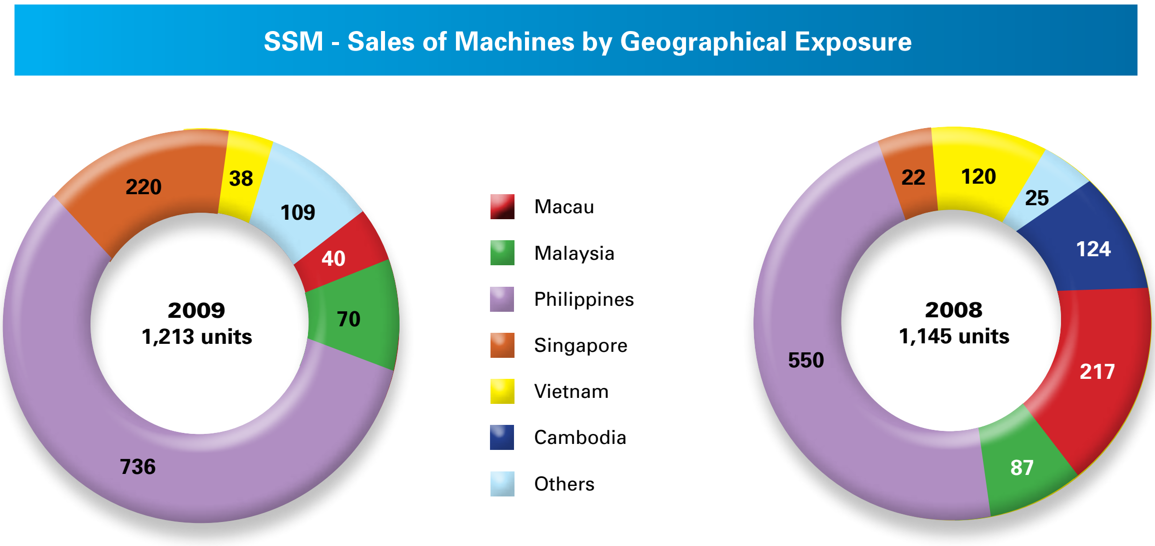
Backed by RM89 million in revenue, the SSM division performed better than expected in 2009 despite the change in gaming operators' poor appetite for capital outlay. The 11% improvement in revenue was largely due to machine sales to the newly opened integrated resort in Singapore and casinos and VIP clubs in the Philippines. The profit before taxation for the SSM division of RM5.5 million represented a significant growth of 260% in comparison with 2008 as we were able to enjoy improved margins and contain our operating costs through cost cutting initiatives undertaken during the year.

For the gaming table layout, we registered an increase in sales volume of 40.3% (2009: 2,207 pieces, 2008: 1,573 pieces) as we were able to increase sales of our in-house synthetic layouts. Many operators are opting to utilise the synthetic layout as it is possible to print more creative designs and they last longer. The revenue generated from the sales of table layout for 2009 is RM1.4 million, an increase of 7.7% from 2008.

# REVIEW OF OPERATIONS

Our proprietary games under the RGBGames brand continued to make inroads and we are encouraged from the positive responses that we have received. We continued to create awareness of our products by participating in various gaming exhibitions to showcase and introduce our new Asian-themed proprietary games under RGBGames and third party products.

We believe the SSM division is able to achieve similar results in 2010 as we foresee further expansions to be undertaken by existing casino operators where machine replacements with some outright sales would take prominence.



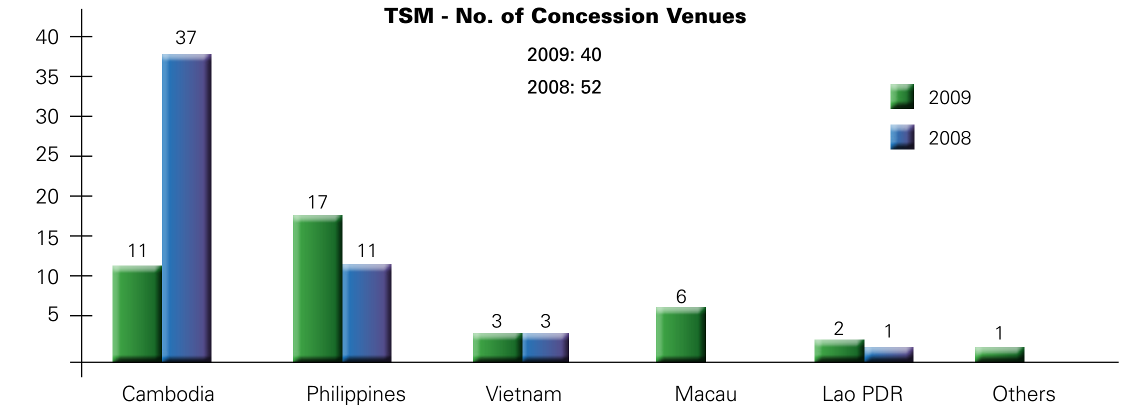

**TSM**

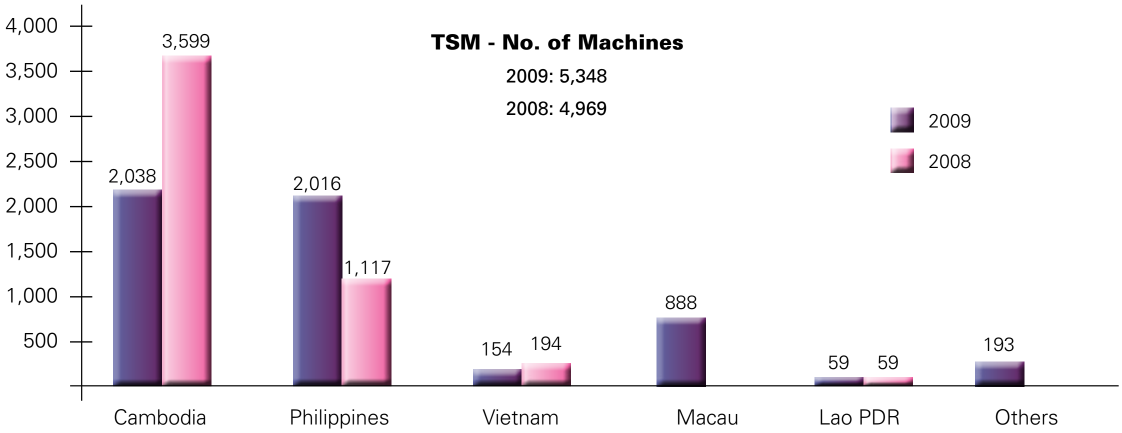
In 2009, while we witnessed the forced closure of 21 slot clubs in Cambodia, we also managed to secure 16 new concession venues with 2,333 machines installed. We also saw more acceptance for the RGBGames brand with the placement of 110 machines in various concession venues, again a testament to our capabilities to provide competitive Asian-themed games in the market. Of the 16 new concession venues, 12 were secured in Macau and the Philippines. One of our synergistic partnerships was with Sociedade de Jogos de Macau, S.A ("SJM") where concession contracts were secured for SJM group's selected casinos operating in Macau. This successful collaboration was again a testament to our capabilities as an integrated gaming solutions provider, not only in Cambodia, the Philippines, Lao PDR and Vietnam, but also in a competitive and matured market like Macau. By end 2009, we managed 40 concession venues with more than 5,000 machines across the Asian region.

Notwithstanding, our success in securing notable contracts were overshadowed by the immediate loss of income from the forced closure of slot clubs in Phnom Penh and Siem Reap, Cambodia and the low yield registered at new concession venues. The TSM division registered a revenue of RM67 million, a drop of 48% from 2008 and an EBITDA before impairment of RM32 million compared to RM84 million in 2008, a decline of 62% from the previous corresponding year.

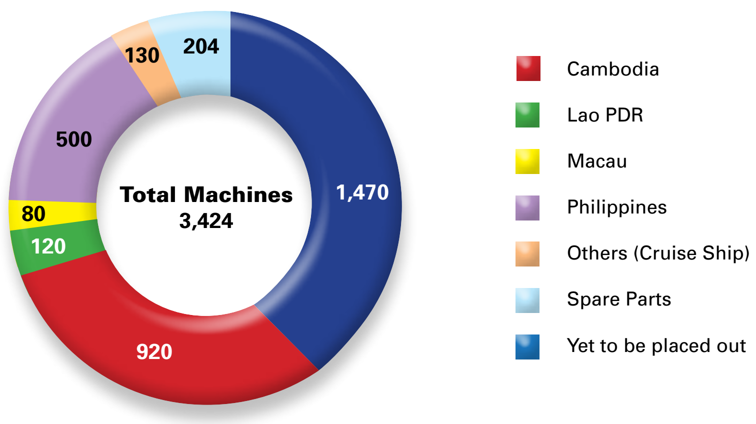
In 2010, we are targeting an additional 2,000 machines to be placed at existing and new concession venues and putting more emphasis on improving yield per machine from the current concessions. At the same time, we continue to look for opportunities to secure additional new concession contracts to achieve better economies of scales. In the first quarter of 2010, we have successfully opened one new concession venue in Cavite, the Philippines with approximately 106 machines in place. We have also signed a contract to place up to 500 machines at a casino in Lao PDR and expect additional machines to be placed at existing concession venues in Cambodia and the Philippines.

## TSM - Concession Venues and Number of Machines by Geographical Locations




## TSM - Status of Mobilisation Plan



# REVIEW OF OPERATIONS

**OTHERS**

The business segment - Others include L&E, R&D, manufacturing and renting of property.

**L&E**

Another milestone for the Group in 2009 was the opening of our 60% owned flagship boutique hotel and casino, Chateau Hotel and Casino ("Chateau") on 1 August 2009. This USD20 million boutique hotel and casino is situated in the entertainment town of Bavet, located at the Cambodian/Vietnamese border. Chateau has the capacity to offer 80 gaming tables and 200 slot machines with 70 executive and suite hotel rooms. We are currently operating 38 gaming tables and 109 slot machines.

Despite deriving promising revenue numbers since its opening, Chateau did not contribute positively to the profitability of the Group as it had just started operations with high promotional cost including training cost and junket commission, a usual scenario for a newly set-up casino.

**R&D**

Our R&D department was set up with the objective of churning out new and appealing games for our proprietary products under the brand name, RGBGames. The R&D team comprises capable professionals with different specialities who create, design and develop games that cater to the demand in sync with the Asian gaming industry. In 2009, the team successfully launched 4 Asian-themed jackpot games together with 8 individual game titles.

In October 2009, we were awarded the exclusive rights to develop and market the Manny "Pacman" Pacquiao themed electronic poker machines and casino live table games in the Philippines and other international gaming territories. This world-renowned sports icon from the boxing fraternity is considered a national hero in his homeland, the Philippines, after winning his seventh world title back in November 2009. With him lending his name to one of our own proprietary games, the value of our in-house developed RGBGames is futher enhanced and provides the catalyst for other breakthroughs. We expect to release the Manny "Pacman" Pacquiao themed electronic card games in the Philippines jurisdiction and other interested markets by the 1st half of 2010.

Going forward, our R&D teams will continue its focus to develop more Asian-themed games that are in compliance with the gaming industry standards. We expect to launch 3 new progressive jackpot links and another 7 standalone games. The 1st progressive jackpot link game for the year, aptly called 'WANG WANG WANG' was exhibited and launched at the Asia Gaming Expo in Manila, the Philippines at end March 2010.

**Technology Centre**

**(i) Manufacturing Activities**

Our manufacturing arm, the Technology Centre, remained focus on the production of gaming table layouts, assembly of RGBGames machines and third-party products besides repair and refurbishment of used machines. We maintained our strategic partnership with reputable manufacturers for their electronic gaming machines and multi-terminal machines respectively.

We will continue to enhance our manufacturing process to produce quality electronic gaming machines and casino equipment with emphasis on cost and quality.

**(ii) Technical Support**

We have a team of well-trained technical support personnel deployed at our concession sites across the Asian region mainly responsible for slot operations set-up and on-site support. This team of talented personnel is a key asset which contributes positively to the success of our growth.

## HUMAN CAPITAL

Human capital remains a key asset to us. The stress brought about by the forced closure of slot clubs in Cambodia and the consequent cost-cutting measures across the Group resulted in the loss of many talented staff. However, to the credit of the remaining loyal staff, they took on added responsibilities and continued to perform their duties satisfactorily and without any major disruption of service to our clients and concession partners.

We will be selective in our future recruitment, investing in a young, dynamic and capable workforce in order to tap on new ideas and quality work output which will eventually contribute to the growth of the Group. We will continue to invest in training and development of our workforce as part of a continuous development and learning process whilst nurturing loyal key executives as future corporate leaders in line with our succession planning strategy.

# REVIEW OF OPERATIONS

**REGULATORY COMPLIANCE**

During the year, the Group through its subsidiary company, Dreamgate (Singapore) Pte. Ltd. applied for and in February 2010, successfully obtained the approval from Casino Regulatory Authority of Singapore ("CRA") to supply gaming equipment to casinos in Singapore. It was another significant milestone to the history of our business as the application process had involved the compliance of stringent governance by CRA to protect the gaming industry in the republic.

**BETTER TIMES AHEAD**

We continuously strive to meet our target of becoming the premier integrated gaming solutions specialist in the long term. The financial crisis and the sudden change in the Cambodia gaming regulations had greatly affected our financial performance but we stay true to our core values and are not distracted from our commitment to excel.

As we continue to size up the challenges and enhance our efforts to look for opportunities to expand our market reach and implement our strategies, we have moved our priority to strengthening our core businesses. This would involve focusing our initiatives on our business consolidation processes, enhancement and improvement programmes together with continuous R&D efforts and prudent cost management. At the same time we will measure the contributions from all investments to ensure that they generate sufficient returns and cash-flow. Non-performing units will be shut-down or disposed.

**APPRECIATION**

I would like to extend my sincere gratitude to the management and all employees for their trust, invaluable sacrifices, understanding, patience, loyalty and commitment throughout the period. To my fellow Directors, thank you for your support and guidance.

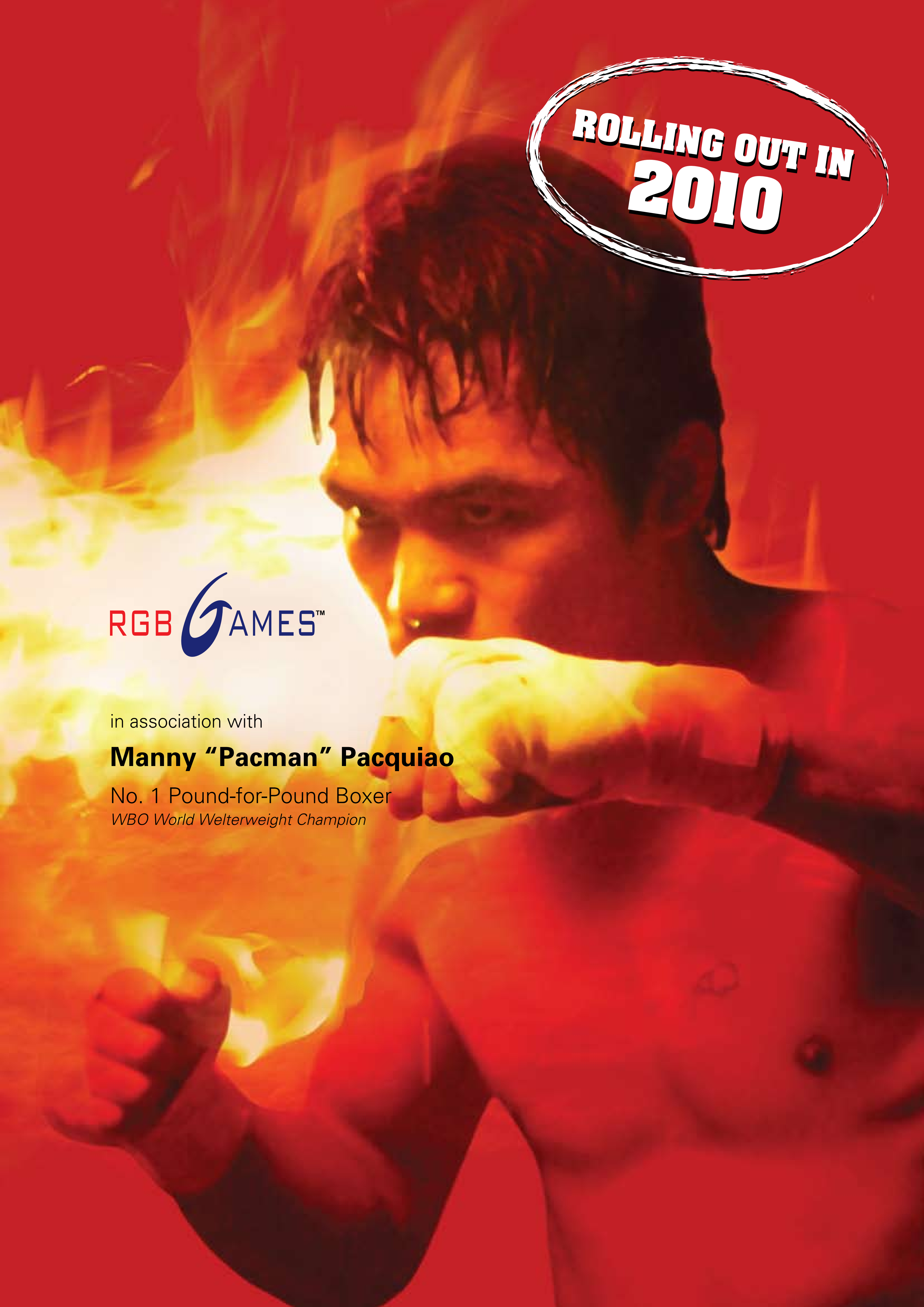
And to our shareholders, business partners, bankers and bond holders, thank you for the continuous support, belief and confidence in us.

As we continue our journey to improve our performance, we are confident that with the level of commitment and hard work that everyone has shown in the past year, we will be able to provide encouraging results for the approaching year.

**DATUK CHUAH KIM SEAH, JP**

*Group Managing Director*

02 April 2010


ROLLING OUT IN
2010
RGB GAMES™
in association with
Manny "Pacman" Pacquiao
No. 1 Pound-for-Pound Boxer
WBO World Welterweight Champion


PROGRESSIVE JACKPOT
PAC-MAN
Progressive Poker
BUILT FOR CHAMPS!
GINAWA PARA SA KAMPYON!
PAC-MAN
Progressive Poker
PAC-MAN
PAC-MAN'S DOUBLE
PAC-MAN'S WILD
RGB GAMES
www.rgbgames.com

*12 February*
*Chinese New Year & Appreciation Dinner 2009, Penang*

Appreciation Dinner 2009 was held at G Hotel, Penang. Employees from corporate head office and regional office have joined in for a night of celebration.

*02 - 03 April*
*Asia GEM Expo 2009 Manila, the Philippines*

Participated and showcased various range of electronic gaming machines and products at the premier gaming show, Asia's Gaming & Entertainment and Leisure Expo in Manila. We also participated in Slot Machine Tournament where RGBGames' Shanghai Night and Legend of Sparta emerged as Champion and 2nd Runner Up respectively.

*17 May*
*3rd RGB Golf Challenge Trophy 2009, Penang*

The event was held at Penang Turf Club, Golf Club Section and was attended by our stakeholders. We also took the opportunity to showcase our RGBGames' products.

*02 - 04 June*
*G2E Asia 2009, Macau SAR*

Participated and showcased our latest range of electronic gaming machines and products at G2E Asia Conference & Exhibition 2009, a major exposition for casino industry held at The Venetian Macao, Macau SAR.

# CALENDAR OF EVENTS 2009


*08 - June*
*6th AGM, Penang*

6th AGM held at G Hotel, Penang.

*09 - July*
*Introduction to First Aid and Cardiopulmonary Resuscitation Training ("CPR"), Penang*

Introduction to First Aid and CPR Training held at Cititel Hotel, Penang. It was attended by 26 employees. Participants were briefed, trained and assessed on the theories of first aid and practical training such as Heimlich thrust, CPR and live simulation rescue. This event was part of promoting health and safety awareness among employees.

*14 - July*
*Bone Health Check Programme, Penang*

Bone Health Check Program held at Head Office, Penang. More than 100 employees signed up for the check. Employees obtained valuable information on their bone density and received guidance on improving bone density.

*01 - Aug*
*Opening of Chateau Hotel & Casino, Cambodia*

Chateau de Bavet, a boutique hotel & casino which is located at the border of Cambodia & Vietnam was opened on 01 August 2009. The Hotel has 70 rooms with entertainment and food and beverage outlets namely Soccer Bar and Rasa Sayang Restaurant.

*19 - 20 August*
*Gaming Asia Expo, Singapore*

Participated in the Gaming Asia Expo in Singapore and showcased various range of electronic gaming machines and products.

*16 - October*
*Extraordinary General Meeting, Penang*

Extraordinary General Meeting of the Company held at Cititel Hotel, Penang.

*30 - December*
*Internal Launching of Wang Wang Wang Progressive Link, Penang*

RGBGames' newest progressive jackpot link, Wang Wang Wang was introduced internally to a group of Key Management Team and Executives.

Wang Wang Wang is a 4-level progressive jackpot link featuring Chinese mythical beings of wealth and fortune. Besides being filled with games' features and specifications, audience have also experienced the interactive touch screen feature and attractive graphic during the brief introduction.

# CORPORATE RESPONSIBILITY STATEMENT

The DCB Group is committed to operate its business responsibly and be accountable for decisions that impact our shareholders, investors, business partners, employees, governments, industry authorities and the communities.

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

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

## MARKETPLACE

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

- Practicing transparency, accuracy, consistency, fairly and timely dissemination of the company's fundamentals to the marketplace communities;
- Establishing an internal Investor Relations' Policy which serves as a guideline to the management and employees on the communication process with the marketplace communities in accordance with best practices set out in the Malaysian Code on Corporate Governance 2007 [Revised 2007] ("the Revised Code"); and
- Ensuring our business operations are in compliance with anti-money laundering acts, where applicable, and in line with rules and regulations set out in each country we operate.

## ENVIRONMENT

As part of our commitment towards environmental conservation, our 'Dreamgate Recycle' program was implemented to reduce our environmental and carbon footprints.

*Dreamgate Recycle Campaign*

The Dreamgate Recycle campaign was launched at our Penang corporate head office on 8 December 2009 as part of our commitment as an environmentally responsible organization. Guided by the Municipal Council of Penang, a presentation and talk were delivered to employees which shared the importance of recycling and its effect towards the environment.

The campaign aims to:

- Create awareness on the importance of recycling and the effects of plastic material usage on our environment; and
- Inculcate the habit of recycling amongst the employees at workplace and at home.

The objectives of this campaign were achieved through:

- Placement of recycle bins at the office where wastes were segregated and disposed in designated bins; and
- Disposal of wastes to appointed local recycling agencies on bi-monthly basis.

Funds collected from the recyclable wastes will be channeled to other philanthropic activities.

Carbon footprints are being minimized through reducing unnecessary paper usage for document printing. Carbon emission is also reduced where desktop computers, notebooks and lights are encouraged to be switched off when not in use. Air-conditioning system of the office is switched off at pre-set times to reduce the electricity usage whilst water wastage is discouraged. Energy saving light bulbs are also being utilized within the office.

## WORKPLACE

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

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

*Equal Opportunity*
We emphasize on equal opportunities among employees and continuously create a conducive working environment for our employees. We are in the midst of implementing key performance indicators (KPI) to help individual team leader to keep tab on the progress of their subordinates' work performance and promote accountability and sense of responsibility while shaping up our future leaders. The process will help us to tap on our employees' individual potential and ensure their talents and capabilities are utilized while maintaining quality job deliverables. Everyone is given the opportunity to grow with the Group. So long as there is willingness, there is a way.

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

We adhere to stringent recruitment policy and ensure hiring is in compliance with job requirements and demands which in line with our business industry. New recruits are required to attend full day induction course where company's fundamentals, compensation and benefits, rules and regulations are being communicated.

*Safety, Health and Wellness*
At DCB, we place great importance on employees' safety, health and wellness. We ensure our employees are provided with a workplace that adheres to occupational health and safety standard with proper guidance. A series of related trainings such as chemical handling and storage, fire prevention and awareness, first aid and CPR training were held to educate the employees on their significance. Such programs will be continued alongside with activities that promotes balanced work life.

## COMMUNITY

Through 'Dreamgate Gives Back' programmes, we are committed to extend our helping hand to the communities where we operate through various philanthropic activities. Philanthropic activities were initiated in the past years and we pledge to continue as and when deemed necessary. Amidst the challenges that the Group faced in 2009, DCB did not cease to give back to the society and had participated in humble philanthropic activities as outlined below in addition to ongoing financial assistance.

*Lighthouse Lend a Hand Charity Dinner - Penang*
For the whole year of 2009, DCB participated in the 'Lighthouse Lend-a-Hand' charity program by sponsoring packed meals every Friday evenings to the less fortunate community, unemployed and the urban poor. The meal-sponsoring program was aimed to reach out to the needy with the hope to make a difference in their lives.

*Wheel 'Chair-rity' to Association for Aid and Relief Japan - Lao PDR*
Our Group Managing Director, Datuk KS Chuah visited the Association for Aid and Relief, Japan (AAR) workshop located within the premise of National Rehabilitation Centre at Vientiane, Laos PDR and, on behalf of DCB, offered financial assistance to assist in the fabrication work of 100 units of wheelchairs for the physically challenged beneficiaries.

*Persatuan Rumah Cahaya Harapan (PRCH) - Penang*
Responding to the appeal to raise funds for the renovation of the PRCH Elderly Daycare Centre in Penang, DCB participated and offered humble financial assistance for a singing contest organised by Persatuan Rumah Cahaya Harapan.

## INVESTOR RELATIONS

The Company believes in fostering good relationship with the investing community by engaging in regular and proactive communication whilst maintaining transparency and accountability at all times. In relation to this and as part of continuous effort to improve DCB's Investor Relations framework and strategy, an Investor Relations Policy was established and adopted by the Board on 02 April 2010.

### COMMUNICATION CHANNELS

Effective communication with all stakeholders and the general public is a priority to DCB. The guiding principle for the basis of the Company's Investor Relations activities is to ensure the dissemination of DCB's fundamentals to all shareholders, investors and market participants is made in a timely, fair, transparent, accurate, consistent and equal manner. Information is disseminated via annual reports, circulars, quarterly financial reports, press releases and corporate announcements made to Bursa Securities.

In 2009, the Company held its inaugural analysts' briefing for the financial year ended ("FYE") 31 December 2008 results and held another for its first half results for FYE 2009. These briefings collectively attracted more than 40 participants from the financial investing community. The Company is committed to engage in such briefings at least twice a year as an effort to encourage more open discussions with the financial investing community.

The Company also continued to actively respond to requests from analysts and fund managers via meetings and/or conference calls to provide updates on quarterly financial performances, corporate and business developments, regulatory issues as well as changes in operating environment which may impact the Group's operations. The Company also initiated familiarization visits to its operations sites in Macau, the Philippines, Vietnam and Cambodia during the year for financial institutions, institutional investors and ratings agency. While institutional shareholders and analysts may have more regular contact with management, the Company has taken special care to ensure that any material price-sensitive information is disseminated to all shareholders at the same time.

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

### ENHANCEMENT OF ACCESS VIA INTERNET

The Company's website *www.dreamgatecorp.com* is regarded as an important communication medium and we have incorporated further enhancements to the website to reflect our commitment to encourage and adopt effective communication with our stakeholders. The dedicated Investors Relations webpage was revamped to improve information accessibility and increase site friendliness to shareholders and the broader investing community.

The Investor Relations webpage allows all stakeholders and the general public access to relevant corporate information at their own convenience, including annual reports, quarterly reports of interim financial results, announcements and presentations given to shareholders, analysts and the media. Shareholders and other stakeholders may also direct their queries and/or concerns regarding DCB to its Investor Relations team via its dedicated e-mail address *(ir@dreamgatecorp.com)*. The Company expects to make more progressive enhancements to the corporate website in the future to improve on its information accessibility and site friendliness.


June

June

**6th AGM at G Hotel, Penang**

**Press Conference in conjunction with 6th AGM at G Hotel, Penang**

March


August

**Analyst Briefings at Shangri-La Hotel, Kuala Lumpur**

Cambodia, March

Macau, June


Macau, October

**Familiarisation Visits**

旺旺旺™
WANG WANG WANG
旺旺旺
WANG WANG WANG
$500,826.28
$89,268.28
$3,998.68
MINI $1,368.03
BE SHOWERED WITH GOLD!
PROGRESSIVE JACKPOT
RGB GAMES™
www.rgbgames.com
Hybrid

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 Revised 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 Revised Code. The extend of the Group's compliance with the Best Practices set out in Part 2 of the Revised 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 Revised Code and Main Market Listing Requirements of Bursa Securities ("MMLR") in respect of board composition.

As an effective and dynamic Board is essential towards enhancing long term shareholder value and the interests of 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 Board Members.

### Board Meetings

The Board meets at least 4 times a year, with additional meetings convened as necessary. 8 meetings were convened during the financial year ended 31 December 2009. Details of the attendance of the Directors at the meetings are as follows:

| Directors | Attendance |
|---|---|
| Ooi Teng Chew | 8/8 |
| Datuk Chuah Kim Seah, JP | 7/8 |
| Mazlan Ismail | 8/8 |
| Chuah Kim Chiew | 8/8 |
| Steven Lim Tow Boon | 7/8 |
| Dato' Mahinder Singh Dulku, DSPN, PKT | 8/8 |
| Wong Chee Fai (retired on 31 January 2009) | 1/1 |
| Chuah Eng Hun (appointed on 18 February 2009) | 7/7 |

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

**Supply of information**

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

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

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

The Directors have unrestricted access to the advice and services of Company Secretaries and senior management staff in the Group and may obtain independent professional advice at the Company's expense in the furtherance of their duties.

**Appointment to the Board**

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

**Re-election of Directors**

In accordance with the Company's Articles of Association, all newly appointed Directors shall retire and be re-elected by the shareholders at the Company's 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 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.

In 2009, all Directors attended development and training programmes, the detail of which are set out below:

| Directors | Date | Training/Development Programmes | Country |
|---|---|---|---|
| Ooi Teng Chew | 02 Jun | Global Markets Forum<br>Global Gaming Expo Asia ("G2E Asia 2009") | Macau |
| | 04 Jun | Keynote: Asian Analysts - The Future of Gaming in Asia, G2E Asia 2009 | Macau |
| | 16 - 17 Jul | Ernst & Young - Seminar for Non-financial Institutions Financial Instruments: Recognition, Measurement, Presentation and Disclosure | Malaysia |
| | 21 Jul | KPMG Audit Committee Roundtable Discussion | Malaysia |
| | 30 Oct | Ernst & Young 2010 Budget Seminar | Malaysia |

| Directors | Date | Training/Development Programmes | Country |
|---|---|---|---|
| Datuk Chuah Kim Seah, JP | 29 Apr | MASB Conference - Accounting Challenges in Turbulent Times | Malaysia |
| | 18 Aug | MIA - Anti Money Laundering & Anti Terrorism Financing Act 2001 | Malaysia |
| Chuah Kim Chiew | 02 - 03 Apr | Asia's GEM Show 2009 | Philippines |
| | 03 - 04 Jun | G2E Asia 2009 | Macau |
| | 18 - 20 Aug | Gaming Expo Asia | Singapore |
| Mazlan Ismail | 02 - 03 Apr | Asia's GEM Show 2009 | Philippines |
| | 21 - 22 Apr | G2E Asia 2009 | Macau |
| Steven Lim Tow Boon | 02 - 03 Apr | Asia's GEM Show 2009 | Philippines |
| | 03 - 04 Jun | G2E Asia 2009 | Macau |
| | 18 - 20 Aug | Gaming Expo Asia | Singapore |
| | 16 - 18 Nov | Global Gaming Exposition G2E | USA |
| Dato' Mahinder Singh Dulku, DSPN, PKT | 02 - 03 Apr | Asia's GEM Show 2009 | Philippines |
| Chuah Eng Hun | 02 - 03 Apr | Asia's GEM Show 2009 | Philippines |
| | 21 - 22 Apr | Mandatory Accreditation Programmes (MAP) for Directors of PLCs | Malaysia |
| | 03 - 04 Jun | G2E Asia 2009 | Macau |
| | 16 - 17 Jul | Ernst & Young - Seminar for Non-financial Institutions Financial Instruments: Recognition, Measurement, Presentation and Disclosure | Malaysia |
| | 21 Jul | KPMG Audit Committee Roundtable Discussion | Malaysia |
| | 16 - 18 Nov | Global Gaming Exposition G2E | USA |

**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, ESOS Committee and 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 2 meetings during the financial year ended 31 December 2009. Details of the attendance of the members at the meetings are as follows:

| Directors | Attendance |
|---|---|
| Dato' Mahinder Singh Dulku, DSPN, PKT | 2/2 |
| Ooi Teng Chew | 2/2 |
| Chuah Eng Hun (appointed on 18 February 2009) | 1/1 |

At a meeting held on 23 February 2010, the Nomination Committee had revised its terms of reference to provide greater clarity and to be in line with the Revised Code.

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

(a) To recommend to the Board candidates for all directorships to be filled by the shareholders or the Board, taking into consideration the following criteria:
- Skills, knowledge, expertise and experience;
- Professionalism;
- Integrity; and
- In the case of candidates for the position of independent non-executive directors, the ability to discharge such responsibilities/functions as expected from independent non-executive directors.

(b) To annually assess the effectiveness of the Board as a whole, the board committees and the contribution of each director, including the independent non-executive directors and the Group Managing Director/Chief Operating Officer. All assessment and evaluations carried out by the Nomination Committee in the discharge of all its functions should be properly documented.

(c) To consider, in making its recommendation, candidates proposed by the Group Managing Director/Chief Operating Officer.

(d) To recommend to the Board, candidates to fill the seats on board committees.

(e) To assist the Board in an annual review of the required mix of skills, experience and other qualities, including core competencies, which the non-executive directors should bring to the Board.

(f) To review the size of the Board with an aim to ensure a fair representation of the shareholders on the Board and determining the impact of the number on its effectiveness.

(g) To review the balance of executive and non-executive directors (including independent directors) with an aim to achieve a balance of views on the Board.

(h) To ensure a formal and transparent procedure for the appointment of new directors to the Board.

(i) To recommend individuals for nomination as members of the Board by assessing the desirability of renewing existing directorships.

(j) To facilitate the annual board effectiveness assessment, through the board and directors' self evaluation forms.

(k) To report periodically to the Board on succession planning for the Board chairman and Group Managing Director.

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

(a) Candidates for appointment to the Board.

(b) Size of the Board and the impact of the number upon its effectiveness.

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

(d) Required mix of skills and experience and other qualities, including core competencies of the members of the Board.

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

(f) Composition of the Audit Committee to be in compliance with the Revised Code.

(g) Evaluation of board performance for year 2008.

(h) Retirement and re-election of Directors at the forthcoming AGM.

(i) Renewal of Directors & Officers Liability Insurance.

(j) Succession planning.

**c) Remuneration Committee**

Dato' Mahinder Singh Dulku, DSPN, PKT, Chairman
Datuk Chuah Kim Seah, JP
Ooi Teng Chew

1 meeting was convened during the year and details of the attendance of the members at the meeting are as follows:

| Directors | Attendance |
|---|---|
| Dato' Mahinder Singh Dulku, DSPN, PKT | 1/1 |
| Datuk Chuah Kim Seah, JP | 1/1 |
| Ooi Teng Chew | 1/1 |

The terms of reference of Remuneration Committee was updated at a meeting held on 23 February 2010 to be in line with the Revised Code.

The functions and responsibility of the Remuneration Committee are as stated below:

(a) To recommend to the Board of Directors the policy framework and remuneration structure for the Executive and Non-Executive Directors. The focus is on a remuneration policy which should be sufficient to attract, retain and motivate Directors and key management team of caliber needed to run the Group successfully. Executive Directors are to abstain from deliberations and voting on the decision in respect of their own remuneration package.

(b) To review and present recommendations to the Board regarding the remuneration and conditions of service of the Executive Directors and key management team, in all its form including the grant of entitlement under any share schemes.

(c) To review indemnity and liability insurance policies for Directors and Officers of the Group.

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

The determination of remuneration packages of non-executive directors, including non-executive chairman should be decided by the board as a whole. The individuals concerns should abstain from discussion of their own remuneration.

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

During the meeting held in 2009, the Committee met and deliberated on remuneration package of the Executive Directors and key management team for year 2009.

**d) ESOS Committee**

Dato' Mahinder Singh Dulku, DSPN, PKT, Chairman
Datuk Chuah Kim Seah, JP
Ooi Teng Chew
Mazlan Ismail
Chuah Eng Hun (appointed on 24 August 2009)

The ESOS implemented in October 2005 was terminated with the consent of all outstanding option holders and the approval of shareholders at an Extraordinary General Meeting ("EGM") held on 16 October 2009. At the same EGM, the shareholders approved a new ESOS and its By-laws.

The new ESOS Committee was established on 19 October 2009 to administer the ESOS of the Company in accordance with the By-laws of the scheme.

5 meetings were held during the financial year ended 31 December 2009. Details of the attendance of the members at the meetings are as follows:

| Directors | Attendance |
|---|---|
| Dato' Mahinder Singh Dulku, DSPN, PKT | 5/5 |
| Datuk Chuah Kim Seah, JP | 4/5 |
| Ooi Teng Chew | 5/5 |
| Mazlan Ismail | 3/5 |
| Chuah Eng Hun (appointed on 24 August 2009) | 2/3 |

During the financial year under review, the Committee met and deliberated on the following matters:
(a) continuance of the existing ESOS;
(b) fixing of granting date and option price; and
(c) issuance criteria for the new grant.

**e) CRRA Committee**
Ooi Teng Chew, Chairman
Dato' Mahinder Singh Dulku, DSPN, PKT
Mazlan Ismail
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

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

| Directors | Attendance |
|---|---|
| Ooi Teng Chew (appointed as Chairman on 23 February 2010) | 1/1 |
| Dato' Mahinder Singh Dulku, DSPN, PKT | 1/1 |
| Mazlan Ismail (resigned as Chairman on 23 February 2010) | 1/1 |
| Teh Mun Hui | 1/1 |

During the year, the Committee met and deliberated on the following:
(a) Implementation of Enterprise Risk Management-Risk Information Management System software.
(b) Agreed on the Terms of Reference for the Committee.
(c) Reviewed aging and overdue balances on trade receivable for the Group and proposed actions to be undertaken.
(d) Reviewed the adequacy of provisions for doubtful debts.
(e) Agreed on the Group Net Assets/Capital Rationing by geographical segments.

**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 2009 is as follows:

| Directors | Salaries/Other Emoluments (RM) | Fees (RM) | Share Options Granted Under ESOS | Total (RM) |
|---|---|---|---|---|
| Executive | 875,649 | – | – | 875,649 |
| Non-Executives | 58,000 | 189,300 | – | 247,300 |

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

| Remuneration bands | No. of Directors Executive | No. of Directors Non-Executive |
|---|---|---|
| Below RM50,000 | 1* | – |
| RM50,001 - RM100,000 | – | 3 |
| RM150,001 - RM200,000 | 2 | – |
| RM200,001 - RM250,000 | – | – |
| RM250,001 - RM300,000 | 2 | – |

Note:
* Retired during the year

## 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 at *www.bursamalaysia.com.* In addition, information about the Group's products can be found at *www.rgbgames.com*.

Any queries or concerns regarding the Group may be directed to the Investor Relations/Corporate Communications Department via its dedicated e-mail at *ir@dreamgatecorp.com*.

## 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 2009, 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 2009, 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 statement is issued in accordance with a resolution of the directors dated 02 April 2010.

# 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 Ismail
*Group Executive Director (resigned on 31 January 2009)*

**Secretaries of the Audit Committee**
Lam Voon Kean (MIA 4793)
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.

**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 MMLR, the Committee shall promptly report such matter to Bursa Securities.

**Responsibilities**

The Committee is to serve as a focal point for communication between non-Committee Directors, the external auditors, the internal auditors and the management on matters in connection with financial accounting, reporting and controls. The Committee is to assist the Board in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Group and the 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; and

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

# AUDIT COMMITTEE REPORT

**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 as and when required.

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

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

The external auditors may also request 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 2009, a total of 5 meetings were held, details of which are as follows:

| Directors | Attendance |
|---|---|
| Ooi Teng Chew | 5/5 |
| Dato' Mahinder Singh Dulku, DSPN, PKT | 5/5 |
| Chuah Eng Hun (appointed on 18 February 2009) | 5/5 |

**SUMMARY OF ACTIVITIES**
The main activities undertaken by the Committee for the financial year ended 31 December 2009 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, MMLR, 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 and internal auditors;

(h) Discussed audit findings from the external and internal auditors;

(i) Reviewed the allocation of options under ESOS; and

(j) Convened 2 meetings with external auditors in the absence of executive directors and the management staff.

**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.

The total costs incurred for the internal audit function of the Company and the Group for 2009 is RM80,000.

# STATEMENT ON INTERNAL CONTROL

Pursuant to Paragraph 15.26(b) of the MMLR, the Board of DCB is committed to maintaining a sound system of internal control in the Group and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the financial year.

**RESPONSIBILITY FOR RISK AND INTERNAL CONTROL**

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

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

Although the Board is the ultimate owner of risk assessment and internal control systems of the Group including those established in material joint venture and associated companies, management has been tasked with the implementation of risk management and internal control systems, within the framework adopted by the Board.

**RISK MANAGEMENT**

A group-wide risk assessment process had been implemented by the Group. This process includes the identification of principal business risks, potential impact and likelihood of those risks occurring, as well as the control measures adopted to mitigate the risks.

The Board and management also practice proactive significant risks identification as and when there are 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 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 outsourced the function to an independent firm of chartered accountants 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 reviews the internal controls in place and makes recommendation to the Audit Committee on proposed action plan to improve the controls. On quarterly basis or earlier as appropriate, the internal auditors report to the Audit Committee on areas for improvement and will subsequently follow up to determine the extent of their recommendations that have been implemented.

**INTERNAL CONTROL**

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

- An organisation structure with well-defined scopes of responsibility, clear lines of accountability, and appropriate levels of delegated authority;
- A process of hierarchical reporting which provides for a documented and auditable trail of accountability;
- A set of documented internal policies and procedures for operational, financial and human resource management, which is subject to regular review and improvement;

- Regular and comprehensive information provided to management, covering financial and operational performance and key business indicators, for effective monitoring and decision making;

- A comprehensive business plan and detailed budgeting process where operating units prepare budgets for the coming year which are approved both at operating unit level and by the Board; and

- Regular visits to operating units by members of the Board and senior management.

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 minor internal control weaknesses were identified during the financial year, all of which have been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

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

This statement has been reviewed by the external auditors in compliance with Paragraph 15.23 of MMLR. Nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

This statement was made in accordance with a resolution of the Board of Directors dated 02 April 2010.

# REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

# 2009

| | |
|---|---|
| 27 February | Announcement of the consolidated results for the 4$^{th}$ quarter and financial year ended 31 December 2008 |
| 27 April | Announcement of the audited consolidated results for the financial year ended 31 December 2008 |
| 28 May | Announcement of the consolidated results for the 1$^{st}$ quarter ended 31 March 2009 |
| 08 June | 6$^{th}$ Annual General Meeting |
| 17 August | Announcement of the consolidated results for the 2$^{nd}$ quarter ended 30 June 2009 |
| 16 October | Extraordinary General Meeting |
| 24 November | Announcement of the consolidated results for the 3$^{rd}$ quarter ended 30 September 2009 |

# 2010

| | |
|---|---|
| 25 February | Announcement of the consolidated results for the 4$^{th}$ quarter and financial year ended 31 December 2009 |

# 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 2009.

**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 other than as disclosed in Note 15 to the financial statements.

**Results**

| | Group RM | Company RM |
|---|---|---|
| Loss for the year attributable to: | | |
| Equity holders of the Company | (62,032,061) | (3,055,757) |
| Minority interests | (2,720,242) | – |
| | (64,752,303) | (3,055,757) |

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**

No dividend has been paid or declared by the Company since the end of the previous financial year. 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 Ismail
Chuah Kim Chiew
Lim Tow Boon
Dato' Mahinder Singh Dulku, DSPN, PKT
Chuah Eng Hun

**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 Employees' Share Option Scheme ("ESOS").

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 2009** | **Acquired** | **Sold** | **31 December 2009** |
| **The Company** | | | | |
| Direct interest: | | | | |
| Ooi Teng Chew | 300,000 | – | – | 300,000 |
| Datuk Chuah Kim Seah, JP | 337,676,390 | 73,900 | – | 337,750,290 |
| Mazlan 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 |
| Dato' Mahinder Singh Dulku, DSPN, PKT | 140,000 | – | – | 140,000 |
| Indirect interest: | | | | |
| Datuk Chuah Kim Seah, JP | 1,753,800 | – | – | 1,753,800 |
| Mazlan Ismail | 162,031,986 | – | – | 162,031,986 |
| Chuah Kim Chiew | 1,603,800 | – | – | 1,603,800 |

| | Number of ordinary shares of MOP1,000 each | | | |
|---|---|---|---|---|
| **Subsidiary - RGB (Macau) Limited** | | | | |
| Direct interest: | | | | |
| Lim Tow Boon | 1 | – | – | 1 |

**Directors' interests (cont'd)**

| | Number of options over ordinary shares of RM0.10 each | | | | |
|---|---|---|---|---|---|
| | 1 January 2009 | Granted | Exercised | Terminated | 31 December 2009 |
| **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 | – |
| Dato' Mahinder Singh Dulku, DSPN, PKT | 1,800,000 | – | – | 1,800,000 | – |

By virtue of their interests in shares of the Company, Datuk Chuah Kim Seah, JP and Mazlan 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 RM87,204,970 to RM104,150,970 by way of issuance of 169,460,000 ordinary shares of RM0.10 each for cash pursuant to the Company's Private Placements at a weighted average issue price of RM0.17 per ordinary share for additional working capital purposes.

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

**ESOS**

The ESOS implemented in October 2005 was terminated with the consent of all outstanding option holders and the approval of shareholders at an Extraordinary General Meeting ("EGM") held on 16 October 2009. At the same EGM, the shareholders approved a new ESOS and its By-laws.

The new ESOS Committee was established on 19 October 2009 to administer the ESOS of the Company in accordance with the By-laws of the scheme.

The salient features and other terms of the new ESOS are disclosed in Note 31 to the financial statements.

No options have been granted under the new ESOS.

**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.

**Other statutory information (cont'd)**

(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 43 to the financial statements.

**Subsequent events**

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

**Auditors**

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 02 April 2010.

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

# STATEMENT BY DIRECTORS
Pursuant to Section 169(15) of the Companies Act, 1965

We, Datuk Chuah Kim Seah, JP and Mazlan 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 53 to 115 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 2009 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 02 April 2010.

**Datuk Chuah Kim Seah, JP**

**Mazlan 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 53 to 115 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 02 April 2010 :

**Teh Mun Hui**

Before me,
**GOH SUAN BEE**
NO. P125
Commissioner for Oaths

## Report on the Financial Statements

We have audited the financial statements of **DREAMGATE CORPORATION BHD.,** which comprise the balance sheets as at **31 December 2009** 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 53 to 115.

### *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 Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements 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 2009 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' report 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 Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

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

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

**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.

**UHY DIONG**
No. AF-1411
Chartered Accountants

**KOAY THEAM HOCK**
No. 2141/04/11 (J)
Chartered Accountant

Penang

Dated: 02 April 2010

| | Note | Group 2009 RM | Group 2008 RM | Company 2009 RM | Company 2008 RM |
|---|---|---|---|---|---|
| Revenue | 3 | 170,202,054 | 227,809,209 | – | 3,780,000 |
| Cost of sales | 4 | (142,425,354) | (147,538,328) | – | – |
| **Gross profit** | | 27,776,700 | 80,270,881 | – | 3,780,000 |
| Other income | 5 | 1,291,089 | 674,047 | 6,755,092 | 4,943,859 |
| Administrative expenses | | (50,803,814) | (56,469,165) | (1,509,668) | (2,785,570) |
| Selling and marketing expenses | | (3,082,076) | (4,892,674) | – | – |
| Other (expenses)/gains, net | | (31,129,465) | (12,972,629) | (1,572,789) | 5,712,562 |
| **Operating (loss)/profit** | | (55,947,566) | 6,610,460 | 3,672,635 | 11,650,851 |
| Finance costs | 6 | (9,230,715) | (9,554,766) | (6,728,332) | (4,843,334) |
| Share of profit/(loss) of jointly controlled entities | | 59,244 | (205,649) | – | – |
| Share of profit/(loss) of associates | | 434,529 | (144,326) | – | – |
| **(Loss)/Profit before tax** | 7 | (64,684,508) | (3,294,281) | (3,055,697) | 6,807,517 |
| Income tax expense | 10 | (67,795) | (319,022) | (60) | 110,148 |
| **(Loss)/Profit for the year** | | (64,752,303) | (3,613,303) | (3,055,757) | 6,917,665 |
| Attributable to: | | | | | |
| Equity holders of the Company | | (62,032,061) | (2,874,299) | (3,055,757) | 6,917,665 |
| Minority interests | | (2,720,242) | (739,004) | – | – |
| | | (64,752,303) | (3,613,303) | (3,055,757) | 6,917,665 |

| | Note | Sen | Sen |
|---|---|---|---|
| **Loss per share attributable to equity holders of the Company:** | | | |
| Basic, for loss for the year | 11(a) | (6.71) | (0.33) |
| Diluted, for loss for the year | 11(b) | N/A | (0.33) |

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

# BALANCE SHEETS
as at 31 December 2009

| | Note | Group 2009 RM | Group 2008 RM | Company 2009 RM | Company 2008 RM |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 13 | 278,472,942 | 236,599,603 | 25,529 | 43,462 |
| Prepaid land lease payments | 14 | 1,379,434 | 1,400,656 | – | – |
| Investments in subsidiaries | 15 | – | – | 44,660,605 | 44,660,605 |
| Investments in jointly controlled entities | 16 | 1,306,867 | 1,186,955 | 282,650 | 282,650 |
| Investments in associates | 17 | 2,051,001 | 1,599,064 | – | – |
| Other investment | 18 | 4,000 | 4,000 | – | – |
| Intangible assets | 19 | 1,448,465 | 2,016,061 | – | – |
| Long term lease receivables | 22 | 903,171 | 2,956,735 | – | – |
| Other receivables | 23 | 1,837,619 | 1,058,877 | – | – |
| | | 287,403,499 | 246,821,951 | 44,968,784 | 44,986,717 |
| **Current assets** | | | | | |
| Inventories | 20 | 16,043,559 | 11,562,301 | – | – |
| Trade receivables | 21 | 87,259,279 | 88,796,106 | – | – |
| Short term lease receivables | 22 | 1,921,094 | 1,921,094 | – | – |
| Other receivables | 23 | 12,355,601 | 15,940,244 | 98,812 | 315,257 |
| Tax recoverable | | 257,475 | 875,757 | 109,190 | 493,489 |
| Due from subsidiaries | 24 | – | – | 168,334,828 | 143,074,981 |
| Due from jointly controlled entities | 25 | 168,345 | 357,700 | – | 2,949 |
| Due from associates | 26 | 11,340,570 | 7,663,418 | – | – |
| Deposits with licensed banks | 28 | 5,279,746 | 5,074,145 | 2,686,127 | 2,559,357 |
| Cash and bank balances | | 21,556,437 | 31,062,201 | 1,746,171 | 303,846 |
| | | 156,182,106 | 163,252,966 | 172,975,128 | 146,749,879 |
| **Total assets** | | 443,585,605 | 410,074,917 | 217,943,912 | 191,736,596 |

| | Note | Group 2009 RM | Group 2008 RM | Company 2009 RM | Company 2008 RM |
|---|---|---|---|---|---|
| **Equity and liabilities** | | | | | |
| **Equity attributable to equity holders of the Company** | | | | | |
| Share capital | 29 | 104,150,970 | 87,204,970 | 104,150,970 | 87,204,970 |
| Share premium | 29 | 8,837,559 | 826,817 | 8,837,559 | 826,817 |
| Foreign exchange translation reserve | 30 | (6,325,935) | (5,207,440) | – | – |
| Share option reserve | 30 | – | 3,241,762 | – | 3,279,095 |
| Retained earnings | 32 | 33,535,607 | 92,325,906 | 6,065,932 | 5,842,594 |
| | | 140,198,201 | 178,392,015 | 119,054,461 | 97,153,476 |
| **Minority interests** | | 2,273,376 | 4,917,926 | – | – |
| **Total equity** | | 142,471,577 | 183,309,941 | 119,054,461 | 97,153,476 |
| **Non-current liabilities** | | | | | |
| Borrowings | 33 | 9,807,971 | 24,641,215 | – | – |
| Deferred tax liabilities | 35 | 786,397 | 794,159 | – | – |
| | | 10,594,368 | 25,435,374 | – | – |
| **Current liabilities** | | | | | |
| Borrowings | 33 | 137,575,403 | 127,991,705 | 98,663,874 | 94,241,233 |
| Trade payables | 36 | 103,301,333 | 46,584,037 | – | – |
| Other payables | 37 | 25,572,545 | 13,630,150 | 225,577 | 276,595 |
| Due to jointly controlled entities | 25 | 3,673,527 | 956,694 | – | – |
| Due to associates | 26 | 2,841,054 | 8,689 | – | – |
| Due to minority shareholders of subsidiaries | 27 | 17,529,935 | 11,384,233 | – | – |
| Tax payable | | 25,863 | 774,094 | – | 65,292 |
| | | 290,519,660 | 201,329,602 | 98,889,451 | 94,583,120 |
| **Total liabilities** | | 301,114,028 | 226,764,976 | 98,889,451 | 94,583,120 |
| **Total equity and liabilities** | | 443,585,605 | 410,074,917 | 217,943,912 | 191,736,596 |

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

# STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2009

| 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 | | – | – | (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 |

| 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 2009** | | 87,204,970 | 826,817 | (5,207,440) | 3,241,762 | 92,325,906 | 178,392,015 | 4,917,926 | 183,309,941 |
| Foreign currency translation: | | | | | | | | | |
| Group | | – | – | (1,077,605) | – | – | (1,077,605) | 75,692 | (1,001,913) |
| Jointly controlled entities | | – | – | 1,353 | – | – | 1,353 | – | 1,353 |
| Associates | | – | – | (42,243) | – | – | (42,243) | – | (42,243) |
| Net (expense)/income recognised directly in equity | | – | – | (1,118,495) | – | – | (1,118,495) | 75,692 | (1,042,803) |
| Loss for the year | | – | – | – | – | (62,032,061) | (62,032,061) | (2,720,242) | (64,752,303) |
| Total recognised income and expense for the year | | – | – | (1,118,495) | – | (62,032,061) | (63,150,556) | (2,644,550) | (65,795,106) |
| Issue of ordinary shares pursuant to Private Placement | | 16,946,000 | 8,010,742 | – | – | – | 24,956,742 | – | 24,956,742 |
| Termination of ESOS | | – | – | – | (3,241,762) | 3,241,762 | – | – | – |
| **At 31 December 2009** | | 104,150,970 | 8,837,559 | (6,325,935) | – | 33,535,607 | 140,198,201 | 2,273,376 | 142,471,577 |

# STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 December 2009

| Company | Note | Share capital RM | ← Non-distributable Share premium RM | Share option reserve RM → | Distributable Retained earnings RM | Total equity RM |
|---|---|---|---|---|---|---|
| **At 1 January 2008** | | 87,164,660 | 651,084 | 3,030,955 | 3,721,203 | 94,567,902 |
| Profit 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 |
| | | | | | | |
| **At 1 January 2009** | | 87,204,970 | 826,817 | 3,279,095 | 5,842,594 | 97,153,476 |
| Loss for the year | | – | – | – | (3,055,757) | (3,055,757) |
| Issue of ordinary shares pursuant to Private Placement | | 16,946,000 | 8,010,742 | – | – | 24,956,742 |
| Termination of ESOS | | – | – | (3,279,095) | 3,279,095 | – |
| **At 31 December 2009** | | 104,150,970 | 8,837,559 | – | 6,065,932 | 119,054,461 |

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

| | Note | Group 2009 RM | Group 2008 RM | Company 2009 RM | Company 2008 RM |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| (Loss)/Profit before tax | | (64,684,508) | (3,294,281) | (3,055,697) | 6,807,517 |
| Adjustments for: | | | | | |
| Dividend income | 3 | – | – | – | (3,780,000) |
| Interest income | 5 | (781,595) | (517,040) | (6,755,019) | (4,943,630) |
| Interest expense | 6 | 9,017,959 | 9,140,188 | 6,725,373 | 4,827,478 |
| Amortisation of intangible assets | 7 | 559,316 | 630,747 | – | – |
| Amortisation of prepaid land lease payments | 7 | 21,222 | 21,221 | – | – |
| Bad debts written off | 7 | – | 213,183 | – | – |
| Deposits written off | 7 | 796,509 | 2,899,656 | – | – |
| Depreciation of property, plant and equipment | 7 | 51,850,184 | 59,823,606 | 16,233 | 17,987 |
| 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 | 29,853,689 | 13,984,591 | – | – |
| Impairment of property, plant and equipment written back | 7 | (3,558,858) | (149,125) | – | – |
| Gain on disposal of investment | 7 | (1) | – | – | – |
| (Gain)/Loss on disposal of property, plant and equipment | 7 | (575,438) | 940 | 701 | 133 |
| Property, plant and equipment written off | 7 | 3,301,581 | 948,677 | – | – |
| Provision for doubtful debts (trade) | 7 | 2,754,929 | 1,898,169 | – | – |
| Provision for doubtful debts (non-trade) | 7 | 285,142 | 1,375,908 | 13,540 | 667,324 |
| Receivables written off | 7 | 423,072 | – | – | – |
| Reversal of provision for doubtful debts (trade) | 7 | (1,482,795) | (661,344) | – | – |
| Reversal of provision for doubtful debts (non-trade) | 7 | (24,479) | – | – | – |
| Write-down of inventories | 7 | 1,042,923 | 994,179 | – | – |
| Share options granted under ESOS | | – | 312,075 | – | – |
| Share of (profit)/loss of jointly controlled entities | | (59,244) | 205,649 | – | – |
| Share of (profit)/loss of associates | | (434,529) | 144,326 | – | – |
| Operating profit/(loss) before working capital changes | | 28,305,079 | 90,034,148 | (3,054,869) | 3,596,810 |

# CASH FLOW STATEMENTS
for the year ended 31 December 2009

| | Note | Group 2009 RM | Group 2008 RM | Company 2009 RM | Company 2008 RM |
|---|---|---|---|---|---|
| **Cash flows from operating activities (cont'd)** | | | | | |
| (Increase)/Decrease in inventories | | (2,269,423) | 1,780,566 | – | – |
| Decrease/(Increase) in short term receivables | | 3,228,258 | 18,225,536 | 216,445 | (264,066) |
| Decrease in lease receivables | | 2,053,564 | 1,847,186 | – | – |
| Increase in long term receivables | | (778,742) | (344,087) | – | – |
| Increase in amount due from subsidiaries | | – | – | (18,595,564) | (18,123,080) |
| Increase in amount due from jointly controlled entities | | (46,413) | (778,560) | (10,591) | (614,627) |
| (Increase)/Decrease in amount due from associates | | (3,700,312) | 544,061 | – | – |
| Increase/(Decrease) in payables | | 68,659,691 | (27,392,062) | (51,018) | (95,735) |
| Increase in amount due to jointly controlled entities | | 2,716,833 | 638,826 | – | – |
| Increase in amount due to associates | | 2,832,365 | 8,689 | – | – |
| Increase in amount due to other shareholders | | 6,145,702 | 9,468,973 | – | – |
| Cash generated from/(used in) operations | | 107,146,602 | 94,033,276 | (21,495,597) | (15,500,698) |
| Interest paid | | (2,292,586) | (4,312,710) | – | – |
| Taxes (paid)/refunded | | (205,506) | (515,896) | 318,947 | – |
| Net cash generated from/(used in) operating activities | | 104,648,510 | 89,204,670 | (21,176,650) | (15,500,698) |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | | (135,572,700) | (98,965,306) | – | (8,419) |
| Proceeds from disposal of property, plant and equipment | | 2,605,498 | 996,819 | 999 | – |
| Acquisition of subsidiaries | | – | (357,951) | – | – |
| Acquisition of intangible assets | 19 | – | (1,224,188) | – | – |
| Acquisition of jointly controlled entities | | – | (58,689) | – | (50,000) |
| Acquisition of associates | | (5,144) | – | – | – |
| Proceeds from disposal of an associate | | – | 87,235 | – | – |
| Proceeds from disposal of a subsidiary | 15 | 3 | – | – | – |
| Interest received | | 181,357 | 517,040 | 90,736 | 116,700 |
| Net dividend received | | – | – | – | 3,780,000 |
| Net cash (used in)/generated from investing activities | | (132,790,986) | (99,005,040) | 91,735 | 3,838,281 |

| | Note | Group 2009 RM | Group 2008 RM | Company 2009 RM | Company 2008 RM |
|---|---|---|---|---|---|
| **Cash flows from financing activities** | | | | | |
| Proceeds from issuance of ordinary shares | | 24,956,742 | 152,108 | 24,956,742 | 152,108 |
| Repayment of term loans | | (18,889,879) | (16,254,513) | – | – |
| Proceeds from onshore foreign currency loan | | 47,076,208 | 19,848,160 | – | – |
| Repayment of onshore foreign currency loan | | (29,871,302) | (19,848,160) | – | – |
| Proceeds from bankers' acceptances | | 13,722,000 | 36,704,000 | – | – |
| Repayment of bankers' acceptances | | (25,342,000) | (23,715,000) | – | – |
| Net (repayment)/draw down of commercial papers | | (2,302,732) | 10,147,193 | (2,302,732) | 10,147,193 |
| Repayment of hire purchase | | (62,604) | (187,901) | – | – |
| Proceeds from subscription of ordinary shares by minority interests | | – | 5,337,576 | – | – |
| Dividends paid | 12 | – | (4,796,274) | – | (4,796,274) |
| Net cash generated from financing activities | | 9,286,433 | 7,387,189 | 22,654,010 | 5,503,027 |
| **Net (decrease)/increase in cash and cash equivalents** | | (18,856,043) | (2,413,181) | 1,569,095 | (6,159,390) |
| **Effects of foreign exchange rate changes** | | 5,860,490 | (4,488,974) | – | – |
| **Cash and cash equivalents at beginning of financial year** | | 34,126,894 | 41,029,049 | 2,863,203 | 9,022,593 |
| **Cash and cash equivalents at end of financial year** | | 21,131,341 | 34,126,894 | 4,432,298 | 2,863,203 |
| Cash and cash equivalents comprise: | | | | | |
| Deposits with licensed banks | 28 | 5,279,746 | 5,074,145 | 2,686,127 | 2,559,357 |
| Cash and bank balances | | 21,556,437 | 31,062,201 | 1,746,171 | 303,846 |
| Bank overdrafts | 33 | (5,704,842) | (2,009,452) | – | – |
| | | 21,131,341 | 34,126,894 | 4,432,298 | 2,863,203 |

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 Market of Bursa Malaysia Securities Berhad ("Bursa Securities") in Malaysia. 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 other than as disclosed in Note 15.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 2 April 2010.

**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.

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.

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.

**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)**

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.

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

**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 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 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.

**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.

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

### 2.2 Summary of significant accounting policies (cont'd)

#### (h) Financial instruments (cont'd)

##### 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.

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).

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

**2.2 Summary of significant accounting policies (cont'd)**

**(i) Leases (cont'd)**

**iii. Finance leases - the Group as lessor**

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

**iv. Operating leases - the Group as lessee**

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

**(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.

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

**2.2 Summary of significant accounting policies (cont'd)**

**(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.

**iii. Share-based compensation**

The Company's 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.

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

**2.2 Summary of significant accounting policies (cont'd)**

**(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.

**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.

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

**2.2 Summary of significant accounting policies (cont'd)**

**(o) Revenue recognition**

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

**i. Sale of goods**

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

**ii. Revenue from technical support and management**

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

**iii. Interest income**

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

**iv. Rental Income**

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

**v. Dividend income**

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

**vi. Operation of casino**

Casino revenue represents net housing takings.

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

### 2.3 Standards and Interpretations in issue 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, amendments to FRSs and Interpretations | | Effective for financial periods beginning on or after |
|---|---|---|
| Amendments to FRS 1 and FRS 127 | Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | 1 January 2010 |
| FRS 1 | First-time Adoption of Financial Reporting Standards | 1 July 2010 |
| Amendments to FRS 1 | Limited Exemption from Comparatives FRS 7 Disclosures for First-time Adopters | 1 January 2011 |
| Amendments to FRS 2 | Share-based Payment – Vesting Conditions and Cancellations | 1 January 2010 |
| Amendments to FRS 2 | Share-based Payment | 1 July 2010 |
| FRS 3 | Business Combinations (revised) | 1 July 2010 |
| FRS 4 | Insurance Contracts | 1 January 2010 |
| Amendment to FRS 5 | Non-current Assets Held for Sale and Discontinued Operations | 1 January 2010 |
| Amendments to FRS 5 | Non-current Assets Held for Sale and Discontinued Operations | 1 July 2010 |
| FRS 7 | Financial Instruments: Disclosures | 1 January 2010 |
| Amendments to FRS 139, FRS 7 and IC Interpretation 9 | Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives | 1 January 2010 |
| Amendments to FRS 7 | Improving Disclosures about Financial Instruments | 1 January 2011 |
| FRS 8 | Operating Segments | 1 July 2009 |
| Amendment to FRS 8 | Operating Segments | 1 January 2010 |
| FRS 101 | Presentation of Financial Statements (revised 2009) | 1 January 2010 |
| Amendment to FRS 107 | Statement of Cash Flows (formerly known as Cash Flow Statements) | 1 January 2010 |
| Amendment to FRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors | 1 January 2010 |
| Amendment to FRS 110 | Events after the Reporting Period (formerly known as Events after the Balance Sheet Date) | 1 January 2010 |
| Amendment to FRS 116 | Property, Plant and Equipment | 1 January 2010 |
| Amendment to FRS 117 | Leases | 1 January 2010 |
| Amendment to FRS 118 | Revenue | 1 January 2010 |
| Amendment to FRS 119 | Employee Benefits | 1 January 2010 |
| Amendment to FRS 120 | Accounting for Government Grants and Disclosure of Government Assistance | 1 January 2010 |

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

### 2.3 Standards and Interpretations in issue but not yet effective (cont'd)

| **FRSs, amendments to FRSs and Interpretations** | | **Effective for financial periods beginning on or after** |
|---|---|---|
| FRS 123 and Amendment to FRS 123 | Borrowing Costs | 1 January 2010 |
| FRS 127 | Consolidated and Separate Financial Statements | 1 July 2010 |
| Amendment to FRS 127 | Consolidated and Separate Financial Statements | 1 January 2010 |
| Amendment to FRS 128 | Investments in Associates | 1 January 2010 |
| Amendment to FRS 129 | Financial Reporting in Hyperinflationary Economies | 1 January 2010 |
| Amendment to FRS 131 | Interests in Joint Ventures | 1 January 2010 |
| Amendments to FRS 132 | Finance Instruments: Presentation | 1 January 2010/ 1 March 2000 |
| Amendment to FRS 134 | Interim Financial Reporting | 1 January 2010 |
| Amendment to FRS 136 | Impairment of Assets | 1 January 2010 |
| Amendment to FRS 138 | Intangible Assets | 1 January 2010 |
| Amendments to FRS 138 | Intangible Assets | 1 July 2010 |
| FRS 139 | Financial Instruments: Recognition and Measurement | 1 January 2010 |
| Amendment to FRS 140 | Investment Property | 1 January 2010 |
| IC Interpretation 9 | Reassessment of Embedded Derivatives | 1 January 2010 |
| Amendments to IC Interpretation 9 | Reassessment of Embedded Derivatives | 1 July 2010 |
| IC Interpretation 10 | Interim Financial Reporting and Impairment | 1 January 2010 |
| IC Interpretation 11 | FRS 2 – Group and Treasury Share Transactions | 1 January 2010 |
| IC Interpretation 12 | Service Concession Arrangements | 1 July 2010 |
| IC Interpretation 13 | Customer Loyalty Programmes | 1 January 2010 |
| IC Interpretation 14 | FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | 1 January 2010 |
| IC Interpretation 15 | Agreements for the Construction of Real Estate | 1 July 2010 |
| IC Interpretation 16 | Hedges of a Net Investment in a Foreign Operation | 1 July 2010 |
| IC Interpretation 17 | Distributions of Non-cash Assets to Owners | 1 July 2010 |
| TR i-3 | Presentation of Financial Statements of Islamic Financial Institutions | 1 January 2010 |

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 and Amendments to FRS 139, FRS 7 and IC Interpretation 9.

The other new FRSs, revised FRS, Amendments to 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, FRS 101(revised 2009) and Amendments to FRS 132 and the financial impact arising from the adoption of FRS 139.

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

**2.4 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.

**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 are as stated on the Balance Sheet.

The carrying amount of the investments in subsidiaries of the Company are as stated on the Balance Sheet.

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.

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

**2.4 Significant accounting estimates and judgments (cont'd)**

**(b) Key sources of estimation uncertainty (cont'd)**

**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 credit-worthiness 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 RM789,800 (2008: RM942,000).

**3. Revenue**

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| | **RM** | **RM** | **RM** | **RM** |
| Sales and marketing | 88,957,259 | 80,168,276 | – | – |
| Technical support and management | 67,329,307 | 128,803,880 | – | – |
| Dividend income from subsidiaries | – | – | – | 3,780,000 |
| Others | 13,915,488 | 18,837,053 | – | – |
| | 170,202,054 | 227,809,209 | – | 3,780,000 |

**4. Cost of sales**

| | Group | |
|---|---|---|
| | **2009** | **2008** |
| | **RM** | **RM** |
| Sales and marketing | 76,955,187 | 69,586,526 |
| Technical support and management | 58,570,653 | 71,788,178 |
| Others | 6,899,514 | 6,163,624 |
| | 142,425,354 | 147,538,328 |

## 5. Other income

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Interest income | 781,595 | 517,040 | 6,755,019 | 4,943,630 |
| Rental income | 29,441 | 17,153 | – | – |
| Sundry income | 480,053 | 139,854 | 73 | 229 |
| | 1,291,089 | 674,047 | 6,755,092 | 4,943,859 |

## 6. Finance costs

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Interest on: | | | | |
| - Bank overdrafts | 252,134 | 148,310 | – | – |
| - Bankers' acceptances | 163,269 | 619,576 | – | – |
| - Hire purchase payables | 15,722 | 47,893 | – | – |
| - Term loans | 1,454,645 | 3,005,730 | – | – |
| - Commercial papers | 6,725,373 | 4,827,478 | 6,725,373 | 4,827,478 |
| - Onshore foreign currency loan | 220,164 | 267,799 | – | – |
| - Payables | 186,652 | 223,402 | – | – |
| Total interest expense | 9,017,959 | 9,140,188 | 6,725,373 | 4,827,478 |
| Bank and other charges | 212,756 | 414,578 | 2,959 | 15,856 |
| | 9,230,715 | 9,554,766 | 6,728,332 | 4,843,334 |

## 7. (Loss)/Profit before tax

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 RM | 2008 RM | 2009 RM | 2008 RM |
| Amortisation of intangible assets (Note 19) | | | | |
| - included in administrative expenses | 559,316 | 630,747 | – | – |
| Amortisation of prepaid land lease payments (Note 14) | 21,222 | 21,221 | – | – |
| Auditors' remuneration: | 135,770 | 213,745 | 20,000 | 35,000 |
| - statutory audits: | | | | |
| - current year | 104,091 | 173,732 | 20,000 | 35,000 |
| - underprovision in prior year | 7,341 | 4,368 | – | – |
| - special audits | 24,338 | 35,645 | – | – |
| Bad debts written off | – | 213,183 | – | – |
| Deposits written off | 796,509 | 2,899,656 | – | – |
| Depreciation of property, plant and equipment (Note 13) | 51,850,184 | 59,823,606 | 16,233 | 17,987 |
| Employee benefits expense (Note 8) | 17,041,635 | 17,664,504 | 435,359 | 473,798 |
| 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 | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | RM | RM | RM | RM |
| Impairment of property, plant and equipment (Note 13): | | | | |
| - included in other expenses | 29,853,689 | 13,984,591 | – | – |
| Gain on disposal of investment | (1) | – | – | – |
| (Gain)/Loss on disposal of property, plant and equipment | (575,438) | 940 | 701 | 133 |
| Net foreign exchange losses/(gain) | 2,108,492 | (3,942,404) | 1,572,088 | (5,712,695) |
| Non-executive directors' remuneration (Note 9) | 252,300 | 170,200 | 247,300 | 165,200 |
| Property, plant and equipment written off | 3,301,581 | 948,677 | – | – |
| Provision for doubtful debts (trade) | 2,754,929 | 1,898,169 | – | – |
| Provision for doubtful debts (non-trade) | 285,142 | 1,375,908 | 13,540 | 667,324 |
| Operating leases: | | | | |
| - minimum lease payments for land and buildings | 2,495,407 | 3,822,633 | 60,000 | 60,000 |
| Receivables written off | 423,072 | – | – | – |
| Reversal of impairment of property, plant and equipment (Note 13) | (3,558,858) | (149,125) | – | – |
| Reversal of provision for doubtful debts (trade) | (1,482,795) | (661,344) | – | – |
| Reversal of provision for doubtful debts (non-trade) | (24,479) | – | – | – |
| Write-down of inventories | 1,042,923 | 994,179 | – | – |

**8. Employee benefits expense**

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | RM | RM | RM | RM |
| Wages and salaries | 15,805,087 | 15,641,924 | 383,787 | 419,205 |
| Social security contributions | 140,724 | 157,742 | 2,118 | 1,721 |
| Contributions to defined contribution plan | 1,270,140 | 1,433,247 | 46,116 | 49,437 |
| Short term accumulating compensated absence | (174,316) | 119,516 | 3,338 | 3,435 |
| Share options granted under ESOS | – | 312,075 | – | – |
| | 17,041,635 | 17,664,504 | 435,359 | 473,798 |

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM2,101,605 (2008: RM2,258,333) and RM165,104 (2008: RM181,824) respectively as further disclosed in Note 9.

## 9. Directors' remuneration

| | Group 2009 RM | Group 2008 RM | Company 2009 RM | Company 2008 RM |
|---|---|---|---|---|
| **Directors of the Company:** | | | | |
| Executive: | | | | |
| Salaries and bonus | 875,649 | 1,081,216 | 165,104 | 181,824 |
| Non–executive: | | | | |
| Fees | 189,300 | 133,200 | 189,300 | 133,200 |
| Other emoluments | 58,000 | 32,000 | 58,000 | 32,000 |
| | 247,300 | 165,200 | 247,300 | 165,200 |
| **Directors of the Subsidiaries:** | | | | |
| Executive: | | | | |
| Salaries and bonus | 1,210,956 | 1,118,852 | – | – |
| Share options granted under ESOS | – | 43,265 | – | – |
| Fees | 15,000 | 15,000 | – | – |
| | 1,225,956 | 1,177,117 | – | – |
| Non-executive: | | | | |
| Fees | 5,000 | 5,000 | – | – |
| Total directors' remuneration | 2,353,905 | 2,428,533 | 412,404 | 347,024 |
| Analysis: | | | | |
| Total executive directors' remuneration (Note 8) | 2,101,605 | 2,258,333 | 165,104 | 181,824 |
| Total non-executive directors' remuneration (Note 7) | 252,300 | 170,200 | 247,300 | 165,200 |
| | 2,353,905 | 2,428,533 | 412,404 | 347,024 |

## 10. Income tax expense

| | Group 2009 RM | Group 2008 RM | Company 2009 RM | Company 2008 RM |
|---|---|---|---|---|
| Income tax: | | | | |
| Malaysian current income tax | 122,668 | 445,168 | – | 70,409 |
| (Over)/Underprovided in prior year | (47,111) | (285,998) | 60 | (180,557) |
| | 75,557 | 159,170 | 60 | (110,148) |
| Deferred tax (Note 35): | | | | |
| Relating to origination and reversal of temporary differences | 173,368 | 208,084 | – | (4) |
| Relating to changes in tax rates | – | (31,002) | – | – |
| (Over)/Underprovided in prior year | (181,130) | (17,230) | – | 4 |
| | (7,762) | 159,852 | – | – |
| Total income tax expense | 67,795 | 319,022 | 60 | (110,148) |

**10. Income tax expense (cont'd)**

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2008: 26%) of the estimated assessable profit for the year.

The taxation of two of the subsidiaries are charged at the rate of 3% on the audited net profits 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 ("ITA"). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

In the previous financial year, pursuant to Paragraph 2A, Schedule 1, Part 1 of the ITA, the statutory income tax rate is 20% for the first RM500,000 and 26% on the balance of chargeable income for small and medium enterprises with paid-up capital of RM2,500,000 and below. However, pursuant to Paragraph 2B, Schedule 1 of the ITA which was introduced with effect from the year of assessment 2009, certain subsidiaries no longer qualify for the above preferential rate.

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 | |
|---|---|---|---|---|
| | 2009<br>RM | 2008<br>RM | 2009<br>RM | 2008<br>RM |
| (Loss)/Profit before tax | (64,684,508) | (3,294,281) | (3,055,697) | 6,807,517 |
| Taxation at Malaysian statutory tax rate of 25% (2008: 26%) | (16,171,127) | (856,513) | (763,924) | 1,769,954 |
| Effect of different tax rates in other countries and for Labuan offshore business activities | 8,267,003 | (2,259,060) | – | – |
| Effect of income subject to tax rate of 20% | – | (30,589) | – | – |
| Effect of share of (profit)/loss of jointly controlled entities | (14,811) | 53,469 | – | – |
| Effect of share of (profit)/loss of associates | (108,632) | 37,525 | – | – |
| Effect of changes in tax rates | – | (30,806) | – | – |
| Income not subject to tax | (66,249) | (215,978) | (1,491,872) | (2,268,203) |
| Expenses not deductible for tax purposes | 8,396,419 | 3,789,636 | 2,252,800 | 567,374 |
| Utilisation of previously unrecognised unused tax losses and unabsorbed capital allowances | (73,163) | – | – | – |
| Deferred tax asset not recognised in respect of current year's tax losses and unabsorbed capital allowances | 66,596 | 134,566 | 2,996 | 1,280 |
| (Over)/Underprovision of income tax in prior year | (47,111) | (285,998) | 60 | (180,557) |
| (Over)/Underprovision of deferred tax in prior year | (181,130) | (17,230) | – | 4 |
| Income tax expense for the year | 67,795 | 319,022 | 60 | (110,148) |

Tax savings during the financial year arising from:

| | Group | |
|---|---|---|
| | 2009<br>RM | 2008<br>RM |
| Utilisation of previously unrecognised unused tax losses | 73,163 | – |

**11. Loss per share**

(a) Basic

Basic loss per share amounts are calculated by dividing loss 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.

| | 2009 | 2008 |
|---|---|---|
| Loss attributable to ordinary equity holders of the Company (RM) | (62,032,061) | (2,874,299) |
| Weighted average number of ordinary shares in issue | 924,206,000 | 872,026,000 |
| Basic loss per share for loss for the year (sen) | (6.71) | (0.33) |

(b) Diluted

Diluted earnings per share for the current year has not been presented as the Group did not have any outstanding share options as at 31 December 2009.

| | 2009 | 2008 |
|---|---|---|
| Loss attributable to ordinary equity holders of the Company (RM) | N/A | (2,874,299) |
| Weighted average number of ordinary shares in issue | N/A | 872,026,000 |
| Diluted loss per share for loss for the year (sen) | N/A | (0.33) |

**12. Dividends**

| | Dividend recognised in year | | Net dividends per ordinary share | |
|---|---|---|---|---|
| | 2009 RM | 2008 RM | 2009 Sen | 2008 Sen |
| 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 | – | 0.55 |

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

## 13. Property, plant and equipment

| Group<br>At 31 December 2009 | Freehold 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 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| At 1 January 2009 | 5,993,330 | 11,774,458 | 1,568,986 | 3,796,392 | 330,746,321 | 1,271,153 | 16,525,808 | 33,244,804 | 404,921,252 |
| Additions | – | 899,475 | – | – | 118,775,245 | 7,402 | 1,151,487 | 14,739,091 | 135,572,700 |
| Disposals/written off | – | (4,658,369) | (114,553) | (299,323) | (1,431,287) | – | (394,927) | – | (6,898,459) |
| Reclassification | 35,692,535 | 191,149 | – | – | – | 600 | 7,156,442 | (43,040,726) | – |
| Transfer to inventories | – | – | – | – | (6,042,485) | – | – | – | (6,042,485) |
| Exchange differences | (482,764) | (115,592) | (20,749) | (27,085) | (8,805,129) | – | (312,495) | (204,450) | (9,968,264) |
| At 31 December 2009 | 41,203,101 | 8,091,121 | 1,433,684 | 3,469,984 | 433,242,665 | 1,279,155 | 24,126,315 | 4,738,719 | 517,584,744 |
| **Accumulated depreciation and impairment losses** | | | | | | | | | |
| At 1 January 2009 | 474,846 | 4,381,610 | 293,718 | 1,486,558 | 148,043,925 | 354,157 | 9,015,941 | 4,270,894 | 168,321,649 |
| Depreciation charge for the year (Note 7) | 339,059 | 1,119,911 | 301,808 | 569,628 | 47,421,350 | 200,888 | 1,897,540 | – | 51,850,184 |
| Disposals/written off | – | (896,167) | (114,552) | (128,705) | (158,571) | – | (268,823) | – | (1,566,818) |
| Transfer to inventories | – | – | – | – | (2,787,727) | – | – | – | (2,787,727) |
| Reclassification | 232,671 | 59,113 | – | 1,571 | 192,562 | 340 | (486,257) | – | – |
| Impairment loss recognised in income statement (Note 7) | – | 939,397 | – | 3,564 | 24,523,328 | – | 371,326 | 457,216 | 26,294,831 |
| Exchange differences | 337 | 84,722 | (12,061) | (19,516) | (2,957,024) | – | (96,430) | (345) | (3,000,317) |
| At 31 December 2009 | 1,046,913 | 5,688,586 | 468,913 | 1,913,100 | 214,277,843 | 555,385 | 10,433,297 | 4,727,765 | 239,111,802 |

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

| | Freehold 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 | 1,044,371 | 1,916,456 | 468,913 | 1,909,536 | 186,118,698 | 555,385 | 6,763,587 | (345) | 198,776,601 |
| Accumulated impairment losses | 2,542 | 3,772,130 | – | 3,564 | 28,159,145 | – | 3,669,710 | 4,728,110 | 40,335,201 |
| At 31 December 2009 | 1,046,913 | 5,688,586 | 468,913 | 1,913,100 | 214,277,843 | 555,385 | 10,433,297 | 4,727,765 | 239,111,802 |
| **Net carrying amount** | | | | | | | | | |
| **At 31 December 2009** | 40,156,188 | 2,402,535 | 964,771 | 1,556,884 | 218,964,822 | 723,770 | 13,693,018 | 10,954 | 278,472,942 |
| **At 31 December 2008** | | | | | | | | | |
| **Cost** | | | | | | | | | |
| At 1 January 2008 | 5,993,330 | 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 | – | – | – | – | – | – | – | 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 | 5,993,330 | 11,774,458 | 1,568,986 | 3,796,392 | 330,746,321 | 1,271,153 | 16,525,808 | 33,244,804 | 404,921,252 |

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

| | Freehold 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 |
|---|---|---|---|---|---|---|---|---|---|
| **Accumulated depreciation and impairment losses** | | | | | | | | | |
| At 1 January 2008 | 383,651 | 629,943 | 70,147 | 983,683 | 87,363,249 | 211,560 | 4,304,364 | – | 93,946,597 |
| Depreciation charge for the year (Note 7) | 91,195 | 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 | 474,846 | 4,381,610 | 293,718 | 1,486,558 | 148,043,925 | 354,157 | 9,015,941 | 4,270,894 | 168,321,649 |
| Analysed as: | | | | | | | | | |
| Accumulated depreciation | 472,304 | 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 | 474,846 | 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 | 5,518,484 | 7,392,848 | 1,275,268 | 2,309,834 | 182,702,396 | 916,996 | 7,509,867 | 28,973,910 | 236,599,603 |

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

| Company | Furniture, fittings and office equipment RM |
|---|---|
| **At 31 December 2009** | |
| **Cost** | |
| At 1 January 2009 | 101,086 |
| Disposal | (2,400) |
| At 31 December 2009 | 98,686 |
| **Accumulated depreciation** | |
| At 1 January 2009 | 57,624 |
| Depreciation charge for the year (Note 7) | 16,233 |
| Disposal | (700) |
| At 31 December 2009 | 73,157 |
| **Net carrying amount** | |
| At 31 December 2009 | 25,529 |
| **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 |

**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 | |
|---|---|---|
| | **2009** | **2008** |
| | **RM** | **RM** |
| Freehold land and buildings | 4,841,426 | 4,913,072 |

(b) A motor vehicle of the Group with a net carrying amount of RM15,714 (2008: RM47,046) is held in trust for the Company in the name of a director.

(c) During the financial year, the Group acquired property, plant and equipment at aggregate costs of RM135,572,700 (2008: RM99,145,988) of which RMnil (2008: RM180,682) was acquired by means of hire purchase. The motor vehicles of the Group with net carrying amounts of RMnil (2008: RM408,548) 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 RM25,668,864 (2008: RM13,984,591). 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.

**14. Prepaid land lease payments**

| | Group | |
|---|---|---|
| | **2009** | **2008** |
| | **RM** | **RM** |
| At 1 January | 1,400,656 | 1,421,877 |
| Amortisation for the year (Note 7) | (21,222) | (21,221) |
| At 31 December | 1,379,434 | 1,400,656 |
| Analysed as: | | |
| Long term leasehold land | 1,379,434 | 1,400,656 |

Leasehold land with an aggregate carrying value of RM1,379,434 (2008: RM1,400,656) are pledged as securities for borrowings (Note 33).

**15. Investments in subsidiaries**

| | Company 2009 RM | Company 2008 RM |
|---|---|---|
| Unquoted shares at cost | 44,660,605 | 44,660,605 |

Details of the subsidiaries are as follows:

| Name of subsidiaries | Country of incorporation | Proportion of ownership interest 2009 % | Proportion of ownership interest 2008 % | Principal activities |
|---|---|---|---|---|
| **Held by the Company:** | | | | |
| RGB Sdn. Bhd. | Malaysia | 100 | 100 | Manufacturing, refurbishment, technical support, and maintenance, sales and marketing of gaming and amusement machines and equipment, sales and marketing of security surveillance products and systems for local and overseas markets. |
| RGB Ltd. | Malaysia | 100 | 100 | Investment holding, sales and marketing, technical support and management of gaming and amusement machines and equipment solely for the overseas markets. |
| Data Touch Sdn. Bhd. | Malaysia | 100 | 100 | Renting of property. |
| CDI Corporation Sdn. Bhd. # | Malaysia | 60 | 60 | Under members' voluntary liquidation. |
| Dreamgate (Singapore) Pte. Ltd.* | Singapore | 100 | 100 | Trading, maintenance and management of gaming and amusement machine and equipment. |
| Macrocept Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding. |
| Frontier Wish International Limited.* | Hong Kong | 100 | 100 | Dormant. |
| **Held through subsidiaries:** | | | | |
| RGB (Macau) Limited | Macau | 96 | 96 | Import and export including sales and marketing and technical support and management of gaming and amusement machines and equipment. |

**15. Investments in subsidiaries (cont'd)**

| Name of subsidiaries | Country of incorporation | Proportion of ownership interest 2009 % | 2008 % | Principal activities |
|---|---|---|---|---|
| **Held through subsidiaries:** | | | | |
| RGB (Cambodia) Ltd.* | Cambodia | 100 | 100 | Sales and marketing, technical support and maintenance of gaming and amusement machines and equipment and still in early stage of operation and has not commenced business. |
| Mekong Recreation Club Ltd. * | Cambodia | 70 | 70 | Ceased operations during the year. |
| Chateau de Bavet Club Co., Ltd.* | Cambodia | 60 | 60 | 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 | 100 | Ceased operations during the year. |
| RGB OMMCO Ltd. | Malaysia | 65 | 65 | Technical support and management of gaming and amusement machines and equipment solely for the overseas markets. |
| Diamond House (Nipo) Co., Ltd.* | Cambodia | 51 | 51 | Ceased operations during the year. |
| Movieland Entertainment Co., Ltd.* | Cambodia | 55 | 55 | Ceased operations during the year. |
| CDI International Services Pty Ltd* | Australia | – | 60 | Signages and systems design. |

* Audited by firms other than UHY Diong.

\# On 14 July 2009, CDI Corporation Sdn. Bhd. ("CDI"), a 60% owned subsidiary of the Company, was placed under Member's Voluntary Winding-up and CDI International Services Pty Ltd, a wholly owned subsidiary of CDI, was disposed off at AUD1 (RM3).

## 16. Investments in jointly controlled entities

| | Group 2009 RM | Group 2008 RM | Company 2009 RM | Company 2008 RM |
|---|---|---|---|---|
| Unquoted shares at cost | 1,280,777 | 1,280,777 | 282,650 | 282,650 |
| Share of post-acquisition reserves | 18,293 | (100,266) | – | – |
| | 1,299,070 | 1,180,511 | 282,650 | 282,650 |
| Exchange differences | 7,797 | 6,444 | – | – |
| | 1,306,867 | 1,186,955 | 282,650 | 282,650 |

Details of the jointly controlled entities are as follows:

| Name of jointly controlled entities | Country of incorporation | Proportion of ownership interest 2009 % | Proportion of ownership interest 2008 % | Principal activities |
|---|---|---|---|---|
| **Held by the Company:** | | | | |
| RGB Abbiati Pte. Ltd. | Singapore | 50 | 50 | Trading in casino products and equipment and related activities. |
| RGB Xtale Sdn. Bhd. | Malaysia | 50 | 50 | Ceased operations since year ended 2008. |
| Rasa Perpaduan Malaysia Sdn. Bhd. | Malaysia | 50 | 50 | To carry on business relating to hotels, restaurants, snack bars, clubs, confectioners and caterers and has not commenced operations. |
| **Held through subsidiaries:** | | | | |
| RGB Sibel International Sdn. Bhd. | Malaysia | 50 | 50 | Provision of technical expertise and knowledge in the production of the gaming layouts. |
| Star Legend Import Export Co., Ltd. | Cambodia | 50 | 50 | Dormant. |

**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:

| | 2009<br>RM | 2008<br>RM |
|---|---|---|
| **Assets and liabilities** | | |
| Current assets | 2,994,060 | 2,046,482 |
| Non-current assets | 11,340 | 7,848 |
| Total assets | 3,005,400 | 2,054,330 |
| Current liabilities | (1,698,533) | (866,672) |
| Non-current liabilities | – | (703) |
| Total liabilities | (1,698,533) | (867,375) |
| **Results** | | |
| Revenue and other income | 2,901,783 | 1,081,576 |
| Expenses, including financial costs and taxation | (2,842,539) | (1,287,225) |

**17. Investments in associates**

| | Group | |
|---|---|---|
| | 2009<br>RM | 2008<br>RM |
| Unquoted shares at cost | 761,347 | 756,134 |
| Share of post-acquisition reserves | 1,080,143 | 591,176 |
| | 1,841,490 | 1,347,310 |
| Exchange differences | 209,511 | 251,754 |
| | 2,051,001 | 1,599,064 |

**17. Investments in associates**

Details of the associates are as follows:

| Name of associates | Country of incorporation | Proportion of ownership interest 2009 % | Proportion of ownership interest 2008 % | Principal activities |
|---|---|---|---|---|
| **Held through subsidiaries:** | | | | |
| 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 | Property investment holding. |
| Players Club Co., Ltd. | Cambodia | 35 | 35 | Ceased operations during the year. |
| Rainbow World Club Ltd. | Cambodia | 20 | 20 | Ceased operations during the year. |
| GoldenMac, Ltd. | Cambodia | 25 | 25 | Ceased operations during the year. |
| Cash Box Entertainment Co., Ltd. | Cambodia | 20 | 20 | Ceased operations during the year. |
| Olympic Entertainment Co., Ltd. | Cambodia | 20 | 20 | Ceased operations during the year. |
| Golden Beach Club Ltd. | Cambodia | 50 | 50 | Ceased operations during the year. |
| Rasa Sayang Restaurant Co., Ltd. | Cambodia | 56 | – | Operations of restaurant and has not commenced operations. |

The summarised financial information of the associates are as follows:

| | 2009 RM | 2008 RM |
|---|---|---|
| **Assets and liabilities** | | |
| Current assets | 7,333,128 | 6,623,381 |
| Non-current assets | 10,819,177 | 6,674,909 |
| Total assets | 18,152,305 | 13,298,290 |
| Current liabilities | (15,670,967) | (11,827,458) |
| Non-current liabilities | (3,105,122) | (2,310,000) |
| Total liabilities | (18,776,089) | (14,137,458) |
| **Results** | | |
| Revenue | 9,010,400 | 10,175,021 |
| Profit/(Loss) for the year | 211,846 | (2,804,218) |

## 18. Other investment

| | Group 2009 RM | Group 2008 RM |
|---|---|---|
| Unquoted shares at cost | 4,000 | 4,000 |

## 19. Intangible assets

| | Goodwill RM | Development cost RM | Gaming licenses RM | Total RM |
|---|---|---|---|---|
| **Group** | | | | |
| **Cost** | | | | |
| At 1 January 2008 | – | 2,252,058 | 331,250 | 2,583,308 |
| Additions | – | – | 1,224,188 | 1,224,188 |
| Acquisition of subsidiaries | 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 |
| Exchange differences | – | – | (30,129) | (30,129) |
| At 31 December 2009 | 271,838 | 2,252,058 | 2,620,853 | 5,144,749 |
| **Accumulated amortisation and impairment** | | | | |
| At 1 January 2008 | – | 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 |
| Amortisation (Note 7) | – | 559,316 | – | 559,316 |
| Exchange differences | – | – | (21,849) | (21,849) |
| At 31 December 2009 | – | 1,692,741 | 2,003,543 | 3,696,284 |
| **Net carrying amount** | | | | |
| At 31 December 2008 | 271,838 | 1,118,633 | 625,590 | 2,016,061 |
| At 31 December 2009 | 271,838 | 559,317 | 617,310 | 1,448,465 |

## 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 revenue

The estimated net revenue 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.

(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 | |
|---|---|---|
| | **2009** | **2008** |
| | **RM** | **RM** |
| **Cost** | | |
| Gaming and amusement machines, coin and notes counting machines and binding machines | 707,666 | 2,143,057 |
| Spare parts, gaming and amusement accessories, table game equipment and accessories | 4,682,092 | 5,726,695 |
| Trading merchandise | – | 212,283 |
| Food, beverage and other hotel supplies | 278,439 | 254,939 |
| Goods-in-transit | 10,375,362 | 3,225,327 |
| | 16,043,559 | 11,562,301 |

## 21. Trade receivables

| | Group | |
|---|---|---|
| | 2009 RM | 2008 RM |
| Trade receivables | | |
| Third parties | 95,143,768 | 95,598,055 |
| Related parties | 115,103 | 10,862 |
| | 95,258,871 | 95,608,917 |
| Less: Provision for doubtful debts: | | |
| Third parties | (7,999,592) | (6,812,811) |
| Trade receivables, net | 87,259,279 | 88,796,106 |

Included in trade receivables - third parties is RM18,276,420 (2008: RM5,674,961) which is being paid by monthly installments and interest is charged at 8.0% (2008: 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 83% (2008: 79%) of the total trade receivables as at balance sheet date. These customers contributed approximately 55% (2008: 25%) 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 | |
|---|---|---|
| | 2009 RM | 2008 RM |
| Future minimum lease receivables: | | |
| Not later than 1 year | 2,052,817 | 2,207,208 |
| Later than 1 year and not later than 2 years | 911,770 | 2,207,208 |
| Later than 2 years and not later than 5 years | – | 889,849 |
| Total future minimum lease receivables | 2,964,587 | 5,304,265 |
| Less: Unearned finance income | (140,322) | (426,436) |
| Present value of finance lease receivables | 2,824,265 | 4,877,829 |

**22. Lease receivables (cont'd)**

| | Group | |
|---|---|---|
| | **2009** | **2008** |
| 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 | 903,171 | 2,075,485 |
| Later than 2 years and not later than 5 years | – | 881,250 |
| | 2,824,265 | 4,877,829 |
| Less: Amount due within 12 months | (1,921,094) | (1,921,094) |
| Amount due after 12 months | 903,171 | 2,956,735 |

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 | | Company | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| | **RM** | **RM** | **RM** | **RM** |
| Deposits | 10,110,404 | 11,936,325 | 10,000 | 186,574 |
| Prepayments | 2,520,431 | 3,270,254 | – | – |
| Interest receivables | 755,462 | 200,601 | 88,812 | 128,683 |
| Sundry receivables | 806,923 | 1,591,941 | – | – |
| | 14,193,220 | 16,999,121 | 98,812 | 315,257 |
| Representing receivables: | | | | |
| - Current | 12,355,601 | 15,940,244 | 98,812 | 315,257 |
| - Non-current | 1,837,619 | 1,058,877 | – | – |
| | 14,193,220 | 16,999,121 | 98,812 | 315,257 |

Included in non-current receivables are:

(a) an amount of RM369,357 (2008: RM383,695) 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 RM1,468,262 (2008: RM675,182) 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 RM99,000,000 (2008: RM87,500,000) on which interest is charged at 7.1% (2008: 6.7%) 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 RM5,169,910 (2008: RM4,965,502) and RM2,686,127 (2008: 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 2009 | 872,049,700 | 87,204,970 | 826,817 | 88,031,787 |
| Issue of ordinary shares pursuant to Private Placement | 169,460,000 | 16,946,000 | 8,010,742 | 24,956,742 |
| At 31 December 2009 | 1,041,509,700 | 104,150,970 | 8,837,559 | 112,988,529 |
| At 1 January 2008 | 871,646,600 | 87,164,660 | 651,084 | 87,815,744 |
| Issue of ordinary shares pursuant to ESOS | 403,100 | 40,310 | 175,733 | 216,043 |
| At 31 December 2008 | 872,049,700 | 87,204,970 | 826,817 | 88,031,787 |

**29. Share capital and share premium (cont'd)**

| | Number of Ordinary Shares of RM0.10 each | | Amount | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 RM | 2008 RM |
| **Authorised share capital** | | | | |
| At 1 January/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.

During the financial year, the Company issued 169,460,000 ordinary shares of RM0.10 each for cash pursuant to the Company's Private Placements at a weighted average issue price of RM0.17 per ordinary share for additional working capital purposes. The share premium arising from the issuance of ordinary shares has been included in the share premium account. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

**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. During the year, the share option reserve had been transferred to retained earnings upon termination of the existing ESOS.

**31. Employee benefits**

**ESOS**

The ESOS implemented in October 2005 was terminated with the consent of all outstanding option holders and the approval of shareholders at an EGM held on 16 October 2009. At the same EGM, the shareholders approved a new ESOS and its By-laws.

The new ESOS Committee was established on 19 October 2009 to administer the ESOS of the Company in accordance with the By-laws of the scheme.

**31. Employee benefits (cont'd)**

**ESOS (cont'd)**

The salient features and other terms of the new ESOS are below:

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 By-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 By-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 director or non-executive director 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 10% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS and out of which not more than 50% of the shares shall be allocated, in aggregate, to executive and non-executive directors and senior management. In addition, not more than 10% of the shares available under the ESOS shall be allocated to any individual director or eligible employee who, either singly or collectively through persons connected with the eligible employees, holds 20% or more in the issued and paid-up capital of the Company.

iv. The option price for each share shall be based on the higher of the following:

   (a) the weighted average market price of the Company's shares for five market days preceding the date of offer, with a discount that does not exceed 10% or such other percentage of discount as may be permitted by Bursa Malaysia Securities Berhad or any other relevant authorities from time to time during the period of the scheme; or

   (b) the par value of the Company's shares.

v. The ESOS shall be in force for a period of five years from the date of commencement. The ESOS Committee shall have the absolute discretion, without the need for any approvals of the Company's shareholders, to extend the duration of the ESOS for up to another five years immediately from the expiry of the first five years. The Scheme may be terminated by the Company prior to the expiry of the duration of the ESOS provided that the Company had obtained prior approval of the Company's shareholders and written consent of all Grantees who have yet to exercise their Options, either in part or in whole. Any extension or renewal of the duration of the ESOS beyond ten years from the date of commencement may only be made by the ESOS Committee with the approval of the relevant authorities and the Company's shareholders and without contravening any applicable laws prevailing at the time of such extension or renewal.

vi. All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.

No options have been granted under the new ESOS.

**31. Employee benefits (cont'd)**

**ESOS (cont'd)**

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** | **Exercised** | **Forfeited** | **Terminated** | **Outstanding at 31 December** | **Exercisable at 31 December** |
| | **'000** | **'000** | **'000** | **'000** | **'000** | **'000** |
| **2009** | | | | | | |
| 2005 Options: | | | | | | |
| Grant 1 | 23,595 | – | 5,605 | 17,990 | – | – |
| 2006 Options: | | | | | | |
| Grant 2 | 4,607 | – | 645 | 3,962 | – | – |
| Grant 3 | 4,180 | – | 930 | 3,250 | – | – |
| 2007 Options: | | | | | | |
| Grant 4 | 1,922 | – | 430 | 1,492 | – | – |
| | 34,304 | – | 7,610 | 26,694 | – | – |
| WAEP (RM) | 0.38 | – | 0.38 | 0.38 | – | – |
| **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 |

| | **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 |

## 32. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 31 December 2009 under the single tier system.

## 33. Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | RM | RM | RM | RM |
| **Short term borrowings (secured):** | | | | |
| Bank overdrafts | 5,704,842 | 2,009,452 | – | – |
| Bankers' acceptances | 1,369,000 | 12,989,000 | – | – |
| Onshore foreign currency loan | 17,204,906 | – | – | – |
| Hire purchase payables (Note 34) | – | 62,604 | – | – |
| Term loans | 14,632,781 | 18,689,416 | – | – |
| | 38,911,529 | 33,750,472 | – | – |
| **Short term borrowings (unsecured):** | | | | |
| Commercial papers | 98,663,874 | 94,241,233 | 98,663,874 | 94,241,233 |
| | 137,575,403 | 127,991,705 | 98,663,874 | 94,241,233 |
| **Long term borrowings (secured):** | | | | |
| Term loans | 9,807,971 | 24,641,215 | – | – |
| **Total borrowings:** | | | | |
| Bank overdrafts | 5,704,842 | 2,009,452 | – | – |
| Bankers' acceptances | 1,369,000 | 12,989,000 | – | – |
| Onshore foreign currency loan | 17,204,906 | – | – | – |
| Hire purchase payables (Note 34) | – | 62,604 | – | – |
| Term loans | 24,440,752 | 43,330,631 | – | – |
| Commercial papers | 98,663,874 | 94,241,233 | 98,663,874 | 94,241,233 |
| | 147,383,374 | 152,632,920 | 98,663,874 | 94,241,233 |

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 RM130.84 million (2008: RM129.34 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 2009 RM | Group 2008 RM |
|---|---|---|
| **Future minimum hire purchase payments:** | | |
| Not later than 1 year | – | 77,670 |
| Less: Future finance charges | – | (15,066) |
| Present value of hire purchase payables | – | 62,604 |
| **Analysis of present value of hire purchase payables:** | | |
| Not later than 1 year | – | 62,604 |

Other information on financial risks of hire purchase payables are disclosed in Note 41.

## 35. Deferred tax liabilities

| | Group 2009 RM | Group 2008 RM |
|---|---|---|
| At 1 January | 794,159 | 634,307 |
| Recognised in income statement (Note 10) | (7,762) | 159,852 |
| At 31 December | 786,397 | 794,159 |

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 2009 | 624,265 | 265,000 | 889,265 |
| Recognised in income statement | (108,868) | (140,000) | (248,868) |
| At 31 December 2009 | 515,397 | 125,000 | 640,397 |
| 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 |

**35. Deferred tax liabilities (cont'd)**

**Deferred tax assets of the Group:**

| | Unused tax losses and unabsorbed capital allowances | Accruals | Receivables | Property, plant and equipment expensed out | Total |
|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM |
| At 1 January 2009 | (180,000) | 192,000 | (107,000) | (106) | (95,106) |
| Recognised in income statement | 79,000 | (171,000) | 333,000 | 106 | 241,106 |
| At 31 December 2009 | (101,000) | 21,000 | 226,000 | – | 146,000 |
| 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) |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | RM | RM | RM | RM |
| Unused tax losses | 734,000 | 903,000 | – | – |
| Unabsorbed capital allowances | 55,800 | 39,000 | 39,000 | 39,000 |
| | 789,800 | 942,000 | 39,000 | 39,000 |

The unused tax losses of the Group amounting to RM734,000 (2008: RM903,000) 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 | |
|---|---|---|
| | 2009 | 2008 |
| | RM | RM |
| **Trade payables** | | |
| Third parties | 101,655,038 | 43,873,010 |
| Related parties | 1,646,295 | 2,711,027 |
| | 103,301,333 | 46,584,037 |

Included in trade payables - third parties is RM44,799,079 (2008: RM1,028,438) which is being paid by monthly installments and interest is charged at 5.3% (2008: 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 | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| | **RM** | **RM** | **RM** | **RM** |
| Amounts due to related parties | 78,799 | 166,691 | – | – |
| Advances received from customers | 4,437,502 | 1,035,497 | – | – |
| Accruals | 8,674,605 | 7,772,096 | 213,053 | 256,069 |
| Deposits received | 2,273,940 | 410,287 | 1,034 | 2,814 |
| Sundry payables | 10,107,699 | 4,245,579 | 11,490 | 17,712 |
| | 25,572,545 | 13,630,150 | 225,577 | 276,595 |

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 | 2009 RM | 2008 RM |
|---|---|---|---|
| **Group** | | | |
| Related parties*: | | | |
| - Sales of products | (i) | 172,600 | 766,689 |
| - Purchase of products | (ii) | – | 255,320 |
| - Purchase of spare parts and services | (ii) | – | 106,928 |
| - Repair and maintenance income | (i) | 2,400 | 193,611 |
| - Operating lease expense | (iv) | 135,000 | 180,000 |
| Associates/Jointly controlled entities: | | | |
| - Purchase of products | (ii) | 3,892,403 | 4,158,781 |
| - Purchase of plant and equipment | (iii) | – | 329,839 |
| **Company** | | | |
| Subsidiaries: | | | |
| - Dividend income | | – | 3,780,000 |
| - Interest income | (v) | 6,664,283 | 4,826,929 |
| - 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 (cont'd)**

(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 | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| | **RM** | **RM** | **RM** | **RM** |
| Short-term employee benefits | 2,657,262 | 3,217,445 | 394,668 | 327,440 |
| Post-employment benefits: | | | | |
| Defined contribution plan | 219,385 | 272,636 | 17,736 | 19,584 |
| Share–based payment | – | 53,532 | – | – |
| | 2,876,647 | 3,543,613 | 412,404 | 347,024 |

Included in the total remuneration of key management personnel are:

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| | **RM** | **RM** | **RM** | **RM** |
| Directors' remuneration (Note 9) | 2,353,905 | 2,428,533 | 412,404 | 347,024 |

Executive directors of the Group and the Company and other members of key management have been granted the following number of options under the ESOS.

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| At 1 January | 18,562,000 | 18,188,000 | 12,450,000 | 12,450,000 |
| Adjustment | – | 374,000 | – | – |
| Terminated | (18,562,000) | – | (12,450,000) | – |
| At 31 December | – | 18,562,000 | – | 12,450,000 |

The ESOS introduced in 2005 was terminated with the consent of all outstanding option holders, and with the approval of shareholders on 16 October 2009 (Note 31).

**39. Capital commitments**

| | Group | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | RM | RM | RM | RM |
| Capital expenditure | | | | |
| Approved but not contracted for: | | | | |
| Property, plant and equipment | 35,800,000 | 59,445,000 | – | – |
| Share of capital commitments of jointly controlled entities | 120,000 | 355,000 | – | 233,000 |
| | 35,920,000 | 59,800,000 | – | 233,000 |

**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 RM130.84 million (2008: RM129.34 million) of which RM46,855,408 (2008: RM56,488,531) 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 RM92 million (2008: RM39 million) of which RM48,488,665 (2008: RM18,111,677) 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. 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.

**41. Financial instruments (cont'd)**

**(b) Interest rate risk (cont'd)**

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 2009** | | | | | | | | |
| **Group** | | | | | | | | |
| **Fixed rate** | | | | | | | | |
| Trade receivables | 21 | 8.0 | 18,276,420 | – | – | – | – | 18,276,420 |
| Lease receivables | 22 | 6.7 | 1,921,094 | 903,171 | – | – | – | 2,824,265 |
| Trade payables | 36 | 5.3 | (44,799,079) | – | – | – | – | (44,799,079) |
| **Floating rate** | | | | | | | | |
| Deposits with licensed banks | 28 | 2.9 | 5,279,746 | – | – | – | – | 5,279,746 |
| Bank overdrafts | 33 | 6.9 | (5,704,842) | – | – | – | – | (5,704,842) |
| Bankers' acceptances | 33 | 3.6 | (1,369,000) | – | – | – | – | (1,369,000) |
| Onshore foreign currency loan | 33 | 2.3 | (17,204,906) | – | – | – | – | (17,204,906) |
| Term loans | 33 | 3.6 | (14,632,781) | (7,317,876) | (1,969,980) | (112,000) | (408,115) | (24,440,752) |
| Commercial papers | 33 | 7.1 | (98,663,874) | – | – | – | – | (98,663,874) |
| **Company** | | | | | | | | |
| **Fixed rate** | | | | | | | | |
| Due from subsidiaries | 24 | 7.1 | 99,000,000 | – | – | – | – | 99,000,000 |
| **Floating rate** | | | | | | | | |
| Deposits with licensed banks | 28 | 3.3 | 2,686,127 | – | – | – | – | 2,686,127 |
| Commercial papers | 33 | 7.1 | (98,663,874) | – | – | – | – | (98,663,874) |

**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 |
|---|---|---|---|---|---|---|---|---|
| **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) |
| **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) |

**(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 and Thai Baht. 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:

| | Net financial assets/(liabilities) held in non–functional currency | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Functional currency of Group Companies | 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 & others RM | Total RM |
| **At 31 December 2009** | | | | | | | | | | | | |
| Ringgit Malaysia | 147,275,959 | 1,430,832 | (125,770) | (17,561) | 1,733,033 | – | 7,931,243 | (43,972) | 1,118 | – | 682 | 158,185,564 |
| United States Dollar | – | (7,229,801) | (154,997) | – | 1,151,835 | 581,356 | 55,319,480 | 1,996,367 | 13,753,198 | 3 | 15,988,706 | 81,406,147 |
| Hong Kong Dollar | (9,627,717) | (4,466,294) | 1,204 | – | (12,602) | – | – | (1,038) | – | 9,066 | (1,955) | (14,099,336) |
| Singapore Dollar | 1,462,125 | (564,252) | (34,550) | – | – | – | (1,760) | – | – | – | – | 861,563 |
| | 139,110,367 | (10,829,515) | (314,113) | (17,561) | 2,872,266 | 581,356 | 63,248,963 | 1,951,357 | 13,754,316 | 9,069 | 15,987,433 | 226,353,938 |
| **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 |

The net unhedged financial assets of the Company that are not denominated in its functional currency as at 31 December 2009 amounted to RM129,568,015 (2008: RM111,939,657).

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

**41. Financial instruments (cont'd)**

**(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.

**(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 2009** | | | |
| Non-current unquoted shares | 18 | 4,000 | * |
| Non-current receivables | 23 | 1,837,619 | 1,743,447 |
| **At 31 December 2008** | | | |
| Non-current unquoted shares | 18 | 4,000 | * |
| Non-current receivables | 23 | 1,058,877 | 945,427 |

* 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.

**41. Financial instruments (cont'd)**

**(f) Fair values (cont'd)**

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, leisure and 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 |
|---|---|---|---|---|---|
| **2009** | | | | | |
| **Revenue** | | | | | |
| Sales to external customers | 88,957,259 | 67,329,307 | 13,915,488 | – | 170,202,054 |
| Inter-segment sales | – | – | 360,000 | (360,000) | – |
| Total revenue | 88,957,259 | 67,329,307 | 14,275,488 | (360,000) | 170,202,054 |
| **Results** | | | | | |
| Segment results | 5,459,500 | (38,319,278) | (16,511,157) | – | (45,370,935) |
| Unallocated expenses | | | | | (6,576,631) |
| Operating profit | | | | | (55,947,566) |
| Finance costs | | | | | (9,230,715) |
| Share of profit of jointly controlled entities | | | 59,244 | | 59,244 |
| Share of profit of associates | | | 434,529 | | 434,529 |
| Loss before tax | | | | | (64,684,508) |
| Income tax expense | | | | | (67,795) |
| Loss for the year | | | | | (64,752,303) |
| **Assets** | | | | | |
| Segment assets | 83,875,044 | 269,159,092 | 78,420,716 | – | 431,454,852 |
| Investments in jointly controlled entities | | | 1,306,867 | | 1,306,867 |
| Investments in associates | | | 2,051,001 | | 2,051,001 |
| Unallocated assets | | | | | 8,772,885 |
| Total assets | | | | | 443,585,605 |
| **Liabilities** | | | | | |
| Segment liabilities | 68,889,213 | 53,717,388 | 29,784,159 | – | 152,390,760 |
| Unallocated liabilities | | | | | 148,723,268 |
| Total liabilities | | | | | 301,114,028 |

**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 | 151,464 | 121,125,104 | 14,048,710 | – | 135,325,278 |
| Unallocated capital expenditure | | | | | 247,422 |
| | | | | | 135,572,700 |
| Depreciation | 398,245 | 48,704,717 | 2,600,650 | – | 51,703,612 |
| Unallocated depreciation | | | | | 146,572 |
| | | | | | 51,850,184 |
| Amortisation | – | – | 580,538 | – | 580,538 |
| Impairment losses | 16,349 | 21,636,441 | 4,642,041 | – | 26,294,831 |
| Non-cash (income)/ expense other than depreciation, amortisation and impairment losses | (406,312) | 5,828,903 | 1,453,143 | – | 6,875,734 |
| Unallocated non-cash income other than depreciation, amortisation and impairment losses | | | | | (354,291) |
| | | | | | 6,521,443 |

**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 |
|---|---|---|---|---|---|
| **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 thandepreciation, amortisation and impairment losses | | | | | 1,501,143 |
| | | | | | 7,981,443 |

**42. Segment information (cont'd)**

**(c) Geographical segments**

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

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

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

- The Philippines - mainly sales and marketing and technical support and management.
- Cambodia - mainly sales and marketing, technical support and management and gaming and leisure.
- Singapore - mainly sales and marketing and technical support and management.
- Macau - mainly sales and marketing and technical support and management.
- Lao PDR - mainly sales and marketing and technical support and management.
- Vietnam - 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** | |
|---|---|---|
| | **2009** | **2008** |
| | **RM** | **RM** |
| The Philippines | 82,079,393 | 61,805,170 |
| Cambodia | 47,852,254 | 123,695,809 |
| Singapore | 13,697,133 | 1,800,759 |
| Malaysia | 13,241,929 | 8,490,440 |
| Macau | 4,923,729 | 17,753,099 |
| Lao PDR | 3,707,551 | 2,890,074 |
| Vietnam | 1,042,938 | 7,818,107 |
| Other countries | 3,657,127 | 3,555,751 |
| | 170,202,054 | 227,809,209 |

**42. Segment information (cont'd)**

**(c) Geographical segments (cont'd)**

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

| | Segment assets | | Capital expenditure | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | RM | RM | RM | RM |
| The Philippines | 141,992,246 | 87,741,444 | 55,620,615 | 7,265,026 |
| Cambodia | 143,411,573 | 241,846,515 | 16,904,024 | 83,245,747 |
| Singapore | 13,299,756 | 2,755,984 | 385,791 | 49,504 |
| Malaysia | 50,441,995 | 43,360,076 | 1,288,134 | 2,095,585 |
| Macau | 62,419,764 | 8,006,650 | 58,028,342 | 4,810,632 |
| Lao PDR | 871,894 | 1,607,523 | 46,297 | 332,327 |
| Vietnam | 5,953,742 | 7,762,217 | 2,056,163 | 5,894 |
| Other countries | 13,063,882 | 4,661,385 | 995,912 | – |
| | 431,454,852 | 397,741,794 | 135,325,278 | 97,804,715 |

**43. Significant events**

(a) The Cambodian government issued a directive requiring all slot machines outlets in Cambodia to cease operations with effect from 26 February 2009 and which was complied with. However, this directive does not affect the Group's concession operations in casinos in Cambodia.

(b) On 14 July 2009, CDI Corporation Sdn. Bhd. ("CDI"), a 60% owned subsidiary of the Company, was placed under Member's Voluntary Winding-up and CDI International Services Pty Ltd, a wholly owned subsidiary of CDI was disposed off at AUD1 (RM3).

(c) During the year, the Company had issued a total of 169,460,000 ordinary shares of RM0.10 each for cash pursuant to the Company's Private Placements at a weighted average issue price of RM0.17 per ordinary share for additional working capital purposes.

**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 issuance of 109,540,000 ordinary shares of RM0.10 each for cash pursuant to Private Placements at a weighted average issue price of RM0.16 per ordinary share for additional working capital purposes.

# OTHER INFORMATION

# LIST OF GROUP PROPERTIES
as at 31 December 2009

| | 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<br>#08-04 Yi Xiu Factory Building<br>Singapore | Building | Office cum Factory | Freehold | 27 | 113 | 585,860 | 30 December 2002 |
| 2. | No. 2017<br>Solok Perusahaan 3<br>Kawasan Perusahaan Perai<br>13600 Perai, Penang<br>Malaysia | Land & Building | Factory | Leasehold - 99 years Expiring on 12 December 2074 | 36 | 1,035.03 | 1,482,339 | 31 December 2002 |
| 3. | No. 2018<br>Solok Perusahaan 3<br>Kawasan Perusahaan Perai<br>13600 Perai, Penang<br>Malaysia | Land & Building | Factory | Leasehold - 99 years Expiring on 12 December 2074 | 36 | 1,109.71 | 1,329,337 | – |
| | **Data Touch Sdn Bhd** | | | | | | | |
| 4. | No. 8 Green Hall<br>10200 Penang<br>Malaysia | Land & Building | Office | In Perpetuity | 31 | 2,387.16 | 3,409,186 | 31 December 2002 |
| | **Chateau De Bavet Club Co., Ltd.** | | | | | | | |
| 5. | No. 1, National Road<br>Bavet Commune<br>Chantrea District<br>Svay Rieng Province<br>Kingdom of Cambodia | Building | Hotel & Casino | Freehold | 1 | 2,264 | 34,728,900 | – |
| | **Total** | | | | | | **41,535,622** | |

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

# LIST OF ASSOCIATE'S PROPERTIES
as at 31 December 2009

| | 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 [Note]<br>Samdach Preah<br>Sihanouk Boulevard<br>Sangkat Chaktomok<br>Khan Daun Penh<br>Phnom Penh<br>Kingdom of Cambodia | Building & Club | Office | Freehold | 9 | 480 | 5,344,533 | 29 May 2007 |
| 2. | No. 13 & 14, Block C,<br>E0, E1, Chantrea, Bavet<br>Sway Rieng<br>Kingdom of Cambodia | Shoplot | Office | Freehold | 3 | 64 | 371,964 | – |
| 3. | No. 1, National Road<br>Bavet Commune<br>Chantrea District<br>Svay Rieng Province<br>Kingdom of Cambodia | Land | Hotel & Casino | Freehold | – | – | 4,115,400 | – |
| | **Total** | | | | | | **9,831,897** | |

Note: The property was disposed off on 04 February 2010.

**Utilisation of Proceeds**

The status of utilisation of proceeds raised from the listing of DCB on the ACE Market (formerly known as MESDAQ Market) of Bursa Securities as at 31 March 2010 is as follows:

| Purpose | Proposed Utilisation RM'000 | Actual Utilisation as at 31 Mar 2010 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 | 5,915 | – |
| iii. Overseas expansion | 15,000 | 15,000 | – |
| iv. Regional trade mark registration | 670 | 178 | 492 |
| 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 | 36,722 | 492 |

**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 2009.

**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**

There were no non-audit fees paid by the Company and its subsidiaries to the external auditors for the financial year ended 31 December 2009.

**Variation in Results**

There was no sigificant variance between the results for the financial year and the unaudited results previously announced.

**Profit Guarantees**

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

**Material Contracts**

During the year, 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.

**Implementation of Electronic Dividend Payment ("eDividend")**

The Company will be providing eDividend - a service which enables the Company to electronically pay the shareholders dividend entitlements directly into their accounts instead of making payment via bank cheques. Shareholders are given a grace period of one year from 19 April 2010 until 18 April 2011 to provide their bank account information to their Authorised Depository Agent (ADA) in order to benefit from the advantages of eDividend. For further details, shareholders are encouraged to visit the Company's website.

# STATISTICS OF SHAREHOLDINGS
as at 02 April 2010

**Share Capital**

| | | |
|---|---|---|
| Authorised | : | RM150,000,000 |
| Issued and fully paid up | : | RM115,104,970 |
| 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 | 11 | 0.15 | 373 | 0.00 |
| 100 - 1000 | 150 | 2.02 | 109,900 | 0.01 |
| 1,001 - 10,000 | 2,885 | 38.91 | 17,344,487 | 1.51 |
| 10,001 -100,000 | 3,605 | 48.62 | 141,283,245 | 12.27 |
| 100,001 - 57,552,484 (*) | 759 | 10.24 | 449,922,589 | 39.09 |
| 57,552,485 and above (**) | 5 | 0.07 | 542,389,106 | 47.12 |
| Total | 7,415 | 100.00 | 1,151,049,700 | 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 | |
|---|---|---|---|---|
| Name | No. of Shares | % | No. of Shares | % |
| Datuk Chuah Kim Seah, JP | 337,750,290 | 29.34 | 1,603,800 [a] | 0.14 |
| Gerak Juara Sdn Bhd | 162,031,986 | 14.08 | – | – |
| Mazlan Ismail | 1,740,000 | 0.15 | 162,031,986 [b] | 14.08 |
| Ahmad Anwar Bin Mohd Nor | – | – | 162,031,986 [b] | 14.08 |

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

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

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

| | Direct Interest | | Indirect Interest | |
|---|---|---|---|---|
| **Name** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| The Company | | | | |
| Datuk Chuah Kim Seah, JP | 337,750,290 | 29.34 | 1,753,800 [a] | 0.15 |
| Mazlan Ismail | 1,740,000 | 0.15 | 162,031,986 [b] | 14.08 |
| Chuah Kim Chiew | 26,764,194 | 2.33 | 1,603,800 [c] | 0.14 |
| Lim Tow Boon | 5,434,500 | 0.47 | – | – |
| Ooi Teng Chew | 300,000 | 0.03 | – | – |
| Dato' Mahinder Singh Dulku, DSPN, PKT | 140,000 | 0.01 | – | – |
| 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 his interest in the shares of the Company, Datuk Chuah Kim Seah, JP is also deemed to have an interest in the shares of the subsidiary companies to the extent the Company has an interest.

# THIRTY LARGEST SHAREHOLDERS
as at 02 April 2010

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | Gerak Juara Sdn Bhd | 145,938,816 | 12.68 |
| 2 | Chuah Kim Seah | 116,587,830 | 10.13 |
| 3 | Chuah Kim Seah | 111,255,630 | 9.67 |
| 4 | Chuah Kim Seah | 109,906,830 | 9.55 |
| 5 | HSBC Nominees (Asing) Sdn Bhd<br>Exempt an for RBS COUTTS Bank Ltd (HK Branch) | 58,700,000 | 5.10 |
| 6 | Chuah Kim Chiew | 26,764,194 | 2.33 |
| 7 | Lee Wei Ming | 18,000,000 | 1.56 |
| 8 | Gerak Juara Sdn Bhd | 16,093,170 | 1.40 |
| 9 | Goh Sin Tien | 13,869,000 | 1.20 |
| 10 | CIMSEC Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account For Lee Wei Tat (Penang-CL) | 11,000,000 | 0.96 |
| 11 | HSBC Nominees (Asing) Sdn Bhd<br>Exempt an for JPMorgan Chase Bank, National Association (BERMUDA) | 10,000,000 | 0.87 |
| 12 | Verstraeten Eric E.M. | 9,319,500 | 0.81 |
| 13 | Yeoh Mei Mei | 9,000,000 | 0.78 |
| 14 | TASEC Nominees (Tempatan) Sdn Bhd<br>Exempt an for TA Investment Management Berhad (Clients) | 6,651,100 | 0.58 |
| 15 | Exodius Holdings Sdn Bhd | 6,200,000 | 0.54 |
| 16 | Lim Tow Boon | 5,434,500 | 0.47 |
| 17 | Ung Chi Fong | 5,361,400 | 0.47 |
| 18 | Soh Eng Kooi @ Ooi Eng Kooi | 4,840,000 | 0.42 |
| 19 | Teng Whye Lok | 4,073,400 | 0.35 |
| 20 | HSBC Nominees (Tempatan) Sdn Bhd<br>HSBC (M) Trustee Bhd for CMS Premier Fund (4959) | 4,000,000 | 0.35 |
| 21 | Shankar A/L Sammantha Murthy | 3,650,000 | 0.32 |
| 22 | HSBC Nominees (Tempatan) Sdn Bhd<br>HSBC (M) Trustee Bhd for CMS Malaysian Inc Fund (6277-401) | 3,500,000 | 0.30 |
| 23 | Mak Chew Meng | 3,352,000 | 0.29 |
| 24 | Ravi Shangar A/L Sinnamuthu | 3,351,000 | 0.29 |
| 25 | Wong Chee Fai | 3,200,000 | 0.28 |
| 26 | Lee Yoon Min | 3,199,700 | 0.28 |
| 27 | First Genesis Sdn Bhd | 3,000,000 | 0.26 |
| 28 | HDM Nominees (Tempatan) Sdn Bhd<br>HDM Capital Sdn Bhd for Tan Koo Ching | 3,000,000 | 0.26 |
| 29 | Cheah Hong Inn (Sendirian) Berhad | 3,000,000 | 0.26 |
| 30 | Ng Po Yong | 3,000,000 | 0.26 |
| | | 725,248,070 | 63.02 |

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 7th Annual General Meeting of the Company will be held at The Gurney Resort Hotel & Residences, 18 Persiaran Gurney, 10250 Penang, Malaysia on Wednesday, 26 May 2010 at 11.00 am for the following purposes:

## AGENDA

**As Ordinary Business:**

1. To receive the Audited Financial Statements for the year ended 31 December 2009 and the Reports of Directors and Auditors thereon.

2. To approve the payment of Directors' Fees of RM189,300 for the financial year ended 31 December 2009. **Ordinary Resolution 1**

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) Mr. Ooi Teng Chew **Ordinary Resolution 2**
   (b) Datuk Chuah Kim Seah **Ordinary Resolution 3**

4. To re-appoint Messrs UHY Diong as Auditors of the Company until the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 4**

**As Special Business:**

To consider and, if thought fit, to pass the following Resolutions:

5. **Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares** **Ordinary Resolution 5**

   "THAT pursuant to Section 132D of the Companies Act, 1965 ("the Act") and subject to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad ("Bursa Securities") and that such authority shall continue in force until the conclusion of the Annual General Meeting ("AGM") commencing next after the date on which the next AGM after that date is required by law to be held whichever is earlier; but any approval may be previously revoked or varied by the Company in general meeting".

6. **Proposed Change of Name from "Dreamgate Corporation Bhd." to "RGB International Bhd." ("Proposed Change of Name")** **Special Resolution**

   "THAT the name of the Company be changed from "Dreamgate Corporation Bhd." to "RGB International Bhd." effective from the date of issuance of the Certificate of Incorporation on the Change of Name of the Company by the Companies Commission of Malaysia AND THAT all references in the Memorandum and Articles of Association of the Company to the name "Dreamgate Corporation Bhd.", whenever the same may appear, shall be deleted and substituted with "RGB International Bhd." AND THAT the Directors and/or the Company Secretary be and are hereby authorised to carry out all necessary formalities to effect the change of name of the Company.

7. To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association.

# NOTICE OF ANNUAL GENERAL MEETING

By Order of the Board

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

Joint Secretaries
Penang

**29 April 2010**

**Notes:**
**Appointment of Proxy**

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b)&(c) of the Companies Act, 1965 shall not apply to the Company.
2. For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company, Suite 2-1, 2nd Floor, Menara Penang Garden, 42-A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
4. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy.
5. If the appointor is a corporation, the Form of Proxy must be executed under the corporation's seal or under the hand of an officer or attorney duly authorised.
6. Where a member of the Company is an authorized nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

**Explanatory Note on Special Business**
**Resolution 5 – Authority to Issue Shares**
The proposed Ordinary Resolution 5, if passed, will give the Directors of the Company authority to issue shares in the Company up to an amount not exceeding 10% of the total issued capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next Annual General Meeting.

As at the date of this Notice, 87,160,000 ordinary shares of RM0.10 each were issued pursuant to a mandate granted to the Directors at the last Annual General Meeting held on 8 June 2009 and which lapse at the conclusion of the 7th Annual General Meeting. The total proceeds of RM13,864,120 have been fully utilised for working capital purposes.

**Special Resolution – Change of Name**
The proposed Special Resolution, if passed, will facilitate the Proposed Change of Name of the Company.

The Board of Directors is proposing to change the name of the Company from Dreamgate Corporation Bhd. to RGB International Bhd. to significantly strengthen the Group's corporate branding and identity. The brand name "RGB" has been in existence for the last 25 years and well established in the Asian gaming industry.

**STATEMENT ACCOMPANYING NOTICE OF 7TH ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.27(2) OF BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS**

No individual is seeking election as a Director at the forthcoming 7th Annual General Meeting of the Company.

# 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 7th Annual General Meeting of the Company to be held at The Gurney Resort Hotel & Residences, 18 Persiaran Gurney, 10250 Penang, Malaysia on Wednesday, 26 May 2010 at 11.00 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 | | | | | Special Resolution |
|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | |
| FOR | | | | | | |
| AGAINST | | | | | | |

Signed this ............ day of ....................................... 2010

| | 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

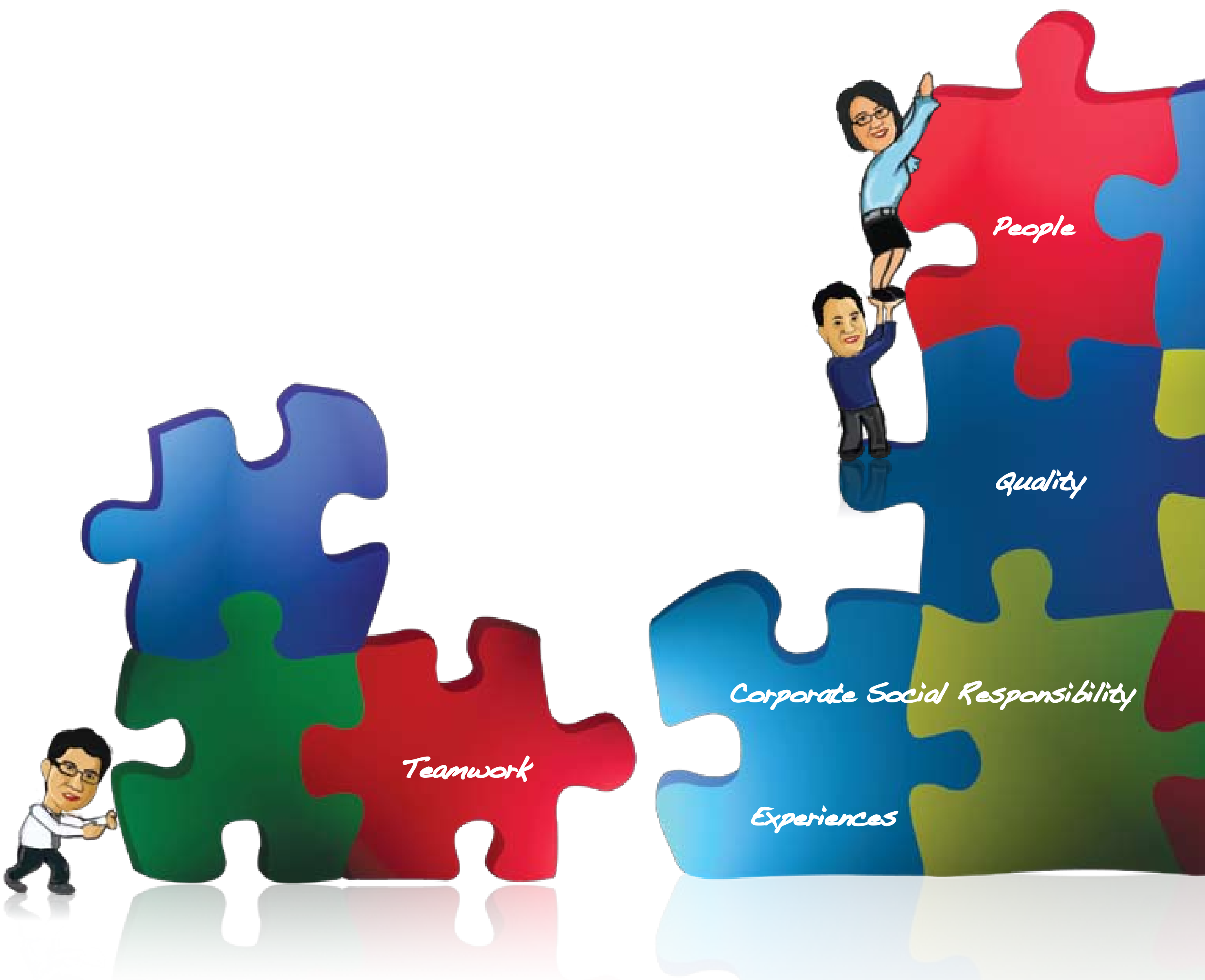
The Company Secretaries

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)
8 Green Hall, 10200 Penang, MALAYSIA
Tel: +604-263 1111  Fax: +604-263 1188

www.dreamgatecorp.com



Dreamgate Corporation Bhd. (603831-K)

(Incorporated in Malaysia under the Companies Act, 1965)

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

29 April 2010

To: The Shareholders of Dreamgate Corporation Bhd.

Dear Sir/Madam

**ADDENDUM TO THE NOTICE OF 7TH ANNUAL GENERAL MEETING**
**RESOLUTION 5 - AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ISSUE SHARES**

We refer to the Notice of the 7th Annual General Meeting (”AGM”) dated 29 April 2010, wherein the following Ordinary Resolution 5 is proposed as a Special Business to be considered and, if thought fit, to pass at the AGM:

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

"That pursuant to Section 132D of the Companies Act, 1965 (“the Act”) and subject to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad (“Bursa Securities”) and that such authority shall continue in force until the conclusion of the Annual General Meeting (“AGM”) commencing next after the date on which the next AGM after that date is required by law to be held whichever is earlier; but any approval may be previously revoked or varied by the Company in general meeting.”

**Explanatory Note on Special Business**

The proposed Ordinary Resolution 5, if passed, will give the Directors of the Company authority to issue shares in the Company up to an amount not exceeding 10% of the total issued capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next Annual General Meeting.

As at the date of this Notice, 87,160,000 ordinary shares of RM0.10 each were issued pursuant to a mandate granted to the Directors at the last Annual General Meeting held on 8 June 2009 and which will lapse at the conclusion of the 7th Annual General Meeting. The total proceeds of RM13,864,120 have been fully utilized for working capital purposes.

**Addendum to Explanatory Note on Special Business**

The general mandate for issue of shares will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares for the purpose of funding future investment, working capital and/or acquisition.

The purpose of this Addendum is to provide you with the above additional statement accompanying the proposed Ordinary Resolution 5 to be tabled at the forthcoming AGM.

Yours faithfully
for and on behalf of
**DREAMGATE CORPORATION BHD.**

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