RGB International Bhd.

(603831-K)

ANNUAL REPORT 2013

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CORPORATE PROFILE

VISION

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

MISSION

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

CORE VALUES

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

OUR PEOPLE, OUR KEY ASSETS

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

QUALITY

- Striving and delivering the best quality of service and products.

CORPORATE LEADERSHIP

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

CORPORATE SOCIAL RESPONSIBILITY

- Participating in projects that benefit the community and environment.

RGB International Bhd. ("RGB" 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.

RGB is an investment holding company with subsidiary and associate companies ("RGB Group" or "the Group" throughout the entire Annual Report) primarily involved in:

- sales & marketing, and manufacturing of electronic gaming machines and equipment ("SSM" throughout the entire Annual Report)
- machine concession programmes & technical support management ("TSM" throughout the entire Annual Report)

The history of RGB'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, RGB is acknowledged as a leading supplier of electronic gaming machines and casino equipment in Asia region. Today, the Group is also a major machine concession programmes operator in Asia.

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

CORPORATE INFORMATION

AS AT 9 APRIL 2014

BOARD OF DIRECTORS

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

Datuk Chuah Kim Seah, DMSM, DSDK, JP
Managing Director

Mr. Steven Lim Tow Boon, BKM
Chief Operating Officer

Mr. Mazlan Ismail
Mr. Chuah Kim Chiew
Mr. Chuah Eng Hun
Executive Directors

Mr. Ng Eng Tong
Senior Independent Non-Executive Director

Ms. Lam Voon Kean
Datuk Norazman Bin Hamidun, PJN, DSDK, AMK, JP
Independent Non-Executive Directors

Audit Committee
Ms. Lam Voon Kean, *Chairman*
Dato' Mahinder Singh Dulku, DSPN, PKT
Mr. Ng Eng Tong
Datuk Norazman Bin Hamidun, PJN, DSDK, AMK, JP

Remuneration Committee
Dato' Mahinder Singh Dulku, DSPN, PKT, *Chairman*
Datuk Chuah Kim Seah, DMSM, DSDK, JP
Mr. Ng Eng Tong
Ms. Lam Voon Kean
Datuk Norazman Bin Hamidun, PJN, DSDK, AMK, JP

Nomination Committee
Mr. Ng Eng Tong, *Chairman*
Dato' Mahinder Singh Dulku, DSPN, PKT
Ms. Lam Voon Kean
Datuk Norazman Bin Hamidun, PJN, DSDK, AMK, JP

ESOS Committee
Mr. Ng Eng Tong, *Chairman*
Dato' Mahinder Singh Dulku, DSPN, PKT
Mr. Steven Lim Tow Boon, BKM
Ms. Lam Voon Kean
Datuk Norazman Bin Hamidun, PJN, DSDK, AMK, JP

Credit Review & Risk Assessment Committee
Mr. Mazlan Ismail, *Chairman*
Datuk Chuah Kim Seah, DMSM, DSDK, JP
Ms. Maxine Lee Yap Kuan
Ms. Teh Mun Hui

Executive Committee
Datuk Chuah Kim Seah, DMSM, DSDK, JP, *Chairman*
Mr. Steven Lim Tow Boon, BKM
Mr. Mazlan Ismail
Mr. Chuah Kim Chiew
Mr. Chuah Eng Hun
Ms. Maxine Lee Yap Kuan
Ms. Teh Mun Hui
Mr. Chuah Kee Yong
Mr. Ganaser Kaliappen

Company Secretaries
Ms. Woon Mei Ling *(MAICSA 7047736)*
Ms. Maxine Lee Yap Kuan *(MAICSA 7003482)*

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

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

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

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

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

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

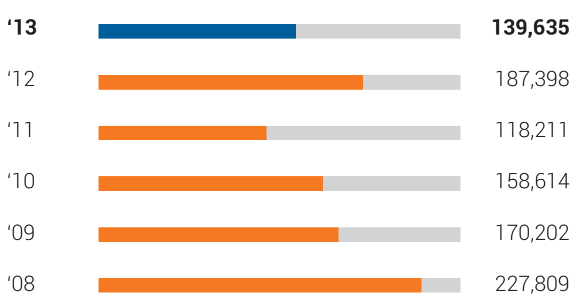
Principal Bankers
Malayan Banking Berhad
Maybank International Labuan Branch
Hong Leong Bank Berhad

GROUP FINANCIAL HIGHLIGHTS

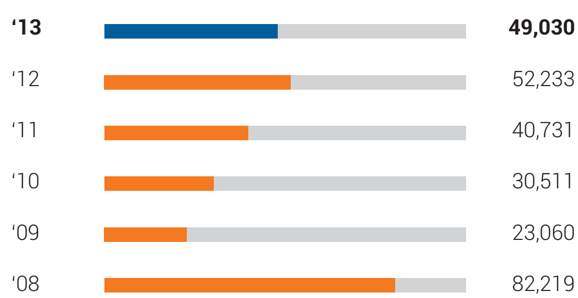
	2013 RM'000	2012 RM'000	2011 RM'000	2010 RM'000	2009 RM'000 Restated	2008 RM'000
Revenue	**139,635**	187,398	118,211	158,614	170,202	227,809
Profit/(Loss) Before Tax	**6,530**	6,133	(32,808)	(59,469)	(64,684)	(3,294)
EBITDA*	**49,030**	52,233	40,731	30,511	23,060	82,219
Net Profit/(Loss)	**5,966**	6,036	(32,895)	(58,906)	(64,752)	(3,613)
Cash and Bank Balances	**26,855**	26,030	26,735	15,861	21,556	31,062
Property, Plant and Equipment	**115,180**	107,841	121,739	176,162	279,852	236,600
Total Assets	**217,319**	230,557	251,370	307,678	443,586	410,075
Shareholders' Equity	**74,962**	59,495	59,445	85,847	140,198	178,392

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

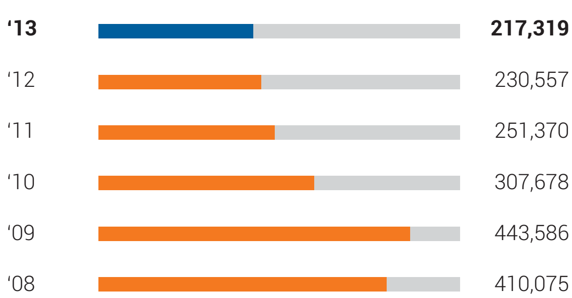
REVENUE
(RM'000)



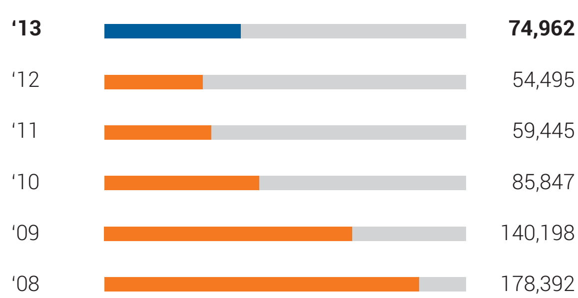
EBITDA*
(RM'000)



TOTAL ASSETS
(RM'000)



SHAREHOLDERS' EQUITY
(RM'000)

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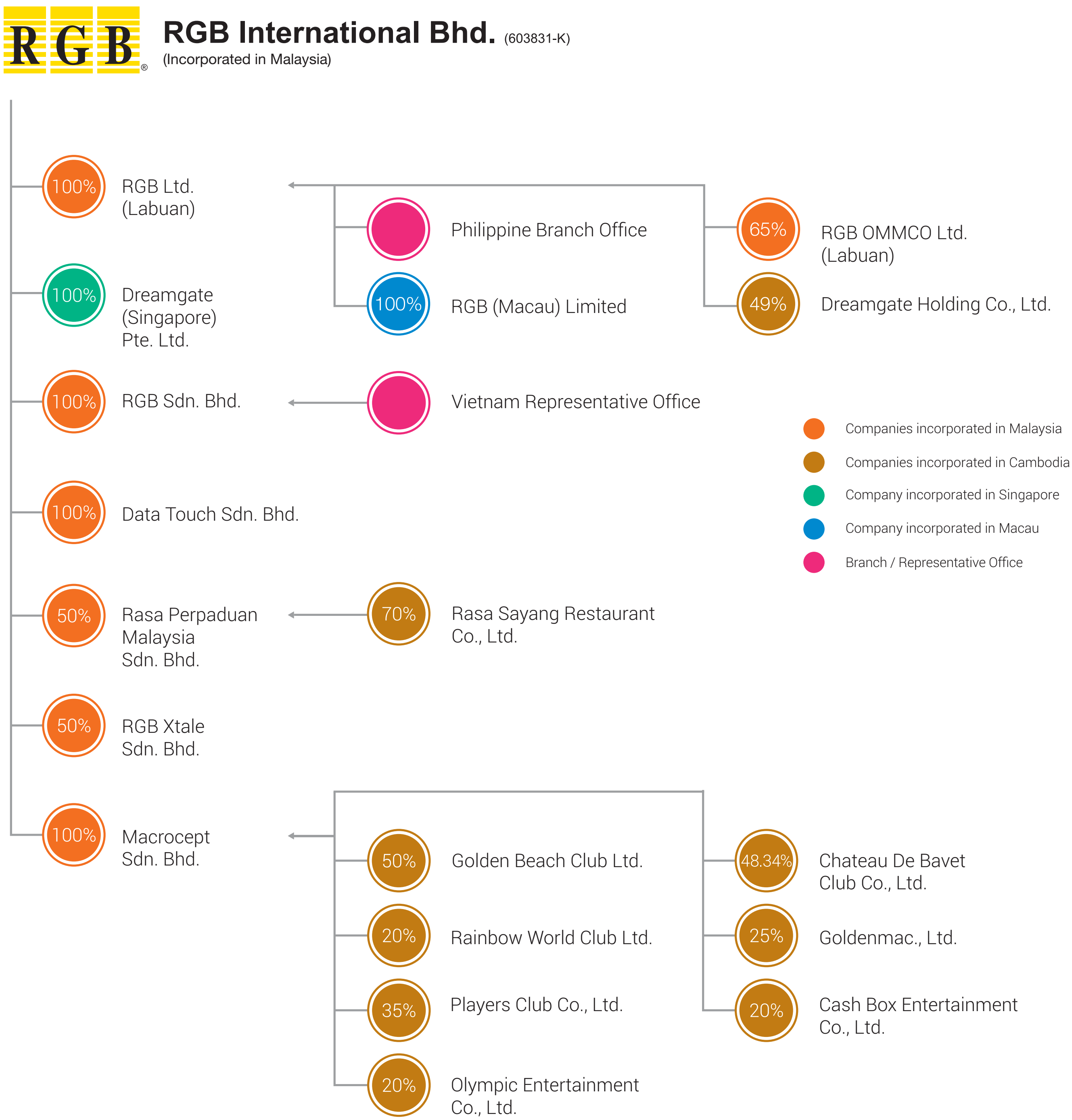
CORPORATE STRUCTURE

AS AT 9 APRIL 2014



PROFILE OF DIRECTORS

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

Malaysian, 71 years of age
Utter Barrister, Lincoln's Inn, UK

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

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

He had attended 5 out of 6 Board meetings convened during the financial year.

Datuk Chuah Kim Seah, DMSM, DSDK, JP
Managing Director

Malaysian, 61 years of age
Fellow, Association of Chartered Certified Accountants
Member, Malaysian Institute of Accountants

A member of the Board since 30 October 2003, Datuk Chuah chairs the Executive Committee and serves as member of the Remuneration and Credit Review & Risk Assessment ("CRRA") Committees.

Datuk Chuah has been involved in the gaming and amusement industry for more than 27 years and has extensive experience in strategic as well as sales and marketing management. He and his brother, Mr. Chuah Kim Chiew, marked their beginning in the gaming and amusement industry through RGBSB.

At present, Datuk Chuah plans and develops the Group's strategic business direction, plans and policies. He also assesses potential business ventures and alliances, oversees Human Resource department and manufacturing operations.

He sits on the Board of certain subsidiary and associate companies of RGB and several other private limited companies.

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

Mr. Steven Lim Tow Boon, BKM
Chief Operating Officer

Malaysian, 53 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 of RGB Business Division in 2009 and thereafter re-designated as Chief Operating Officer ("COO") of the Group in August 2013. He is also a member of both the ESOS and Executive Committees.

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

Mr. Lim's career began with the Group in 1988 when he joined as a Management Executive focusing on sales of amusement and gaming machines. His broad experience and expertise in sales and marketing has boosted the growth of the Group's market share in the gaming industry.

He is also a director of several subsidiary and associate companies of RGB Group.

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

PROFILE OF DIRECTORS

Mr. Mazlan Ismail
Executive Director

Malaysian, 51 years of age
Associate Member, Malaysian Institute of Management

A Board member since 30 October 2003, Mr. Mazlan principally responsible for treasury, credit control, risk assessment, investor relations and corporate communications functions of the Group.

He chairs the CRRA Committee and serves as member of the Executive Committee.

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

Mr. Mazlan sits on the Board of several associate and subsidiary companies of the Group.

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

Mr. Chuah Kim Chiew
Executive Director

Malaysian, 51 years of age
Bachelor of Business Administration, University of Waseda, Japan

Mr. Chuah joined the Board on 30 October 2003 and is currently heading Research & Development and Information Technology divisions. In 2012, Mr. Chuah's responsibilities were expanded to overseeing SSM & TSM activities in Cambodia and he was subsequently re-designated as Chief Operating Officer - Cambodia in August 2013. He also serves as member of the Executive Committee.

His ties to the Group began more than 27 years ago when he was appointed as a Director of RGBSB. Together with Datuk Chuah, they began their ventures and challenges in the gaming and amusement industry.

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

He had attended 5 out of 6 Board meetings convened during the year.

Mr. Chuah Eng Hun
Executive Director

Malaysian, 30 years of age
Bachelor of Commerce (Accounting), Deakin University, Australia
Member, Certified Public Accountants Australia

Mr. Chuah joined the Board as Non-Independent Non-Executive Director on 18 February 2009. He was re-designated as Executive Director and Chief Operating Officer - Philippines on 1 March 2011 and 5 August 2013 respectively. He is also a member of the Executive Committee.

Mr. Chuah is responsible for the continued development of SSM and TSM services in the Philippines.

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

He had attended 3 out of 6 Board meetings held during the year.

Mr. Ng Eng Tong
Senior Independent Non-Executive Director

Malaysian, 69 years of age
Bachelor of Science (Honours) in Chemical Engineering, University of Wales

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

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

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

PROFILE OF DIRECTORS

Ms. Lam Voon Kean
Independent Non-Executive Director

Malaysian, 61 years of age
Member, Malaysian Institute of Accountants
Member, Malaysian Institute of Certified Public Accountants

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

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

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

Datuk Norazman Bin Hamidun, PJN, DSDK, AMK, JP
Independent Non-Executive Director

Malaysian, 49 years of age
MARA University of Technology majoring in Business Studies
Corporate Member, Malaysian Institute of Marketing

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

He started his career in 1990 as an Assistant Deputy Registrar for Kota Setar District and Land Department ("PTD Kota Setar"). During his service with PTD Kota Setar, he was posted to Land Acquisition Department where he gained experience and knowledge in land issues and dealing with public at large. In 1994, he was promoted to State Land Officer and posted to Land Registration Department. He left government service in 1998 to concentrate on the business soon after he had the opportunity to enhance his capabilities and business knowledge; and through networking he established with many of his clients.

Datuk Norazman is the Chief Executive Officer/Executive Chairman of Mega Intervest Sdn. Bhd., a reputable Bumiputra Class A Contractor in the country for government projects especially from Jabatan Kerja Raya, Jabatan Perumahan Negara, Syarikat Perumahan Negara and Ministry of Defence, Malaysia.

Datuk Norazman sits on the Board of a few government related companies especially in Kedah such as Darulaman Golf Resort Berhad, HMS Oil and Gas Sdn. Bhd., Progressive Dynamic Sdn. Bhd. and Konsortium Waza Maju Holdings Sdn. Bhd.

He is also an Independent Non-Executive Chairman of ConnectCounty Holdings Berhad.

Notes:

Family Relationship with Directors and/or Major Shareholders
Datuk Chuah Kim Seah, DMSM, DSDK, JP is a substantial shareholder of RGB and the brother of Mr. Chuah Kim Chiew. Mr. Chuah Eng Hun is the son of Datuk Chuah Kim Seah, DMSM, DSDK, JP and the nephew of Mr. Chuah Kim Chiew.

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

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

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

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

KEY MANAGEMENT TEAM

Ms. Maxine Lee Yap Kuan

Corporate Compliance Director

Ms. Lee holds the position of Corporate Compliance Director since 2009. She was the Director of Corporate & HR division prior to assuming her current position. In her current capacity, Ms. Lee oversees the implementation of policies and operational management for administrative, legal and corporate compliance functions of RGB Group.

She was with a public listed company and several other well known corporate secretarial services provider before joining the Group. She has more than 20 years of experience in corporate secretarial and general management.

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 serves as member of CRRA and Executive Committees. She is also a Board member of several associate and subsidiary companies of the Group.

Ms. Teh Mun Hui

Finance Director

Ms. Teh is currently the Finance Director, a position she held since 2007. She oversees the accounting, financial management and corporate finance functions of RGB Group. She is also heading Purchasing and Logistics departments.

She started her career with Arthur Andersen & Co. (now known as Ernst & Young) in audit assurance in 1997 before joining the Group 4 years later as Finance Manager.

A graduate of University Malaya with a Bachelor in Accounting degree in 1997, Ms. Teh obtained the Malaysian Institute of Certified Public Accountants ("MICPA") qualifications in 1998. She is currently a member of the Malaysian Institute of Accountants and MICPA.

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

Mr. Chuah Kee Yong

Chief Operating Officer - Lao PDR

Mr. Chuah held the position of Operations Director in 2010 and was re-designated as Chief Operating Officer - Lao PDR in August 2013. He is primarily responsible for TSM services for Lao PDR market.

Mr. Chuah was with a multinational company prior to joining the Group in 1999. He was promoted as General Manager for the Technical Division in 2005 and thereafter as Technology Director in 2007.

He received his Bachelor of Applied Science (Honors) and MBA degrees from Universiti Sains Malaysia in 1996 and 2003 respectively.

Mr. Chuah serves as member of Executive Committee. He is also a Board member of several subsidiary and associate companies of the Group.

Mr. Ganaser Kaliappen

Regulatory Compliance Director

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

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

He 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.

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

TO OUR VALUED SHAREHOLDERS,

ON BEHALF OF
THE BOARD OF DIRECTORS,
I PRESENT TO YOU
THE ANNUAL REPORT OF
RGB INTERNATIONAL BHD.
FOR THE FINANCIAL YEAR
ENDED 31 DECEMBER 2013.

FINANCIAL PERFORMANCE REVIEW

Despite all the challenges and market competition, I am pleased to announce that the Group continued to make a profit before tax of RM6.5 million in 2013.

A snapshot of the Group's performance for 2013 is as follows:

	2013 RM million	2012 RM million	Change %
Revenue	139.6	187.4	down 26%
EBITDA	49.0	52.2	down 6%
Operating cash flow	48.1	50.1	down 4%
Profit before tax	6.5	6.1	up 7%
Foreign exchange (loss)/gain	(3.8)	4.7	down 181%
Shareholders' equity	75.0	59.5	up 26%
	2013	**2012**	**Change %**
Earning per share	0.58 sen	0.58 sen	-
Net gearing ratio	0.53 times	0.94 times	improved 44%

CHAIRMAN'S STATEMENT

RGB

GROUP BORROWINGS

On 15 June 2013, the Group issued RM62.0 million Commercial Papers ("CP") and RM10.0 million Medium Term Notes ("MTN") respectively under the 7 years Unrated CP/MTN Programme to refinance the existing CP/MTN Programme.

Strategic cash flow management practised by the Group continued to show positive results. Total borrowings fell to RM74.0 million as at 31 December 2013 as compared to RM90.3 million in previous corresponding financial year.

DIVIDEND

No dividend was declared and paid for the financial year ended 31 December 2013. However, the Board of Directors has proposed a final single-tier dividend of 0.05 sen per ordinary share for the financial year ended 31 December 2013.

The proposed final dividend is subject to the shareholders' approval at the forthcoming Annual General Meeting. The dates of entitlement and payment are stated in the Notice of Annual General Meeting.

INTERNATIONAL BHD.

ANOTHER SUCCESSFUL YEAR IN 2013

OUTLOOK

The Group's positive performance in 2013 bears testimony to its regional efforts and commitments undertaken by the management to strengthen the Group's financial performance.

In 2014, SSM Division targets to achieve sales of more than 1,200 units of machines to casinos in the new Integrated Resorts as well as the casinos at existing Integrated Resorts which are undergoing expansion programmes.

Meanwhile, TSM Division expects to operate at least three (3) new concessions in 2014 while it continues to enhance revenue at its existing concessions via increasing yield per machine.

The Group is ready to roll out a new platform and some new in-house games in 2014 for the Asian market through its collaboration with a reputable slot games content developer and innovator and will further enhance its in-house Smartlink Slot Management System in order to meet demand and to maintain its share in this market.

In view of the foregoing and barring unforeseen circumstances, the Group remains optimistic that it can further elevate its performance in 2014 whilst making effort to further reducing its debts.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express our sincere gratitude and appreciation to my fellow directors, the management and our employees for their commitment in making the Group turnaround strategy a success.

To our valued shareholders, business partners, financial institutions and the regulatory authorities, we would also like to extend our gratitude for their continued support, trust and confidence in us.

I also wish to place on record our heartfelt gratitude and appreciation to Mr. Ooi Teng Chew, our Chairman who retired on 31 December 2013, for his valuable contributions and dedicated service to the Group during his tenure as Chairman.

DATO' MAHINDER SINGH DULKU, DSPN, PKT
Chairman
17 April 2014


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REVIEW OF OPERATIONS

Dear Valued Shareholders,

AN OVERVIEW

We are pleased to report that 2013 has been another positive year for RGB, as we continue to execute our strategies across the regions with the continuous efforts and dedication from all levels of management and staff. The Group's primary focus over the past twelve (12) months has been earmarked on growing our sales revenue in key markets, improve profit margin and liquidity position of the Group as a whole.

SSM DIVISION

In this highly competitive industry, the Group was able to increase its sales in Singapore and Malaysia compared to 2012. On the other hand, there was a drop of sales in Cambodia, Vietnam and the Philippines as demand was mainly from the replacement market.

The EBITDA has increased by 16% as compared to 2012 while the SSM revenue has decreased by 40%.

SSM Division registered a segment profit of RM7.8 million for the year under review, a growth in segment profit of 5% compared to 2012. The growth was mainly due to the decrease in expenses and improvement in profit margin from products sold.

TSM DIVISION

For the year under review, the Division continued to grow its gaming operations by adding five (5) new concessions in Indochina and the Philippines and ceased its operation at eight (8) concessions located in Indochina, the Philippines and Macau SAR in order to enhance cost efficiency and profitability.

TSM Division reported a segment profit of RM14.0 million (2012: RM4.2 million) due to better TSM performance of existing outlets in the Philippines, utilisation of mobilised and fully depreciated machines coupled with lower operating cost.

Revenue and EBITDA have decreased by 2% and 0.1% respectively for 2013 as compared to 2012.

TECHNOLOGY CENTRE

(a) Research & Development ("R&D")

In 2013, R&D focused on the development of RGBGAMES' new slots gaming platform, dubbed 'R1'. R&D has been collaborating with a well-known game content developer from United States of America to develop this R1 platform. The Group is expecting to roll out at least five (5) new games on the R1 platform.

Two (2) slots games linked with Mun Mun Progressive Jackpot (an Asian-themed, 4-level progressive jackpot) were also being fine-tuned and enhanced based on feedback gathered, and will be released in selected jurisdictions soon. On another note, R&D had successfully carried out the pilot implementation of its slot floor management product namely Smartlink II in one of the concession sites. Smartlink II is poised to be implemented in a number of slots properties in the coming year.

(b) Manufacturing Activities

In addition to the production of its own slot machines namely under the "RGBGAMES" brand, the Group began producing wool layouts in 2005 through the experience gathered from years of involvement in the gaming industry. RGB is committed to produce only the best products for the industry. For example, in the production of the Hainsworth Wool Layout only the best quality wool material from United Kingdom was used, while our specially formulated ink mixture with our unique hand printing techniques ensured that every layout printing project is of the best quality and the highest standards.

REVIEW OF OPERATIONS

(c) Technical Support

With more than 25 years' experience in the gaming industry, our experienced and well-trained technical support team is always prepared to provide the best and timely support to both SSM and TSM customers across all regions. We always emphasis on continuous technical and skills enhancement of our work force by collaborating with major suppliers to provide on-site training to the technical personnel regularly on new products and industry updates.

Our technical support team is actively involved in refurbishing and reconditioning a wide range of used electronic gaming machines and project management for technical projects, which includes on-site support and installation for local and overseas projects.

HUMAN CAPITAL

Our ability to attract and retain the best employee is critical in our journey to achieve the objectives and support the growth strategy. We believe that the growth of the Group depends on our people as they are our operational expertise. Therefore, our employment policies are geared to empower and develop employees, and create an environment in which each employee can perform and grow to his or her fullest potential regardless of ethnic background or gender especially in our overseas' regional offices where potential employees are mobilised and engaged with assignment to develop and realise their potential and leadership skills. As a result of these workforce mobilisation and development efforts, we have progressively strengthened our regional people capability to support future business needs.

In 2013, we have successfully attracted and hired a pool of new talents to support our subsidiaries and overseas offices whilst our executives and managers continue to identify and manage both risk and opportunities to implement appropriate action/responses to support our business growth strategy. Nevertheless, our Human Resources ("HR") team has also worked together with R&D team to organise in house SAS 6.02 protocol's Advanced Fund Transfer ("AFT") training from overseas with an aim to enhance knowledge and skills of our R&D and relevant technical staff on AFT competencies. We also worked with various manufacturers on in-house training locally and overseas.

OTHERS

Chateau de Bavet Club Co. Ltd ("CDBC") successfully signed a 2-year Lease Agreement with a third party to lease the 7 floors of its building at an annual rental of USD480,000 with effect from January 2014.

APPRECIATION

I would like to extend my appreciation and sincere gratitude to Mr. Ooi Teng Chew, our Chairman of the Board who retired on 31 December 2013, for his valuable contributions during his tenure as Chairman.

I wish to welcome Datuk Norazman Bin Hamidun, PJN, DSDK, AMK, JP and Ms. Lam Voon Kean, who both joined the Company as Independent Non-Executive Directors. Likewise, I wish to congratulate Dato' Mahinder Singh Dulku, DSPN, PKT and Mr. Ng Eng Tong for their re-designation as Independent Non-Executive Chairman and Senior Independent Non-Executive Director respectively.

PROSPECTS

The outlook for 2014 remains promising as the Group expects both SSM and TSM Divisions to continue their good performance in this year.

We will continuously strive to meet our target of becoming the premier integrated gaming solutions specialist in the long term.

SSM Division will continue to enhance its contribution to the Group's revenue by intensifying its sales effort in overseas market. With the upcoming and expansion of a few new integrated resorts in the region, it expects to sell 1,200 machines in 2014 for both new and replacement markets.

Apart from securing new sales of machines within the regions, we are confident that the introduction of a new cabinet and new games for our in-house RGBGames machines will broaden SSM's product line under its distribution.

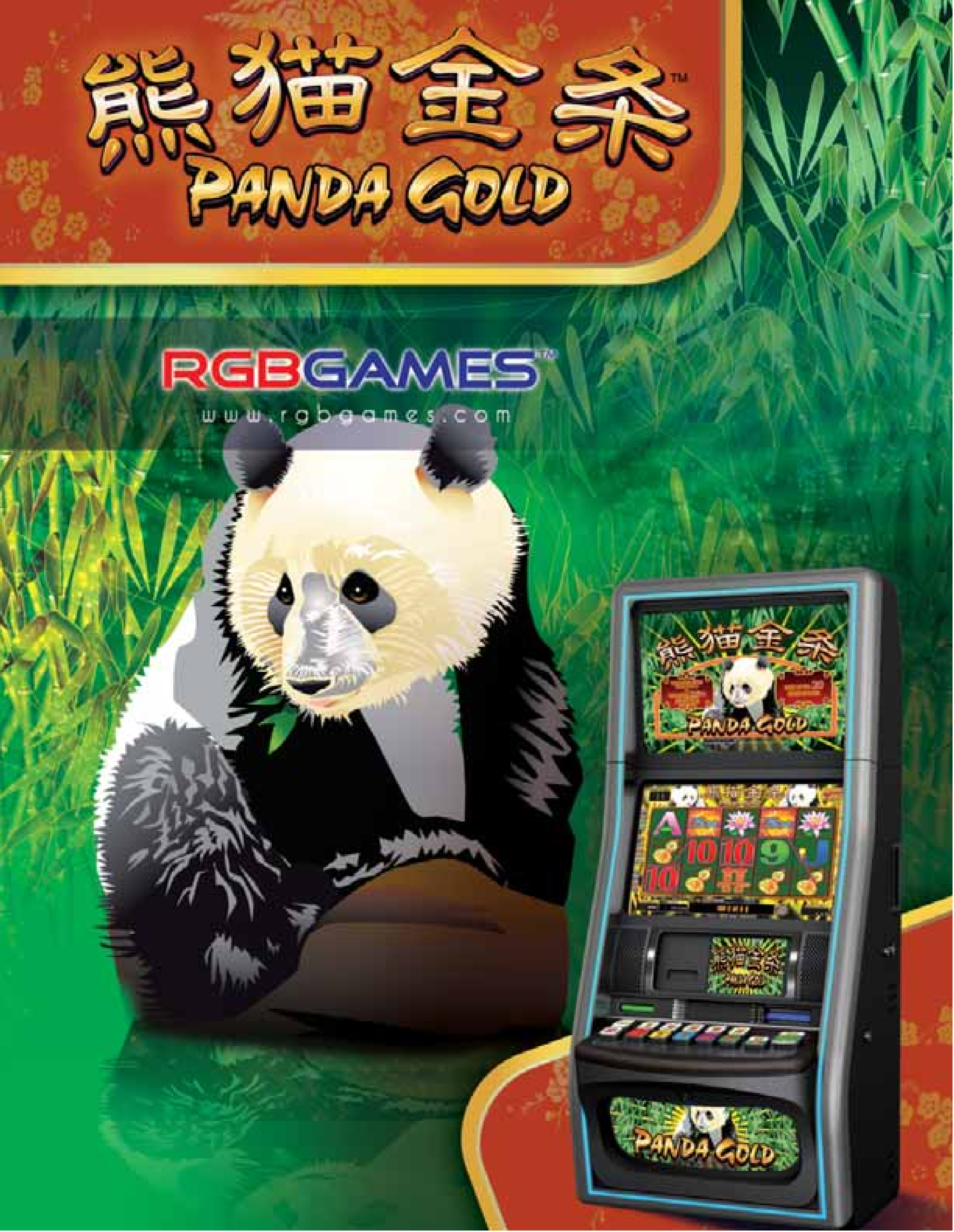
As highlighted previously, the Group has realigned its strategies to focus on maximising performance and results of TSM Division across all regions. This can be achieved by stringent monitoring of the performance and yield of redeployed machines at all sites, installing in-house and third party slot management systems as well as partnering with manufacturers for placement of new machines.

Besides, the Group will continue to take aggressive measures to conserve cash and spend prudently on capital expenditure which must have good returns.

In view of the foregoing and barring unforeseen circumstances, the Group remains optimistic for a better year in 2014. I trust that with the continuous commitment and dedication from all levels of management and staff, the Group will achieve better financial results this year.

Last but not least, with the successful turnaround of the Group in year 2013, the Board of Directors is pleased to propose a final single-tier dividend of 0.05 sen per ordinary share for the financial year ended 31 December 2013 to thank all the shareholders for their kind support and patience thus far.

DATUK CHUAH KIM SEAH, DMSM, DSDK, JP
Managing Director
17 April 2014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CALENDAR OF EVENTS 2013

07 March and 29 August

Analyst Briefings, Kuala Lumpur

Analyst Briefings were held at Shangri-La Hotel, Kuala Lumpur to update on RGB full year 2012 and half year 2013 performance and business activities respectively.

▲ Analyst Briefing

21-23 May

Global Gaming Expo Asia (G2E Asia) 2013, Macau SAR

Participated and showcased our latest range of electronic gaming machines and products at G2E Asia 2013, a major exposition for casino industry held at The Venetian Macao, Macau SAR.

▲ G2E Asia 2013

CALENDAR OF EVENTS 2013

28 May

10^{th} Annual General Meeting, Penang

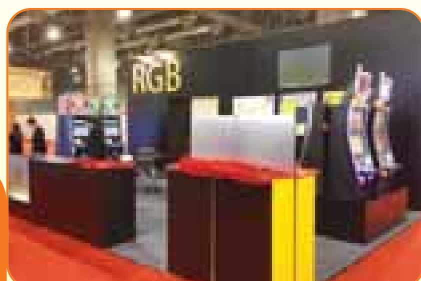
10^{th} Annual General Meeting held at The Gurney Resort Hotel & Residences, Penang. All resolutions proposed at the meeting were duly approved by the shareholders.

▲ 10^{th} Annual General Meeting

14-16 November

Macao Gaming Show 2013, Macau SAR

Participated in the Macao Gaming Show and showcased various range of electronic gaming machines and products. The show was held at The Venetian Macao, Macau SAR and it was the first large scale gaming and entertainment exhibition organised by the Macau Gaming Equipment Manufacturers Association.



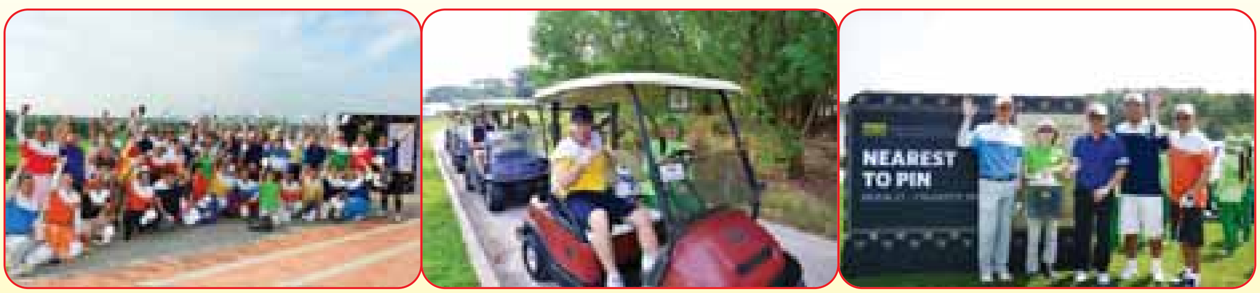
▲ Macao Gaming Show 2013

02-03 December

RGB Appreciation Dinner, Bangkok, Thailand

RGB Appreciation Dinner 2013 was held at St. Regis, Bangkok and invitation was extended to RGB's customers, partners and manufacturers. During this period of time, we also organised RGB Slot Seminar Programme at St. Regis, Bangkok and RGB Golf Challenge 2013 at Amata Spring Country Club, Bangkok.

▲ RGB Appreciation Dinner 2013



▲ RGB Golf Challenge 2013

▲ RGB Slot Seminar Programme

CORPORATE RESPONSIBILITY STATEMENT

The Group continued to focus on operating business diligently and accountable for decisions that impact our shareholders, investors, business partners, employees, governments, industry authorities and the communities around us.

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

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

MARKETPLACE

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

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

ENVIRONMENT

We remain committed towards environmental conservation; continuing on recycle program as part of our efforts to reduce our environmental and carbon footprints and our commitment as an environmentally responsible organisation.

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

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

WORKPLACE

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

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

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

CORPORATE RESPONSIBILITY STATEMENT

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

COMMUNITY

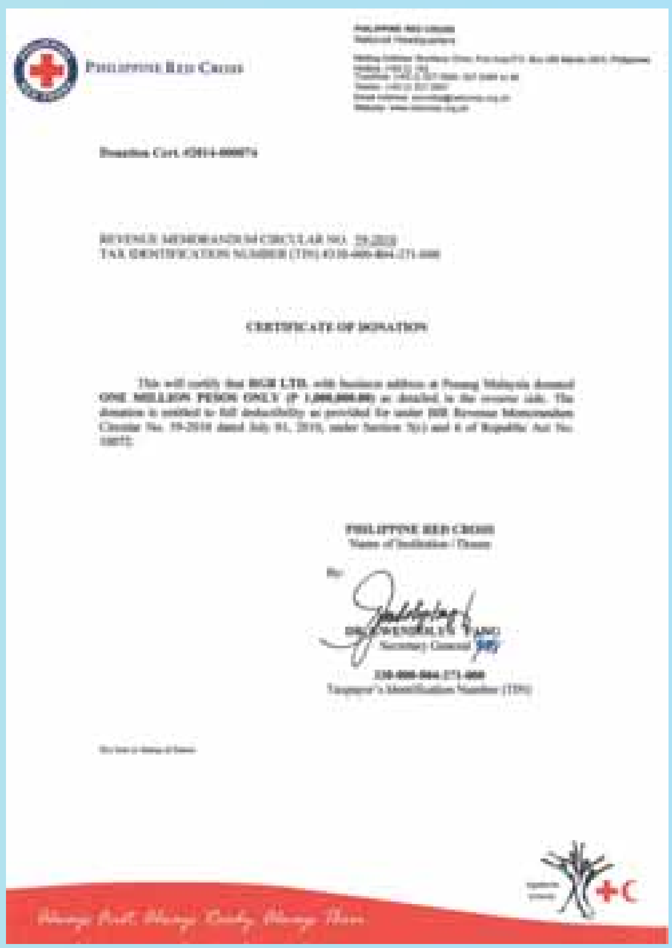
'RGB Gives Back' is the Group's philanthropic effort and is driven by our commitment to add value to the communities where we operate. Throughout 2013, the Group has made cash donations to various charitable bodies in the countries where we have operations as part of our efforts to benefit the communities that have been supporting.

Among one of the charitable bodies which RGB donated was Yayasan Anak-Anak Yatim Sultanah Haminah, a foundation established to seek funds from financial contribution to run programs and activities to help orphans in need of support, guidance and encouragement.

Apart from contributing to charity organisations in Malaysia, RGB also donated to Philippine Red Cross, in the Philippines, which is a premiere humanitarian organisation in the country, committed to provide quality life-saving services that protect the life and dignity in vulnerable situations.

The spirit of giving at RGB has been initiated in the past years and we intend to continue giving as and when the need arises.

▲ Donation to Philippine Red Cross



Philippine Red Cross

CERTIFICATE OF DONATION

PHILIPPINE RED CROSS

▲ Certificate of Donation from Philippine Red Cross

SUSTAINABILITY POLICY

1. OVERVIEW

1.1 RGB International Bhd. ("the Company") and its subsidiary companies ("the Group") are committed to achieving sustainability in all of its businesses.

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

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

2. PRINCIPLES

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

(a) **Marketplace**

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

(b) **Environment**

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

(c) **Workplace**

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

(d) **Community**

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

3. ADMINISTRATIVE RESPONSIBILITY

3.1 The Board of Directors of the Company ("the Board") is principally responsible for the Group's sustainability strategy and performance.

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

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

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

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

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

INVESTOR RELATIONS

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

COMMUNICATION CHANNELS

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

In 2013, the Company held 2 analysts' briefings to present the results for the financial year ended ("FYE") 31 December 2012 and first half results for FYE 2013. These briefings collectively attracted positive response from the financial investing community. The Company will continue with these briefings at least twice annually as part of its effort to encourage more direct engagement and open discussions with the financial investing community.

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

The Company also initiated familiarisation visits to its operation sites in the Philippines and Cambodia during the year for a financial institution. 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 opinions and engage with the Board and senior management at general meetings of the Company. They are encouraged to seek clarification from Board members and senior management on all issues relevant to the Group at such meetings.

ENHANCEMENT OF ACCESS VIA INTERNET

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

The webpage was revamped to improve information accessibility and increase site friendliness to shareholders and the broader investing community.

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

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

KEY SUPPLIER FOR SSM PRODUCTS

SHFL entertainment

SPIELO International

R.Franco

RGB

GPI

WMS
A SCIENTIFIC GAMES COMPANY

MERKUR GAMING
MEMBER OF THE GAUSELMANN GROUP

ZITRO

CORPORATE GOVERNANCE STATEMENT

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

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

The Board is pleased to present this statement for the year ended 31 December 2013 outlining the applications of the Principles and Recommendations as set out in the MCCG 2012.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Clear functions of the Board and Management

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

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

Clear roles and responsibilities

In addition to statutory and legal responsibilities, the Board assumed, amongst 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.

Formalised ethical standards through Code of Ethics and Conduct

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

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

The Board has revised the Whistleblowing Policy on 17 April 2014 and has published it on the Company's website (http://www.rgbgames.com). This Policy provides a platform for the employees and stakeholders of the Group to report any illegal/improper action and/or wrongdoing by the employees and/or the management of the Group. The Audit Committee is responsible to oversee the implementation of this Policy and update the Board on issues that require their attention and approval.

CORPORATE GOVERNANCE STATEMENT

Strategies promoting sustainability

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

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

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

Access to information and advice

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

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

The Directors are regularly updated by the Company 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 within the Group and may obtain independent professional advice at the Company's expense in the furtherance of their duties.

Qualified and competent Company Secretaries

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

Board Charter

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

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

The Board Charter comprises, amongst others, the following matters:
- Role of the Board
- Role of the Chairman and Managing Director
- Role of the Board Committees
- Board balance and mix
- Tenure of Directors
- Nomination and appointments
- Company Secretary
- Board's relationship with shareholders
- Processes of the Board meetings
- Access to information
- Directors' training

CORPORATE GOVERNANCE STATEMENT

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

The Board acknowledges the essential of boardroom diversity in terms of experience, skills, expertise, competencies and gender to enhance board effectiveness and performance. The Board has set the target to have at least two (2) female Directors by 2016. With Ms. Lam Voon Kean joined the Board on 31 March 2014; the Company currently has one (1) female Director. The Board through its Nomination Committee will continue to take steps to ensure that women candidates are sought as part of its recruitment exercise.

Board Committees

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

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

a) Audit Committee

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

b) Nomination Committee

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

c) Remuneration Committee

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

Ms. Lam Voon Kean was appointed as member of Remuneration Committee on 31 March 2014 in replacement of Mr. Ooi Teng Chew who retired on 31 December 2013. Datuk Norazman Bin Hamidun, PJN, DSDK, AMK, JP was also subsequently appointed as member of Remuneration Committee on 1 April 2014.

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

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

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

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

Fees are to be paid to Directors only with the approval of shareholders at Annual General Meeting ("AGM").

During the year under review, the Remuneration Committee met and deliberated on remuneration package of the Executive Directors and key management team for year 2013.

CORPORATE GOVERNANCE STATEMENT

d) ESOS Committee

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

The ESOS Committee was restructured on 31 March 2014 as follows:
- Mr. Ng Eng Tong - Chairman
- Dato' Mahinder Singh Dulku, DSPN, PKT - Member
- Mr. Steven Lim Tow Boon, BKM - Member
- Ms. Lam Voon Kean - Member

On 1 April 2014, Datuk Norazman Bin Hamidun, PJN, DSDK, AMK, JP was also appointed as a member of the ESOS Committee.

During the financial year under review, the Committee met twice to deliberate on the allocation of shares under ESOS to eligible Directors and employees of the Group.

e) CRRA Committee

The CRRA Committee is tasked to:
i) oversee the functions of the Credit Control and Risk Assessment Department.
ii) undertake Enterprise Risk Management review of the Group.
iii) maintain the Group's risk register.
iv) establish risk management policies and guidelines.

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

f) Executive Committee

The Executive Committee is responsible for overseeing the management of the Group and receives regular management information including updates from each business area. The Executive Committee comprises of five (5) Executive Directors and four (4) Subsidiary Directors. The Committee meets at least once every two (2) months. The salient TOR of the Executive Committee is to discuss and agree on following matters from the Group's perspective:
i) Overall policy matters for the Group.
ii) Group coordination between operations and services.
iii) Financial performance.
iv) Strategic direction.
v) Corporate human resource initiatives.
vi) Market strategy & intelligence and investor relations.
vii) Marketing & branding.
viii) Internal compliance (e.g. Internal Audit and Risk Management Framework).
ix) Prioritising the allocation of capital, technical and human resources of the Company and the Group.
x) Establishing best management practices and functional standards for the Company and the Group.
xi) To monitor the execution of the Company's strategic plans and operations of all business units of the Company and safeguard the interests of the Company and to further strengthen the strategy, business objectives and targets established by the Board.
xii) To recommend to the Board improvement/changes to the scope of the authority delegated to the operational management and the corporate management.
xiii) To ensure the maintenance and regular review of the organisation's policy and procedure manual.
xiv) To review, on a regular basis its own performance, constitution and TOR to ensure it is operating at maximum effectiveness and where necessary, updating these TOR.
xv) To oversee senior management appointments and the monitoring of senior management performance of the Company and the Group's affairs, succession planning and continuing Group-wide employees development programme, including training, evaluation procedures, employment conditions and reward and recognition practices; and to monitor the quarterly progress of achievements of Group's budget.

2. STRENGTHEN COMPOSITION

Nomination Committee

The Nomination Committee has amended its TOR on 17 April 2014 to elucidate that the chair of Nomination Committee should be the senior independent director identified by the Board.The TOR of Nomination Committee provides that the Committee shall comprise exclusively of Non-Executive Directors with minimum three (3) members in total, a majority of whom being independent. In the event of any vacancy in the Committee, the Board must fill the vacancy within three (3) months and appoint such number of new members as may be required to make up the minimum of three (3) members.

Ms. Lam Voon Kean was appointed as member of Nomination Committee on 31 March 2014 to replace the former Independent Non-Executive Director, Mr. Ooi Teng Chew who served as Nomination Committee member since 25 February 2004 until his retirement on 31 December 2013. On 1 April 2014, Datuk Norazman Bin Hamidun, PJN, DSDK, AMK, JP was also appointed as member of Nomination Committee. Mr. Ng Eng Tong was re-designated as Senior Independent Non-Executive Director to replace Dato' Mahinder Singh Dulku, DSPN, PKT, who has been appointed as the Chairman of the Board on 31 March 2014, to hold the chairmanship of Nomination Committee.

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

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

ii) To annually assess the effectiveness of the Board as a whole, the Board Committees and the contribution of each Director, including the Independent Non-Executive Directors and the Managing Director/Chief Operating Officer. All assessment and evaluations carried out by the Nomination Committee in the discharge of all its functions should be properly documented.

iii) To recommend to the Board, candidates to fill the seats on Board Committees.

iv) To assist the Board in an annual review of the required mix of skills, experience and other qualities, including core competencies, which the Non-Executive Directors should bring to the Board.

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

vi) To review the balance of Executive and Non-Executive Directors (including Independent Directors) with an aim to achieve a balance of views on the Board.

vii) To ensure a formal and transparent procedure for the appointment of new Directors to the Board.

viii) To recommend individuals for nomination as members of the Board by assessing the desirability of renewing existing Directorships.

ix) To facilitate the annual board effectiveness assessment, through the Board and Directors' self evaluation forms.

x) To report periodically to the Board on succession planning for the Board Chairman and Managing Director.

CORPORATE GOVERNANCE STATEMENT

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

i) Review the balance of Executive and Non-Executive Directors (including Independent Directors) with an aim to achieving a balance of views on the Board.
ii) Review the required mix of skills and experience and other qualities, including core competencies of the members of the Board.
iii) Review the level of independence of Independent Directors.
iv) Discuss the character, experience, integrity and competence of the Directors, Managing Director or Finance Director and to ensure they have the time to discharge their respective roles.
v) Assess contribution of each individual Director, the effectiveness of the Board as a whole and the Committees of the Board.
vi) Discuss retirement and re-election of Directors at the forthcoming AGM.
vii) Review the continuation in office of Independent Non-Executive Chairman who had reached the recommended cumulative 9-year tenure as Independent Director.
viii) Review its TOR to be in line with MCCG 2012.

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

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

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

The Nomination Committee conducts annual performance evaluation of each Director, the Board and Board Committees based on self and peer assessment approach for continuous improvement. The skills and experience of each Director is analysed, inter-alia, in the areas of general management/business, project management, taxation, human resource, banking, information technology, marketing/sales, accounting/audit and legal.

In conjunction with the implementation of the Board's nine (9) year policy for Independent Non-Executive Directors to ensure continued effective functioning of the Board, the Board composition was refreshed in March 2014 and April 2014 with new experience, knowledge, and expertise in the areas of business/finance and industry development, to complement the remaining Directors on the Board, in meeting the current and future needs of the Group. The review process involved the Nomination Committee's consideration and submission to the Board its recommendation of suitable candidates for the proposed appointment as Directors of the Company. With the Board's approval of the Nomination Committee's recommendation on 17 March 2014, Ms. Lam Voon Kean and Datuk Norazman Bin Hamidun, PJN, DSDK, AMK, JP were appointed as members of the Board.

The Board, upon the assessment and recommendation made by the Nomination Committee, is satisfied and believed that the individuals chosen and appointed to the Board are of high calibre, integrity and experienced and can be entrusted to discharge their duties and responsibilities effectively.

Remuneration policies

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

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

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

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

The aggregate Directors' Remuneration paid or payable to all Directors of the Company by the Group and categorised into appropriate components for the financial year ended 31 December 2013 is as follows:

Directors	**Salaries/Other Emoluments (RM)**	**Fees (RM)**	**Share Options granted under ESOS (RM)**	**Total (RM)**
Executive	1,654,870	-	31,343	1,686,213
Non-Executive	32,000	258,720	39,926	330,646

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

	No. of Directors	
Remuneration bands	**Executive**	**Non-Executive**
RM50,000 – RM100,000	-	1
RM100,001 – RM150,000	-	2
RM200,001 – RM250,000	1	-
RM250,001 – RM300,000	2	-
RM450,001 – RM500,000	2	-

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

3. REINFORCE INDEPENDENCE

Annual Assessment of Independence

The Nomination Committee had conducted an evaluation of level of independence of the three (3) Independent Non-Executive Directors of the Company in 2013 and the Board is satisfied with the level of independence demonstrated by the said three (3) Independent Non-Executive Directors and their ability to act in the best interest of the Company.

Tenure of Independent Directors

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

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

Separation of positions of the Chairman and Managing Director

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

CORPORATE GOVERNANCE STATEMENT

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

Composition of the Board

The Board is currently comprised of five (5) Executive Directors and four (4) Independent Non-Executive Directors. The composition complies with the MCCG 2012 and MMLR of Bursa Securities in respect of board composition.

Ms. Lam Voon Kean was appointed to the Board as Independent Non Executive Director on 31 March 2014 in replacement of Mr. Ooi Teng Chew who retired on 31 December 2013.

On 1 April 2014, Datuk Norazman Bin Hamidun, PJN, DSDK, AMK, JP was also appointed to the Board as Independent Non-Executive Director.

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

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

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

4. FOSTER COMMITMENT

Time commitment

The Board meets at least four (4) times a year, with additional meetings convened as necessary. The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Group. This is evidenced by the attendance record of the Directors at Board meetings for financial year ended 31 December 2013, as set out in the table below.

Directors	Attendance
Dato' Mahinder Singh Dulku, DSPN, PKT	5/6
Datuk Chuah Kim Seah, DMSM, DSDK, JP	4/6
Steven Lim Tow Boon, BKM	6/6
Mazlan Ismail	6/6
Chuah Kim Chiew	5/6
Chuah Eng Hun	3/6
Ng Eng Tong	5/6
Ooi Teng Chew (retired on 31 December 2013)	6/6

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

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

CORPORATE GOVERNANCE STATEMENT

Training

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

Seminars, development and training programmes attended by the Directors in 2013 encompassed various topics as outlined below:

Board & Corporate Governance	• Advocacy Sessions on Corporate Disclosure • Building a Better Business through Diversity
Financial Management	• Ernst & Young 2014 Budget Seminar • Post Budget 2013 - Tax Planning • Real Property Gains Tax - Latest Developments and Practical Issues • National Seminar on Taxation 2013
Industry related	• Global Gaming Expo Asia ("G2E Asia") 2013 • Global Gaming Expo ("G2E") 2013 • Macao Gaming Show 2013 • RGB Slot Seminar Programme

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

Compliance with applicable financial reporting standards

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

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

In the preparation of the financial statements for the year ended 31 December 2013, the Directors are satisfied that the Group had used appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgment and estimates.

Assessment of suitability and independence of external auditors

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

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

The Audit Committee has assessed the independence of the external auditors of the Company prior to recommendation to the Board for endorsement before seeking shareholders' approval for re-appointment at the forthcoming AGM. The Audit Committee is satisfied with the external auditors' technical capability and audit independence.

CORPORATE GOVERNANCE STATEMENT

6. RECOGNISE AND MANAGE RISKS

Sound framework to manage risks

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

Internal audit function

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

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

7. ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policy

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

In line with increased investor awareness for greater accountability and transparency, the Board has formalised a Corporate Disclosure Policy in 2013 which is in line with requirements of MMLR of Bursa Securities to enable comprehensive, timely and accurate disclosures on the Group to the regulators, shareholders and other stakeholders.

Leverage on information technology for effective dissemination of information

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

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

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

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

8. STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Encourage shareholder participation at general meetings

The Company provides additional time for the shareholders to make necessary arrangement to attend the AGM of the Company, either in person or by proxy, by giving 28-day notice instead of the 21-day requirement under the Companies Act, 1965 and MMLR of Bursa Securities.

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

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

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

Encourage poll voting

No substantive resolutions were put forth for shareholders' approval via polling at the 10th AGM of the Company. The Chairman had informed the shareholders of their right to demand a poll vote at the commencement of the 10th AGM.

Effective communication and proactive engagement

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

The 10th AGM of the Company was held on 28 May 2013 at The Gurney Resort Hotel & Residences attended by all the Directors and Company Secretaries. All resolutions proposed were approved by the shareholders at the AGM. The Board, senior management and the Company's external auditors, Messrs. BDO were present to answer questions raised and provide clarification as required by the shareholders.

COMPLIANCE STATEMENT

The Corporate Governance Statement is established by the Board in conjunction with the Board's approach and consideration of how the Company has, throughout the financial year, applied the principles and recommendations in the MCCG 2012 in conjunction with the MMLR of Bursa Securities. This Statement provides the information necessary on how the MCCG 2012 has been applied during the financial year ended 31 December 2013 and up-to-date.

This statement is issued in accordance with a resolution of the Directors dated 17 April 2014.

AUDIT COMMITTEE REPORT

MEMBERS

Lam Voon Kean, Chairman *(appointed on 31 March 2014)*	- Independent Non-Executive Director
Dato' Mahinder Singh Dulku, DSPN, PKT	- Independent Non-Executive Chairman
Ng Eng Tong	- Senior Independent Non-Executive Director
Datuk Norazman Bin Hamidun, PJN, DSDK, AMK, JP *(appointed on 1 April 2014)*	- Independent Non-Executive Director
Ooi Teng Chiew *(retired on 31 December 2013)*	- Independent Non-Executive Chairman

Secretaries of the Audit Committee

Lee Yap Kuan (MAICSA 7003482)
Woon Mei Ling (MAICSA 7047736)

COMPOSITION

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

In compliance with paragraph 15.09(1)(c)(i) of the MMLR of Bursa Securities, Ms. Lam Voon Kean who is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants, was appointed as Independent Non-Executive Director of the Company and also Chairman of the Committee with effect from 31 March 2014 to replace our former Independent Non-Executive Chairman, Mr. Ooi Teng Chew who has retired on 31 December 2013.

Datuk Norazman Bin Hamidun, PJN, DSDK, AMK, JP was also appointed as member of the Audit Committee on 1 April 2014.

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

SUMMARY OF THE 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 three (3) members all of whom shall be non-executive and financially literate, a majority of whom are Independent Non-Executive Directors.

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

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

AUDIT COMMITTEE REPORT

The Board shall at all times ensure that at least one (1) member of the Committee shall be:
(i) a member of the Malaysian Institute of Accountants ("MIA"); or
(ii) if he or she is not a member of MIA, he or she must have at least three (3) years of working experience and:
  (a) he or she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  (b) he or she must be a member of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
(iii) fulfils such other requirements as prescribed or approved by 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 risk based internal audit programme, processes, the results of the risk based internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken by management on the recommendations of the internal auditors;
(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 interests 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;

AUDIT COMMITTEE REPORT

(j) to review the co-ordination of the audit approach and ensure coordination where more than one audit firm of external auditors is involved and the co-ordination between the external and internal auditors;
(k) to discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
(l) to review the external auditors' 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.

Meetings

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

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

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

The 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.

A total of five (5) meetings were held during the financial year ended 31 December 2013. Details of the attendance of the members at the meetings are as follows:

Directors	Attendance
Dato' Mahinder Singh Dulku, DSPN, PKT	5/5
Ng Eng Tong	4/5
Ooi Teng Chew (retired on 31 December 2013)	5/5

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES

The main activities undertaken by the Committee for the financial year ended 31 December 2013 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 reports, which highlighted the audit issues, recommendations and management's response. Discussed with management the corrective actions taken to improve the system of internal control based on improvement opportunities identified in the internal audit reports.
(c) Reviewed the annual report and the audited financial 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.
(d) Reviewed the risk based internal audit plan, its scope of work, functions, competency and resources and that it has the necessary authority to carry out its work.
(e) Discussed with external auditors on their audit plan and scope of work for the year as well as the audit procedures to be utilised.
(f) Considered the appointment of external auditors.
(g) Reviewed the recurrent related party transactions of a revenue or trading nature and other related party transactions entered into by the Group.
(h) Discussed the audit findings from the external and internal auditors.
(i) Verified the allocation of options under ESOS.
(j) Convened two (2) meetings with external auditors in the absence of executive directors and the management staff.
(k) Reviewed the report from CRRA Committee.
(l) Reviewed the Group's policy and procedure for related party transactions.

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 according to the risk based internal audit plan which has been approved by the Audit Committee.

The costs incurred for the internal audit function of the Company and the Group for 2013 is RM81,500.

STATEMENT ON EMPLOYEES' SHARE OPTION SCHEME

The Audit Committee has reviewed and verified that the allocation of share options pursuant to the ESOS to eligible directors and employees of RGB Group granted on 11 December 2013 had been made according to the eligibility and entitlement criteria determined by the ESOS Committee and the share options have been granted in accordance with the Bye-Laws.

This report is made pursuant to a resolution of the Board of Directors dated 17 April 2014.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

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

Board's Responsibility

The Board acknowledges its overall responsibility for the Group's system of internal control and risk management to safeguard shareholders' investment and the Group's assets as well as reviewing its adequacy and integrity.

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

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

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

Risk Management

Risk management is firmly embedded in the Group's key processes through its Enterprise Risk Management framework, in line with Recommendation 6.1 of the MCCG 2012. The adopted Enterprise Risk Management framework includes an on-going risk management process carried out by CRRA Committee. For each of the key risks identified, the respective divisional head or manager is responsible to continuously monitor the implementation of risk mitigation action plans.

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

During the year, an outsourced professional service provider ("the appointed firm") is appointed to assist in the facilitation of Enterprise Risk Management update to the Group. The update will be reported to the Board and CRRA Committee in May 2014.

Apart from reviewing the Risk Management updates from the appointed firm, during the year, CRRA Committee has also deliberated and reported to the Board on the following matters:

i) Evaluate the feasibility and inherent risks from proposed new investments and ventures prior to commencement;
ii) Review and evaluate the progress of turnaround for non-performing investments and ventures;
iii) Review and evaluate feasibility of proposed capital expenditures prior to acquisition;
iv) Monitor trade collection and recommend appropriate actions to recover overdue debts, if any;
v) Evaluate and review special credit term (up to 24 months) offered to selected customers;
vi) Review adequacy of provision for doubtful debts on trade receivables and any write-off of debts as required;
vii) Review new business, leasing and Technical Support and Management Agreements;
viii) Evaluate the conversion of existing Commercial Papers/Medium Term Notes ("CP/MTN") Programme to unrated CP/MTN Programme; and
ix) Evaluate the disposals of an associate company and a subsidiary company.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Internal Audit Function

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

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

(a) Limits of Authority and Responsibility

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

(b) Written Policies and Procedures

A set of documented internal policies and procedures for operational, financial and human resource management is in place and is subject to regular review and improvement. This helps to ensure internal control principles and mechanisms are embedded in the operations of the Group.

(c) Planning, Monitoring and Reporting

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

Insurance

Sufficient insurance over major assets are in place to ensure that the Group assets are adequately covered against any calamity and mishap that may result in material losses to the Group.

Adequacy and effectiveness of the Group's risk management and internal control systems

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

Pursuant to paragraph 15.23 of the MMLR of Bursa Securities, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 31 December 2013 and reported to the Board that nothing has come to their attention that caused them to believe that the statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the system of risk management and internal controls.

This statement was made in accordance with a resolution of the Board of Directors dated 17 April 2014.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2013

FINANCIAL CALENDAR

2013

27 FEBRUARY

Announcement of the consolidated results for the 4th quarter and financial year ended 31 December 2012

30 APRIL

Announcement of the audited consolidated results for the financial year ended 31 December 2012

28 MAY

10th Annual General Meeting

Announcement of the consolidated results for the 1st quarter ended 31 March 2013

26 AUGUST

Announcement of the consolidated results for the 2nd quarter ended 30 June 2013

26 NOVEMBER

Announcement of the consolidated results for the 3rd quarter ended 30 September 2013

2014

28 FEBRUARY

Announcement of the consolidated results for the 4th quarter and financial year ended 31 December 2013

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

RESULTS

	Group RM	Company RM
Profit for the financial year	5,965,791	14,989,482
Profit for the financial year attributable to:		
Owners of the parent	6,656,910	14,989,482
Non-controlling interests	(691,119)	-
	5,965,791	14,989,482

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors have proposed a final single-tier dividend of 0.05 sen per ordinary share amounting to RM579,556 in respect of the financial year ended 31 December 2013, subject to the approval of members at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM115,118,910 to RM115,911,170 by way of issuance of 7,922,600 ordinary shares of RM0.10 each for cash pursuant to the Company's Employees' Share Option Scheme ("ESOS") at a weighted average issue price of RM0.10 per ordinary share.

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

DIRECTORS' REPORT

OPTIONS GRANTED OVER UNISSUED SHARES

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

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

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

	Number of options over ordinary shares of RM0.10 each					
Grant Date	Outstanding at 1 January 2013 '000	Granted '000	Exercised '000	Forfeited '000	Outstanding at 31 December 2013 '000	Exercisable at 31 December 2013 '000
2010 Options:						
Grant 1	61,286	-	(7,811)	(797)	52,678	52,678
2012 Options:						
Grant 2	2,827	-	(89)	(218)	2,520	1,650
Grant 3	10,908	-	(23)	(352)	10,533	5,257
2013 Options:						
Grant 4	-	4,683	-	-	4,683	1,171
	75,021	4,683	(7,923)	(1,367)	70,414	60,756

The Company has been granted exemption by the Companies Commission of Malaysia vide its letter dated 25 March 2014 from having to disclose the list of option holders to whom options have been granted during the financial year and details of their holdings pursuant to Section 169(11) of the Companies Act, 1965 in Malaysia except for information of employees who were granted 129,600 options and above.

The name of option holders other than Directors who were granted options to subscribe for 129,600 or more ordinary shares of RM0.10 each during the financial year are as follows:

	Number of options over ordinary shares of RM0.10 each			
	Grant date, 11 December 2013	Exercised	Forfeited	31 December 2013
Tan Hui Eng	457,200	-	-	457,200
Lagn Vibol	196,000	-	-	196,000
Khoo Boo Leong	166,000	-	-	166,000
Gooi Chin Chiew	161,600	-	-	161,600
Liew Ming Kong	153,600	-	-	153,600
Seah Kai Lun	152,000	-	-	152,000
Ong Chee Seang	145,200	-	-	145,200
Bun Ka	145,200	-	-	145,200
Ang Chen Ling	130,800	-	-	130,800
Lim Kok Siang	129,600	-	-	129,600

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

DIRECTORS' REPORT

DIRECTORS

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

Dato' Mahinder Singh Dulku, DSPN, PKT
Datuk Chuah Kim Seah, DMSM, DSDK, JP
Lim Tow Boon, BKM
Mazlan Ismail
Chuah Kim Chiew
Chuah Eng Hun
Ng Eng Tong
Lam Voon Kean (appointed on 31 March 2014)
Datuk Norazman Bin Hamidun, PJN, DSDK, AMK, JP (appointed on 1 April 2014)
Ooi Teng Chew (retired on 31 December 2013)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and options over ordinary shares in the Company and of its related corporations during the financial year ended 31 December 2013 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia were as follows:

	Number of ordinary shares of RM0.10 each			
	1 January 2013	Acquired	Sold	31 December 2013
The Company				
Direct interests:				
Dato' Mahinder Singh Dulku, DSPN, PKT	140,000	-	-	140,000
Datuk Chuah Kim Seah, DMSM, DSDK, JP	337,850,290	-	-	337,850,290
Lim Tow Boon, BKM	5,434,500	3,000,000	(3,794,000)	4,640,500
Mazlan Ismail	1,740,000	-	(1,740,000)	-
Chuah Kim Chiew	26,764,194	-	-	26,764,194
Indirect interests:				
Datuk Chuah Kim Seah, DMSM, DSDK, JP	1,753,800	-	-	1,753,800
Mazlan Ismail	149,031,986	-	(20,000,000)	129,031,986
Chuah Kim Chiew	1,603,800	-	-	1,603,800

	Number of options over ordinary shares of RM0.10 each			
	1 January 2013	Exercised	Forfeited	31 December 2013
The Company				
Dato' Mahinder Singh Dulku, DSPN, PKT	4,000,000	-	-	4,000,000
Datuk Chuah Kim Seah, DMSM, DSDK, JP	10,000,000	-	-	10,000,000
Lim Tow Boon, BKM	8,000,000	(2,000,000)	-	6,000,000
Mazlan Ismail	6,000,000	-	-	6,000,000
Chuah Kim Chiew	6,000,000	-	-	6,000,000
Chuah Eng Hun	6,000,000	-	-	6,000,000
Ng Eng Tong	4,000,000	-	-	4,000,000

DIRECTORS' INTEREST (Continued)

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

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

DIRECTORS' BENEFITS

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

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

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

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

(a) 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

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

(ii) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than impairment of amount due from a subsidiary written back, impairment of investment in a joint venture written back, impairment of property, plant and equipment written back and impairment on trade receivables written back as disclosed in Note 11 to the financial statements.

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

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

(a) which would render 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 material extent;

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

(c) 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.

DIRECTORS' REPORT

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

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

(iv) In the opinion of the Directors:

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

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

(III) AS AT THE DATE OF THIS REPORT

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

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

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events are disclosed in Note 46 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

Details of subsequent events are disclosed in Note 47 to the financial statements.

AUDITORS

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

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

Lim Tow Boon, BKM
Director

Mazlan Ismail
Director

Penang
17 April 2014

STATEMENT BY DIRECTORS

In the opinion of the Directors, the accompanying financial statements set out on pages 54 to 148 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 48 to the financial statements on page 149 has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board,

Lim Tow Boon, BKM
Director

Mazlan Ismail
Director

Penang
17 April 2014

STATUTORY DECLARATION

I, Teh Mun Hui, being the officer primarily responsible for the financial management of RGB International Bhd., do solemnly and sincerely declare that the financial statements set out on pages 54 to 149 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed at Georgetown
in the State of Penang
on 17 April 2014

Teh Mun Hui

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF RGB INTERNATIONAL BHD.

Report on the Financial Statements

We have audited the financial statements of RGB International Bhd., which comprise statements of financial position as at 31 December 2013 of the Group and of the Company, and statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 54 to 148.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

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

Other Reporting Responsibilities

The supplementary information set out in Note 48 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

BDO
AF: 0206
Chartered Accountants

KOAY THEAM HOCK
No. 2141/04/15 (J)
Chartered Accountant

Penang
17 April 2014

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Revenue	7	139,634,672	187,397,855	15,395,500	12,231,400
Costs of sales	8	(98,259,287)	(152,431,742)	-	-
Gross profit		41,375,385	34,966,113	15,395,500	12,231,400
Other income	9	2,759,669	3,780,395	1,236,742	1,296,789
Administrative expenses		(23,667,542)	(24,772,041)	5,112,160	4,289,335
Selling and marketing expenses		(2,718,632)	(2,249,868)	-	-
Other (expenses)/gain, net		(3,717,256)	4,873,998	381,651	(450,690)
Finance costs	10	(8,219,209)	(9,377,551)	(7,100,571)	(7,579,956)
Share of results of a joint venture	19	-	(241)	-	-
Share of results of associates	20	717,823	(1,087,323)	-	-
Profit before tax	11	6,530,238	6,133,482	15,025,482	9,786,878
Tax expense	14	(564,447)	(97,397)	(36,000)	-
Profit for the financial year		5,965,791	6,036,085	14,989,482	9,786,878
Other comprehensive income/(loss), net of tax:					
Items that may be reclassified subsequently to profit or loss					
- Foreign currency translation, representing other comprehensive income/(loss) for the financial year		11,394,618	(8,254,501)	-	-
Total comprehensive income/(loss) for the financial year		17,360,409	(2,218,416)	14,989,482	9,786,878
Profit attributable to:					
Owners of the parent		6,656,910	6,717,199	14,989,482	9,786,878
Non-controlling interests		(691,119)	(681,114)	-	-
		5,965,791	6,036,085	14,989,482	9,786,878
Total comprehensive income/(loss) attributable to:					
Owners of the parent		17,031,892	(337,230)	14,989,482	9,786,878
Non-controlling interests		328,517	(1,881,186)	-	-
		17,360,409	(2,218,416)	14,989,482	9,786,878
Earnings per ordinary share attributable to owners of the parent:					
Basic	15(a)	0.58	0.58		
Diluted	15(b)	0.57	0.58		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Assets					
Non-current assets					
Property, plant and equipment	17	115,179,581	107,841,308	18,342	12,056
Investments in subsidiaries	18	-	-	171,433,980	171,305,343
Investments in joint ventures	19	-	244,204	-	-
Investments in associates	20	127,760	584,782	-	-
Intangible assets	22	6,495,839	909,714	-	-
Other receivables	25	181,202	345,808	-	-
		121,984,382	109,925,816	171,452,322	171,317,399
Current assets					
Inventories	23	4,358,941	8,043,298	-	-
Trade receivables	24	41,362,745	62,088,067	-	-
Other receivables	25	8,202,573	9,904,489	73,265	225,806
Tax recoverable		227,616	188,172	323,190	109,190
Due from subsidiaries	26	-	-	13,947,403	18,743,051
Due from associates	28	2,951,851	2,404,562	-	-
Cash and cash equivalents	30	36,989,389	30,638,298	7,585,718	2,041,063
		94,093,115	113,266,886	21,929,576	21,119,110
Assets of disposal group classified as held for sale	31	1,241,653	7,364,083	-	-
		95,334,768	120,630,969	21,929,576	21,119,110
Total assets		217,319,150	230,556,785	193,381,898	192,436,509
Equity and liabilities					
Equity attributable to owners of the parent					
Share capital	32	115,911,170	115,118,910	115,911,170	115,118,910
Share premium	33	14,409,433	14,372,872	14,409,433	14,372,872
Foreign currency translation reserve	33	(19,317,949)	(30,187,220)	-	-
Share option reserve	33	513,411	375,870	513,739	376,142
Accumulated losses	33	(36,554,270)	(40,185,014)	(1,946,999)	(16,936,481)
		74,961,795	59,495,418	128,887,343	112,931,443
Non-controlling interests	18	14,594,175	9,027,391	-	-
Total equity		89,555,970	68,522,809	128,887,343	112,931,443

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Non-current liabilities					
Borrowings	35	48,168,209	65,083,617	47,748,100	64,300,000
Other payables	39	209,149	-	-	-
Deferred tax liabilities	37	189,740	194,604	-	-
		48,567,098	65,278,221	47,748,100	64,300,000
Current liabilities					
Borrowings	35	25,794,298	25,246,880	12,323,411	6,466,028
Trade payables	38	36,312,933	48,831,219	-	-
Other payables	39	16,039,187	20,499,702	826,631	427,086
Due to a subsidiary	26	-	-	3,596,413	8,126,678
Due to a joint venture	27	-	185,274	-	185,274
Due to associates	28	70,398	531,918	-	-
Due to minority shareholder of a subsidiary	29	876,987	890,421	-	-
Tax payable		20,000	20,000	-	-
		79,113,803	96,205,414	16,746,455	15,205,066
Liabilities of disposal group classified as held for sale	31	82,279	550,341	-	-
		79,196,082	96,755,755	16,746,455	15,205,066
Total liabilities		127,763,180	162,033,976	64,494,555	79,505,066
Total equity and liabilities		217,319,150	230,556,785	193,381,898	192,436,509

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		Attributable to owners of the parent							
			Non-distributable						
Group	Note	Share capital RM	Share premium RM	Foreign currency translation reserve RM	Share option reserve RM	Accumulated losses RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 January 2013		115,118,910	14,372,872	(30,187,220)	375,870	(40,185,014)	59,495,418	9,027,391	68,522,809
Profit for the financial year		-	-	-	-	6,656,910	6,656,910	(691,119)	5,965,791
Foreign currency translations		-	-	10,374,982	-	-	10,374,982	1,019,636	11,394,618
Total comprehensive income for the financial year		-	-	10,374,982	-	6,656,910	17,031,892	328,517	17,360,409
Transactions with owners:									
Dilution from change in stake	18	-	-	494,289	(56)	(3,026,166)	(2,531,933)	2,531,933	-
Deconsolidation of a subsidiary		-	-	-	-	-	-	1,637	1,637
Issue of ordinary shares pursuant to ESOS	32	792,260	36,561	-	(36,561)	-	792,260	-	792,260
Share option granted under ESOS	12	-	-	-	174,158	-	174,158	-	174,158
Subscription of ordinary shares by the non-controlling interests in a subsidiary	18	-	-	-	-	-	-	2,704,697	2,704,697
Total transactions with owners		792,260	36,561	494,289	137,541	(3,026,166)	(1,565,515)	5,238,267	3,672,752
At 31 December 2013		115,911,170	14,409,433	(19,317,949)	513,411	(36,554,270)	74,961,795	14,594,175	89,555,970
At 1 January 2012		115,118,910	14,372,872	(23,132,791)	213,313	(47,127,640)	59,444,664	6,321,818	65,766,482
Profit for the financial year		-	-	-	-	6,717,199	6,717,199	(681,114)	6,036,085
Foreign currency translations		-	-	(7,054,429)	-	-	(7,054,429)	(1,200,072)	(8,254,501)
Total comprehensive loss for the financial year		-	-	(7,054,429)	-	6,717,199	(337,230)	(1,881,186)	(2,218,416)
Transactions with owners:									
Accretion from change in stake		-	-	-	-	225,427	225,427	(225,427)	-
Share option granted under ESOS	12	-	-	-	162,557	-	162,557	(44)	162,513
Subscription of ordinary shares by the non-controlling interests in a subsidiary		-	-	-	-	-	-	4,812,230	4,812,230
Total transactions with owners		-	-	-	162,557	225,427	387,984	4,586,759	4,974,743
At 31 December 2012		115,118,910	14,372,872	(30,187,220)	375,870	(40,185,014)	59,495,418	9,027,391	68,522,809

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

Company	Note	Share capital RM	← Non-distributable Share premium RM	Share option reserve RM →	Accumulated losses RM	Total equity RM
At 1 January 2013		115,118,910	14,372,872	376,142	(16,936,481)	112,931,443
Profit for the financial year		-	-	-	14,989,482	14,989,482
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income for the financial year		-	-	-	14,989,482	14,989,482
Transactions with owners:						
Issue of ordinary shares pursuant to ESOS	32	792,260	36,561	(36,561)	-	792,260
Share option granted under ESOS	12	-	-	174,158	-	174,158
Total transactions with owners		792,260	36,561	137,597	-	966,418
At 31 December 2013		115,911,170	14,409,433	513,739	(1,946,999)	128,887,343
At 1 January 2012		115,118,910	14,372,872	213,629	(26,723,359)	102,982,052
Profit for the financial year		-	-	-	9,786,878	9,786,878
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income for the financial year		-	-	-	9,786,878	9,786,878
Transactions with owners:						
Share option granted under ESOS	12	-	-	162,513	-	162,513
Total transactions with owners		-	-	162,513	-	162,513
At 31 December 2012		115,118,910	14,372,872	376,142	(16,936,481)	112,931,443

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Cash flows from operating activities					
Profit before tax		6,530,238	6,133,482	15,025,482	9,786,878
Adjustments for:					
Dividend income	7	-	-	(15,395,500)	(12,231,400)
Interest income	9	(307,100)	(181,261)	(1,236,742)	(1,296,693)
Interest expense	10	8,065,006	9,181,029	7,096,496	7,574,466
Amortisation of intangible assets	22	489,219	17,844	-	-
Bad debts recovered	9	(1,327)	(53,622)	-	-
Bad debts written off		73,457	2,221,265	-	-
Depreciation of property, plant and equipment	17	34,501,534	43,663,679	4,237	4,432
Gain on disposal of property, plant and equipment		(220,719)	(11,063)	-	-
Impairment of amount due from subsidiaries	26	-	-	70,895	1,218,068
Impairment of amount due from a subsidiary written back	26	-	-	(6,960,412)	(8,535,523)
Impairment of amount due from associates	28	25,263	247,780	-	-
Impairment of amount due from associates written back	28	-	(492,550)	-	-
Impairment of amount due from joint ventures	27	2,004	10,932	2,004	8,184
Impairment of amount due from a joint venture written back	27	-	(145)	-	(145)
Impairment of intangible assets written back	22	-	(1,826,510)	-	-
Impairment of investment in a joint venture	19	-	-	-	50,000
Impairment of investment in a joint venture written back	19	-	-	(232,650)	-
Impairment of other investment	21	-	4,000	-	-
Impairment of other receivables	25	165,472	32,344	-	-
Impairment of other receivables written back	25	(23,653)	(20,228)	-	-
Impairment of property, plant and equipment	17	73,604	326,787	-	-
Impairment of property, plant and equipment written back	17	(629,561)	(5,266,825)	-	-
Impairment of trade receivables	24	61,893	266,453	-	-
Impairment of trade receivables written back	24	(642,856)	(2,225,856)	-	-
Intangible assets written off	22	-	1,826,510	-	-
(Gain)/Loss on deconsolidation and disposal of a subsidiary	18	(205,769)	46,507	-	-
Loss on disposal of an associate	20	599,981	2,527	-	-
Loss on winding up of a joint venture	19	57,468	-	47,376	-
Property, plant and equipment written off		289,171	4,754,211	-	-
Write-down of inventories		123,691	304,599	-	-
Share options granted under ESOS	12	174,158	162,513	45,521	40,679
Share of results of jointly controlled entities	19	-	241	-	-
Share of results of associates	20	(717,823)	1,087,323	-	-
Operating profit/(loss) before working capital changes		48,483,351	60,211,966	(1,533,293)	(3,381,054)
(Increase)/Decrease in inventories		(2,203,556)	9,533,188	-	-
Decrease in long term receivables		159,664	50,173	-	-
Decrease/(Increase) in short term receivables		23,009,026	(9,918,912)	152,541	(54,477)
Decrease in amount due from subsidiaries		-	-	13,745,824	16,369,356
Increase in amount due from joint ventures		(2,004)	(10,787)	(2,004)	(8,039)
Balance carried forward		69,446,481	59,865,628	12,363,068	12,925,786

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Cash flows from operating activities (Continued)					
Balance brought forward		69,446,481	59,865,628	12,363,068	12,925,786
(Increase)/Decrease in amount due from associates		(183,121)	1,332,747	-	-
Increase in long term payables		209,149	-	-	-
(Decrease)/Increase in short term payables		(18,495,723)	(7,759,777)	399,545	(1,097)
Decrease in amount due to joint ventures		(185,274)	(27,531)	(185,274)	(25,520)
Decrease in amount due to associates		(461,520)	(560,771)	-	-
Decrease in amount due to minority shareholders of a subsidiary		(13,434)	(107,999)	-	-
Increase in amount due to a subsidiary		-	-	9,865,235	7,280,045
Cash generated from operations		50,316,558	52,742,297	22,442,574	20,179,214
Interest paid		(1,617,688)	(2,438,837)	(649,178)	(832,274)
Taxation paid, net		(608,755)	(196,853)	(250,000)	-
Net cash generated from operating activities		48,090,115	50,106,607	21,543,396	19,346,940
Cash flows from investing activities					
Purchase of property, plant and equipment	17	(23,624,779)	(31,376,813)	(10,523)	(4,198)
Proceeds from disposal of property, plant and equipment		221,432	341,896	-	-
Changes in fixed deposits pledged to licensed banks	30	(5,526,310)	(294,169)	(4,887,796)	(46,261)
Changes in bank balances pledged to licensed banks	30	(126,805)	-	(33,425)	-
Acquisition of intangible assets	22	(5,959,311)	(52,181)	-	-
Net cash outflows from deconsolidation and disposal of a subsidiary	18	(461)	(174,813)	-	-
Partial consideration from disposal of disposal group classified as held for sale	31	1,052,662	1,241,603	-	-
Proceeds from disposal of an associate	20	145,299	3	-	-
Proceeds from winding up of a joint venture	19	185,274	-	185,274	-
Interest received		307,100	181,261	176,083	84,778
Net cash (used in)/generated from investing activities		(33,325,899)	(30,133,213)	(4,570,387)	34,319

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Cash flows from financing activities					
Proceeds from issuance of ordinary shares		792,260	-	792,260	-
Repayment of term loans		(115,533)	(1,624,710)	-	-
Proceeds from bankers' acceptances		2,492,000	-	-	-
Repayment of bankers' acceptances		(2,492,000)	-	-	-
Proceeds from onshore foreign currency loan		20,157,962	43,103,288	-	-
Repayment of onshore foreign currency loan		(24,357,473)	(43,219,067)	-	-
Net repayment of commercial papers		(17,141,835)	(19,590,958)	(17,141,835)	(19,590,958)
Repayment of finance lease liability		(92,117)	(168,522)	-	-
Proceeds from subscription of ordinary shares by non-controlling interests	18	2,704,697	4,812,230	-	-
Net cash used in financing activities		(18,052,039)	(16,687,739)	(16,349,575)	(19,590,958)
Net (decrease)/increase in cash and cash equivalents		(3,287,823)	3,285,655	623,434	(209,699)
Effects of foreign exchange rate changes		5,250,525	(3,921,807)	-	-
Cash and cash equivalents at beginning of financial year		21,888,226	22,524,378	289,248	498,947
Cash and cash equivalents at end of financial year	30	23,850,928	21,888,226	912,682	289,248

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

1. CORPORATE INFORMATION

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

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

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

The consolidated financial statements for the financial year ended 31 December 2013 comprise the Company and its subsidiaries and the Group's interest in associates and joint ventures. These financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 17 April 2014.

2. PRINCIPAL ACTIVITIES

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

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company set out on pages 54 to 148 have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act, 1965 in Malaysia. However, Note 48 to the financial statements set out on page 149 has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Securities.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Basis of consolidation

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

(a) Power over the investee;

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

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

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

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

(b) Rights arising from other contractual agreements; and

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Basis of consolidation (Continued)

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

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

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

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

4.3 Business combinations

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

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

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Business combinations (Continued)

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

4.4 Property, plant and equipment and depreciation

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Property, plant and equipment and depreciation (Continued)

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

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

4.5 Leases

(a) Finance leases

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

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

(b) Operating leases

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

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

(c) Leases of land and buildings

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Investments

(a) Subsidiaries

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

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

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

(b) Associates

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Investments (Continued)

(b) Associates (Continued)

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

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

(c) Joint arrangements

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

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

(i) Joint operation

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

(ii) Joint venture

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

In the separate financial statements of the Company, an investment in a joint venture is stated at cost.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Investments (Continued)

(c) Joint arrangements (Continued)

(ii) Joint venture (Continued)

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

(i) The structure of the joint arrangement;

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

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

(iv) Any other facts and circumstances.

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

4.7 Intangible assets

(a) Goodwill

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Intangible assets (Continued)

(b) Other intangible assets

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

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

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

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

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

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

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

Research and development

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

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

Development assets are tested for impairment annually.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Intangible assets (Continued)

(b) Other intangible assets (Continued)

Gaming licenses

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

Rights

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

4.8 Impairment of non-financial assets

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

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

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

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

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

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

The impairment loss is recognised in profit or loss immediately.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Impairment of non-financial assets (Continued)

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

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

4.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for 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
Food, beverage and other hotel supplies	- weighted average basis

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

4.10 Financial instruments

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Financial instruments (Continued)

(a) Financial assets

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

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

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

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

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

(ii) Held-to-maturity investments

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

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

(iii) Loans and receivables

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Financial instruments (Continued)

(a) Financial assets (Continued)

(iv) Available-for-sale financial assets

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

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

Cash and cash equivalents include cash and bank balances, bank overdrafts, fixed deposits pledged to financial institutions, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

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

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

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

(b) Financial liabilities

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Financial instruments (Continued)

(b) Financial liabilities (Continued)

(ii) Other financial liabilities

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

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

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

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

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

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

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

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

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

(c) Equity

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Financial instruments (Continued)

(c) Equity (Continued)

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

4.11 Impairment of financial assets

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

(a) Loans and receivables

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

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

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

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

(b) Available-for-sale financial assets

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Borrowing costs

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

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

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

4.13 Income Taxes

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

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

(a) Current tax

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

(b) Deferred Tax

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

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

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

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

(i) The same taxable entity; or

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Income Taxes (Continued)

(b) Deferred Tax (Continued)

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

4.14 Provisions

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

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

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

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

4.15 Contingent liabilities and contingent assets

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

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

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

4.16 Employee benefits

(a) Short term employee benefits

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Employee benefits (Continued)

(b) Defined contribution plans

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

(c) Share-based payments

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

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

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

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

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

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

4.17 Foreign currencies

(a) Functional and presentation currency

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

(b) Foreign currency translations and balances

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Foreign currencies (Continued)

(c) Foreign operations

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

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

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

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

4.18 Revenue recognition

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

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

(a) Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer and where the Group retains no continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

(b) Revenue from technical support and management

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

(c) Dividend income

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

(d) Interest income

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

(e) Rental Income

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.20 Operating segments

Operating segments are defined as components of the Group that:

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

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

(c) For which discrete financial information is available.

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

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

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

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

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

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

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

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

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

4.21 Earnings per share

(a) Basic

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

(b) Diluted

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.22 Fair value measurements

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

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

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

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

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

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

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

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

5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

5.1 New MFRSs adopted during the financial year

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

Title	**Effective Date**
Amendments to MFRS 101 *Presentation of Items of Other Comprehensive Income*	1 July 2012
MFRS 10 *Consolidated Financial Statements*	1 January 2013
MFRS 11 *Joint Arrangements*	1 January 2013
MFRs 12 *Disclosure of Interests in Other Entities*	1 January 2013
MFRS 13 *Fair Value Measurement*	1 January 2013
MFRS 119 *Employee Benefits (2011)*	1 January 2013
MFRS 127 *Separate Financial Statements*	1 January 2013
MFRS 128 *Investments in Associates and Joint Ventures*	1 January 2013
Amendments to MFRS 1 *Government Loans*	1 January 2013
Amendments to MFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Amendments to MFRSs *Annual Improvements 2009 – 2011 Cycle*	1 January 2013

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5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (Continued)

5.1 New MFRSs adopted during the financial year (Continued)

Title	Effective Date
Amendments to MFRS 10, MFRS 11 and MFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*	1 January 2013
IC Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013

Adoption of the above Standards did not have any impact on the financial statements of the Group and of the Company, except for the following:

(a) Amendments to MFRS 101 is mandatory for annual periods beginning on or after 1 July 2012.

These Amendments require that items other comprehensive income must be grouped into two sections:

(i) Those that are or may be reclassified into profit or loss; and

(ii) Those that will not be reclassified into profit or loss.

The Group has changed the presentation of the statements of profit or loss and other comprehensive income according to these Amendments.

(b) MFRS 10 is mandatory for annual periods beginning on or after 1 January 2013.

This Standard supersedes MFRS 127 *Consolidated and Separate Financial Statements* and IC Interpretation 112 *Consolidation – Special Purpose Entities*, and introduces a single 'control model' for all entities, including special purpose entities ("SPEs"), whereby all of the following conditions must be present:

(i) Power over the investee;

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

(iii) Ability to use power over investee to affect its returns.

Other changes introduced by MFRS 10 include:

(i) The introduction the concept of 'de facto' control for entities with less than a fifty percent (50%) ownership interest in an entity, but which have a large shareholding compared to other shareholders;

(ii) Potential voting rights are only considered when determining if there is control when they are substantive (holder has practical ability to exercise) and the rights are currently exercisable; and

(iii) Specific guidance for the concept of 'silos' , where groups of assets (and liabilities) within one entity are ring-fenced.

The adoption of MFRS 10 has resulted in continuing consolidation of the 48.34% voting interest of the Group in Chateau de Bavet Club Co., Ltd. in the current financial year.

5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (Continued)

5.1 New MFRSs adopted during the financial year (Continued)

(c) MFRS 11 is mandatory for annual periods beginning on or after 1 January 2013.

This Standard supersedes MFRS 131 *Interests in Joint Ventures* and IC Interpretations 113 *Jointly-Controlled Entities Non-monetary Contributions by Venturers* , and requires joint arrangements to be classified as either:

(i) Joint operations, where parties with joint control have rights to assets and obligations for liabilities; or

(ii) Joint ventures, where parties with joint control have rights to the net assets of the arrangement.

Joint arrangements that are structured through a separate vehicle would generally be treated as joint ventures, unless the terms of the contractual arrangement, or other facts and circumstances indicate that the parties have rights to assets and obligations for liabilities of the arrangement, rather than rights to net assets.

Joint ventures are accounted for using the equity method of accounting in accordance with MFRS 128 *Investments in Associates and Joint Ventures* , where proportionate consolidation is not permitted by MFRS 11.

Parties to a joint operation account for their share of assets, liabilities, revenues and expenses in accordance with their contractual rights and obligations.

There is no material impact upon the adoption of this Standard during the financial year.

(d) MFRS 12 is mandatory for annual periods beginning on or after 1 January 2013.

This Standard prescribes the disclosure requirements relating to interests of an entity in subsidiaries, joint arrangements, associates and structured entities. This Standard requires a reporting entity to disclose information that helps users to assess the nature and financial effects of the relationship of the reporting entity with other entities.

Following the adoption of this Standard, the Group has disclosed the requirements applicable to the Group in Notes 18, 19 and 20 to the financial statements.

(e) MFRS 13 is mandatory for annual periods beginning on or after 1 January 2013.

This Standard is now the sole MFRS containing the framework for determining the measurement of fair value and the disclosure of information relating to fair value measurement, when fair value measurements and/or disclosures are required or permitted by other MFRSs. As a result, the guidance and requirements relating to fair value measurement that were previously located in other MFRSs have now been relocated to MFRS 13.

Whilst there have been some rewording of the previous guidance on MFRS 13, there are very few changes to the previous fair value measurement requirements. Instead, MFRS 13 is intended to clarify the measurement objective, harmonise the disclosure requirements, and improve consistency in application of fair value measurement.

MFRS 13 did not materially impact any fair value measurements of the assets or liabilities of the Group. It has only a presentation and disclosure impact and therefore, has no effect on the financial position or performance of the Group.

(f) MFRS 127 is mandatory effective for annual periods beginning on or after 1 January 2013.

This revised Standard contains accounting requirements for investments in subsidiaries, joint ventures and associates in the separate financial statements of the investor. An investor is required to account for those investments either at cost or in accordance with MFRS 139 or MFRS 9 in the separate financial statements.

There is no material impact upon the adoption of this Standard during the financial year.

(g) MFRS 128 is mandatory for annual periods beginning on or after 1 January 2013.

This revised Standard defines the equity method of accounting whereby the investment in an associate or joint venture is initially measured at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes its share of the profit or loss of the investee and the other comprehensive income of the investor includes its share of other comprehensive income of the investee.

There is no material impact upon the adoption of this Standard during the financial year.

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5. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (Continued)

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2014

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Group and the Company.

Title	Effective Date
Amendments to MFRS 10 *Consolidated Financial Statements: Investment Entities*	1 January 2014
Amendments to MFRS 12 *Disclosure of Interest in Other Entities: Investment Entities*	1 January 2014
Amendments to MFRS 127 *Separate Financial Statements (2011): Investment Entities*	1 January 2014
Amendments to MFRS 132 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to MFRS 136 *Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014
Amendments to MFRS 139 *Novation of Derivatives and Continuation of Hedge Accounting*	1 January 2014
IC Interpretation 21 *Levies*	1 January 2014
Defined Benefit Plans: Employee Contributions (Amendments to MFRS 119)	1 July 2014
Amendments to MFRSs *Annual Improvements 2010 – 2012 Cycle*	1 July 2014
Amendments to MFRSs *Annual Improvements 2011 – 2013 Cycle*	1 July 2014
Mandatory Effective Date of MFRS 9 and Transition Disclosures	Deferred
MFRS 9 *Financial Instruments (2009)*	Deferred
MFRS 9 *Financial Instruments (2010)*	Deferred
MFRS 9 *Financial Instruments* (Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139)	Deferred

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

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Changes in estimates

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

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

6.2 Critical judgements made in applying accounting policies

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

(a) Classification of leasehold land

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

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

6.2 Critical judgements made in applying accounting policies (Continued)

(b) Disposal group classified as held for sale

Certain non-current assets and liabilities have been classified as disposal group held for sale as the management has committed to a plan to sell the assets and liabilities as at the end of the reporting period. Barring any unforeseen circumstances, the Group expects that the sale of the assets and liabilities to be completed within the next twelve (12) months.

(c) Contingent liabilities

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

(d) Classification of non-current bank borrowings

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

(e) Contingent liabilities on corporate guarantees

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

6.3 Key sources of estimation uncertainty

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

(a) Depreciation of gaming machines

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

(b) Impairment of property, plant and equipment, goodwill, gaming licenses with indefinite useful lives, investments in subsidiaries, investments in joint ventures and investments in associates, amount due from subsidiaries, amount due from joint ventures and amount due from associates

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

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

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6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

6.3 Key sources of estimation uncertainty (Continued)

(b) Impairment of property, plant and equipment, goodwill, gaming licenses with indefinite useful lives, investments in subsidiaries, investments in joint ventures and investments in associates, amount due from subsidiaries, amount due from joint ventures and amount due from associates (Continued)

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 reviews the investments in subsidiaries, joint ventures and associates for impairment when there is an indication of impairment and assesses the impairment of receivables on the amounts owing by subsidiaries, joint ventures and associates when the receivables are long outstanding.

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

(c) Impairment of loans and receivables

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

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

The Group considers that it controls Chateau de Bavet Club Co., Ltd. ("CDBC") even though it owns 48.34% of the voting rights as Macrocept Sdn. Bhd. ("MCSB"), a wholly owned subsidiary of the Group, is the single largest shareholder of CDBC. In addition, MCSB entered into agreement with another shareholder of CDBC who owns a 22.4% equity interest to act in concert with MCSB in the management of CDBC. The remaining 29.26% of the equity shares in CDBC are held by two (2) shareholders. There is no history of these two shareholders collaborating to exercise their votes collectively and to controls the Group. MCSB also has 3 representatives out of total of 4 members in the Board of Directors of CDBC.

(e) Classification of joint arrangements

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

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

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

6.3 Key sources of estimation uncertainty (Continued)

(f) Fair value of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. It is assumed that the effective interest rates approximate the current market interest rates available to the Group based on its size and its business risk. Sensitivity analysis of the effects of interest rate risk has been disclosed in Note 44 to the financial statements.

(g) Write down for obsolete or slow moving inventories

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

(h) Taxation

(i) Deferred tax assets

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

(ii) Income taxes

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

(i) Fair value measurement

The fair value measurement of the financial and non-financial assets and liabilities of the Group utilises market observable inputs and data as far as possible, where applicable. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are:

(i) Level 1: Quoted prices in active markets for identical items (unadjusted);

(ii) Level 2: Observable direct or indirect inputs other than Level 1 inputs; and

(iii) Level 3: Unobservable inputs (i.e. not derived from market data).

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

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7. REVENUE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Sales and marketing	68,484,572	114,389,160	-	-
Technical support and management	70,420,627	72,045,018	-	-
Dividend income from subsidiaries	-	-	15,395,500	12,231,400
Others	729,473	963,677	-	-
	139,634,672	187,397,855	15,395,500	12,231,400

8. COST OF SALES

	Group	
	2013 RM	2012 RM
Sales and marketing	55,907,264	101,509,437
Technical support and management	40,420,511	50,375,497
Others	1,931,512	546,808
	98,259,287	152,431,742

9. OTHER INCOME

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Bad debts recovered (Note 11)	1,327	53,622	-	-
Interest income	307,100	181,261	1,236,742	1,296,693
Rental income	554,652	2,276,116	-	-
Sundry income	1,896,590	1,269,396	-	96
	2,759,669	3,780,395	1,236,742	1,296,789

10. FINANCE COSTS

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Interest on:				
- Bank overdrafts	181,151	381,047	-	-
- Bankers' acceptances	22,848	-	-	-
- Finance lease	41,206	50,483	-	-
- Term loans	47,535	63,157	-	-
- Commercial papers	6,447,318	6,742,192	6,447,318	6,742,192
- Medium term notes	649,178	832,274	649,178	832,274
- Onshore foreign currency loan	152,656	362,748	-	-
- Payables	523,114	749,128	-	-
Total interest expense	8,065,006	9,181,029	7,096,496	7,574,466
Bank and other charges	154,203	196,522	4,075	5,490
	8,219,209	9,377,551	7,100,571	7,579,956

11. PROFIT BEFORE TAX

Profit before tax is arrived at after charging and crediting:

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Amortisation of intangible assets (Note 22)	489,219	17,844	-	-
Auditors' remuneration:	184,692	167,818	39,500	35,500
- statutory audits:				
- current year	149,559	151,621	39,500	35,500
- under/(over)provision in prior year	7,958	(18,947)	-	-
- other services	27,175	35,144	-	-
Bad debts recovered (Note 9)	(1,327)	(53,622)	-	-
Bad debts written off	73,457	2,221,265	-	-
Depreciation of property, plant and equipment (Note 17)	34,501,534	43,663,679	4,237	4,432
Dividend income	-	-	(15,395,500)	(12,231,400)
Employee benefits expense (Note 12)	11,407,471	10,700,721	762,000	566,698
Gain on disposal of property, plant and equipment	(220,719)	(11,063)	-	-
Impairment of amount due from subsidiaries (Note 26)	-	-	70,895	1,218,068
Impairment of amount due from a subsidiary written back (Note 26)	-	-	(6,960,412)	(8,535,523)
Impairment of amount due from associates (Note 28)	25,263	247,780	-	-
Impairment of amount due from associates written back (Note 28)	-	(492,550)	-	-
Impairment of amount due from joint ventures (Note 27)	2,004	10,932	2,004	8,184
Impairment of amount due from a joint venture written back (Note 27)	-	(145)	-	(145)
Impairment of intangible assets written back (Note 22)	-	(1,826,510)	-	-
Impairment of investment in a joint venture (Note 19)	-	-	-	50,000

NOTES TO THE FINANCIAL STATEMENTS
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11. PROFIT BEFORE TAX (Continued)

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Impairment of investment in a joint venture written back (Note 19)	-	-	(232,650)	-
Impairment of other investment (Note 21)	-	4,000	-	-
Impairment of other receivables (Note 25)	165,472	32,344	-	-
Impairment of other receivables written back (Note 25)	(23,653)	(20,228)	-	-
Impairment of property, plant and equipment (Note 17)	73,604	326,787	-	-
Impairment of property, plant and equipment written back (Note 17)	(629,561)	(5,266,825)	-	-
Impairment of trade receivables (Note 24)	61,893	266,453	-	-
Impairment of trade receivables written back (Note 24)	(642,856)	(2,225,856)	-	-
Intangible assets written off (Note 22)	-	1,826,510	-	-
(Gain)/Loss on deconsolidation and disposal of a subsidiary (Note 18)	(205,769)	46,507	-	-
Loss on disposal of an associate (Note 20)	599,981	2,527	-	-
Loss on winding up of a joint venture (Note 19)	57,468	-	47,376	-
Net foreign exchange losses/(gain)	3,753,081	(4,726,142)	(429,027)	450,690
Non-executive Directors' remuneration (Note 13)	335,646	312,763	330,646	307,763
Operating leases:				
- minimum lease payments for land and buildings	829,312	923,715	42,000	42,000
Property, plant and equipment written off	289,171	4,754,211	-	-
Write-down of inventories	123,691	304,599	-	-

12. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Wages and salaries	10,152,572	9,537,711	632,326	466,199
Social security contributions	66,081	70,625	3,850	3,118
Contributions to defined contribution plan	1,048,700	986,948	78,606	58,128
Short term accumulating compensated absence	(34,040)	(15,548)	1,697	(1,426)
Share options granted under ESOS	174,158	162,513	45,521	40,679
	11,407,471	10,742,249	762,000	566,698
Less:				
Capitalised in development costs (Note 22)	-	(41,528)	-	-
	11,407,471	10,700,721	762,000	566,698

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM3,402,268 (2012: RM2,772,200) and RM262,606 (2012: RM228,739) respectively as further disclosed in Note 13 to the financial statements.

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13. DIRECTORS' REMUNERATION

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Directors of the Company:				
Executive:				
Salaries and bonus	1,654,870	1,255,942	260,330	222,716
Share options granted under ESOS	31,343	46,396	2,276	6,023
	1,686,213	1,302,338	262,606	228,739
Non-executive:				
Fees	258,720	235,200	258,720	235,200
Share options granted under ESOS	39,926	32,563	39,926	32,563
Other emoluments	32,000	40,000	32,000	40,000
	330,646	307,763	330,646	307,763
Directors of the Subsidiaries:				
Executive:				
Salaries and bonus	1,692,131	1,439,478	-	-
Share options granted under ESOS	3,924	10,384	-	-
Fees	20,000	20,000	-	-
	1,716,055	1,469,862	-	-
Non-executive:				
Fees	5,000	5,000	-	-
Total Directors' remuneration	3,737,914	3,084,963	593,252	536,502
Analysis:				
Total Executive Directors' remuneration (Note 12)	3,402,268	2,772,200	262,606	228,739
Total Non-executive Directors' remuneration (Note 11)	335,646	312,763	330,646	307,763
	3,737,914	3,084,963	593,252	536,502

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14. TAX EXPENSE

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Current tax expense based on profit for the financial year:				
Malaysian income tax	56,000	133,873	36,000	-
Foreign income tax	317,408	-	-	-
	373,408	133,873	36,000	-
Underprovision in prior year	195,903	54,902	-	-
	569,311	188,775	36,000	-
Deferred tax (Note 37):				
Relating to origination and reversal of temporary differences	1,636	58,918	-	-
Overprovision in prior year	(6,500)	(150,296)	-	-
	(4,864)	(91,378)	-	-
Tax expense	564,447	97,397	36,000	-

Malaysian income tax is calculated at the statutory tax rate of twenty-five percent (25%) (2012: 25%) of the estimated taxable profits for the fiscal year.

The tax expense of two of the subsidiaries is fixed at RM20,000 per annum and charged at the rate of 3% on the audited net profits respectively under the Labuan 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"). Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

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

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Tax at Malaysian statutory tax rate of 25% (2012: 25%)	1,632,560	1,533,371	3,756,371	2,446,720
Tax effects in respect of:				
Different tax rates in other countries and for Labuan trading activities	(4,872,541)	(4,771,420)	-	-
Share of results of joint ventures	-	60	-	-
Share of results of associates	(179,456)	271,831	-	-
Non-taxable income	(245,372)	(265,618)	(5,428,010)	(3,057,874)
Non-allowable expenses	3,956,723	3,340,077	1,707,639	611,154
Deferred tax asset not recognised in respect of current year's tax losses and unabsorbed capital allowances	83,130	84,490	-	-
Underprovision of income tax in prior year	195,903	54,902	-	-
Overprovision of deferred tax in prior year	(6,500)	(150,296)	-	-
Tax expense	564,447	97,397	36,000	-

15. EARNINGS PER SHARE

(a) Basic

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

	Group 2013	2012
Profit for the financial year attributable to owners of the parent (RM)	6,656,910	6,717,199
Weighted average number of ordinary shares in issue	1,153,312,000	1,151,189,100
Basic earnings per ordinary share (sen)	0.58	0.58

(b) Diluted

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

	Group 2013	2012
Profit for the financial year attributable to owners of the parent (RM)	6,656,910	6,717,199
Weighted average number of ordinary shares in issue	1,153,312,000	1,151,189,100
Effect of dilution:		
- Employee share options	8,571,000	-
Adjusted weighted average number of ordinary shares	1,161,883,000	1,151,189,100
Diluted earnings per ordinary share (sen)	0.57	0.58

16. DIVIDENDS

A final single-tier dividend of 0.05 sen per ordinary share amounting to RM579,556 in respect of the financial year ended 31 December 2013 has been proposed by the Directors after the reporting period for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. This dividend, if approved by shareholders, would be accounted for as an appropriation of profit for the financial year ended 31 December 2013.

17. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings RM	Leasehold land and buildings RM	Renovation RM	Electrical installation RM	Motor vehicles RM	Gaming machines RM	Plant, machinery, fittings and equipment RM	Furniture, fittings and office equipment RM	Total RM
At 31 December 2013									
Cost									
At 1 January 2013	32,146,374	3,440,000	1,134,298	70,148	1,977,546	413,634,001	792,738	19,682,207	472,877,312
Additions	-	-	28,808	-	-	28,603,096	6,163	1,017,022	29,655,089
Disposal/written off	-	-	(31,198)	-	(1,980)	(15,348,489)	-	(660,742)	(16,042,409)
Reclassification	-	-	-	-	-	183,321	-	(183,321)	-
Movement of assets transferred to assets held for sale (Note 31)	5,166,982	-	-	-	3,057	-	-	1,111,702	6,281,741
Transfer to inventory	-	-	-	-	-	(1,107,437)	-	-	(1,107,437)
Exchange differences	2,418,839	-	48,874	-	73,689	30,829,545	-	1,093,853	34,464,800
At 31 December 2013	39,732,195	3,440,000	1,180,782	70,148	2,052,312	456,794,037	798,901	22,060,721	526,129,096
Accumulated depreciation and impairment losses									
At 1 January 2013	2,327,389	139,165	726,046	70,147	1,753,833	344,722,560	555,794	14,741,070	365,036,004
Depreciation charge for the financial year (Note 11)	772,072	69,581	64,433	-	91,185	32,142,884	67,891	1,293,488	34,501,534
Disposal/written off	-	-	(8,801)	-	(1,980)	(15,133,839)	-	(607,905)	(15,752,525)
Movement of assets transferred to assets held for sale (Note 31)	390,444	-	-	-	1,395	-	-	455,219	847,058
Transfer to inventory	-	-	-	-	-	(841,349)	-	-	(841,349)
Impairment loss recognised in statement of comprehensive income (Note 11)	-	-	-	-	-	(373,761)	-	(182,196)	(555,957)
Exchange differences	223,605	-	37,425	-	65,304	26,634,267	-	754,149	27,714,750
At 31 December 2013	3,713,510	208,746	819,103	70,147	1,909,737	387,150,762	623,685	16,453,825	410,949,515
Analysed as:									
Accumulated depreciation	3,317,126	208,746	607,295	70,147	1,906,293	343,266,675	623,685	12,986,971	362,986,938
Accumulated impairment losses	396,384	-	211,808	-	3,444	43,884,087	-	3,466,854	47,962,577
At 31 December 2013	3,713,510	208,746	819,103	70,147	1,909,737	387,150,762	623,685	16,453,825	410,949,515
Net carrying amount									
At 31 December 2013	36,018,685	3,231,254	361,679	1	142,575	69,643,275	175,216	5,606,896	115,179,581

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Freehold land and buildings RM	Leasehold land and buildings RM	Renovation RM	Electrical installation RM	Motor vehicles RM	Gaming machines RM	Plant, machinery, fittings and equipment RM	Furniture, fittings and office equipment RM	Capital work-in progress RM	Total RM
At 31 December 2012										
Cost										
At 1 January 2012	28,959,477	3,440,000	1,116,767	832,283	2,976,362	404,549,485	787,409	18,984,247	4,303,209	465,949,239
Additions	-	-	134,482	-	2,342	31,306,814	5,479	252,389	-	31,701,506
Disposal/written off	(294,784)	-	(91,161)	-	(82,846)	(2,179,174)	(150)	(793,965)	(4,152,105)	(7,594,185)
Disposal of a subsidiary	-	-	-	-	(864,574)	-	-	(90,676)	-	(955,250)
Reclassification	-	-	-	(762,135)	-	-	-	762,135	-	-
Movement of assets transferred to assets held for sale (Note 31)	4,670,150	-	-	-	14,279	-	-	1,120,104	-	5,804,533
Transfer to inventory	-	-	-	-	-	(6,012,409)	-	-	-	(6,012,409)
Exchange differences	(1,188,469)	-	(25,790)	-	(68,017)	(14,030,715)	-	(552,027)	(151,104)	(16,016,122)
At 31 December 2012	32,146,374	3,440,000	1,134,298	70,148	1,977,546	413,634,001	792,738	19,682,207	-	472,877,312
Accumulated depreciation and impairment losses										
At 1 January 2012	1,512,197	69,582	753,854	416,417	2,357,463	320,639,724	484,301	13,673,411	4,303,209	344,210,158
Depreciation charge for the financial year (Note 11)	759,038	69,583	65,460	-	327,067	40,973,662	71,584	1,397,285	-	43,663,679
Disposal/written off	(20,143)	-	(51,663)	-	(61,486)	(1,999,827)	(91)	(375,931)	-	(2,509,141)
Disposal of a subsidiary	-	-	-	-	(820,740)	-	-	(79,168)	-	(899,908)
Reclassification	-	-	-	(346,270)	-	-	-	346,270	-	-
Movement of assets transferred to assets held for sale (Note 31)	153,038	-	-	-	3,539	-	-	355,920	-	512,497
Transfer to inventory	-	-	-	-	-	(3,096,848)	-	-	-	(3,096,848)
Impairment loss recognised in statement of comprehensive income (Note 11)	-	-	(22,153)	-	-	(535,962)	-	(229,818)	(4,152,105)	(4,940,038)
Exchange differences	(76,741)	-	(19,452)	-	(52,010)	(11,258,189)	-	(346,899)	(151,104)	(11,904,395)
At 31 December 2012	2,327,389	139,165	726,046	70,147	1,753,833	344,722,560	555,794	14,741,070	-	365,036,004
Analysed as:										
Accumulated depreciation	2,019,262	139,165	528,795	70,147	1,750,625	300,876,900	555,794	11,264,455	-	317,205,143
Accumulated impairment losses	308,127	-	197,251	-	3,208	43,845,660	-	3,476,615	-	47,830,861
At 31 December 2012	2,327,389	139,165	726,046	70,147	1,753,833	344,722,560	555,794	14,741,070	-	365,036,004
Net carrying amount										
At 31 December 2012	29,818,985	3,300,835	408,252	1	223,713	68,911,441	236,944	4,941,137	-	107,841,308

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17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Furniture, fittings and office equipment RM
At 31 December 2013	
Cost	
At 1 January 2013	104,776
Addition	10,523
At 31 December 2013	115,299
Accumulated depreciation	
At 1 January 2013	92,720
Depreciation charge for the financial year (Note 11)	4,237
At 31 December 2013	96,957
Net carrying amount	
At 31 December 2013	18,342
At 31 December 2012	
Cost	
At 1 January 2012	100,578
Addition	4,198
At 31 December 2012	104,776
Accumulated depreciation	
At 1 January 2012	88,288
Depreciation charge for the financial year (Note 11)	4,432
At 31 December 2012	92,720
Net carrying amount	
At 31 December 2012	12,056

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

(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	
	2013 **RM**	**2012** **RM**
Freehold land and buildings	4,394,972	4,454,772
Leasehold land and buildings	3,231,254	3,300,835
	7,626,226	7,755,607

(b) A motor vehicle of the Group with a net carrying amount of RM2 (2012: RM2) is held in trust for a subsidiary in the name of a Director.

(c) During the financial year, the Group acquired property, plant and equipment at aggregate costs of RM29,655,089 (2012: RM31,701,506) of which RM6,030,310 (2012: RM Nil) was transferred from inventory and RM Nil (2012: RM324,693) was acquired under finance lease. The gaming machines of the Group with net carrying amounts of RM472,198 (2012: RM592,702) are held under finance lease agreement.

(d) The Group has carried out a review of the recoverable amount of its property, plant and equipment during the financial year. The review has led to the recognition of an impairment loss of RM73,604 (2012: RM326,787). The recoverable amount was based on value-in-use of the CGU to which the property, plant and equipment are allocated.

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

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

(i) Net revenue

The estimated net revenue used to calculate the cash inflows from operations is the estimated net collections from the placement of machines for each outlet.

(ii) Discount rate

The discount rate used was pre-tax and reflect specific risks relating to the relevant assets and segment to which the assets are allocated to. The discount rate used is 8.9%.

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18. INVESTMENTS IN SUBSIDIARIES

	Company 2013 RM	Company 2012 RM
Unquoted shares at cost	40,497,201	40,497,201
Share option paid to employees of subsidiaries	4,429,320	4,300,683
Equity loan to a subsidiary	126,507,459	126,507,459
	171,433,980	171,305,343

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

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Proportion of ownership interest 2013 %	Proportion of ownership interest 2012 %	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.
Dreamgate (Singapore) Pte. Ltd. *	Singapore	100	100	Trading, maintenance and management of gaming and amusement machine and equipment.
Macrocept Sdn. Bhd.	Malaysia	100	100	Investment holding.

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Proportion of ownership interest 2013 %	2012 %	Principal activities
Held through subsidiaries:				
RGB (Macau) Limited @	Macau	100	100	Import and export including sales and marketing and technical support and management of gaming and amusement machines and equipment.
Chateau de Bavet Club Co., Ltd. @ #	Cambodia	48.34	57.94	Renting of property.
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	De-registered on 23 September 2013.
Movieland Entertainment Co., Ltd. @ #	Cambodia	55	55	Dormant.

* Audited by BDO member firms.
\# Consolidated using management financial statements up to 31 December 2013.
@ The financial statements of these subsidiaries are not required to be audited in its country of incorporation.

(a) Pursuant to the Sale and Purchase Agreement dated 22 June 2011 for the disposal of 32% equity interest in Chateau de Bavet Club Co., Ltd. ("CDBC"), second tranche of 345,600 shares representing 9.6% of the entire capital of CDBC valued at RM2,704,697 had been transferred to the acquirer on 6 November 2013. As a result, Macrocept Sdn. Bhd. ("MCSB") holds 48.34% of CDBC as at 31 December 2013. The transfer of shares has given rise to a dilution of change in stake of RM2,531,933 to the owners of the parent.

The Group considers that it controls CDBC even though it owns 48.34% of the voting rights as MCSB is the single largest shareholder of CDBC. MCSB entered into an agreement with another shareholder of CDBC who owns a 22.4% equity interest to act in concert with MCSB in the management of CDBC. MCSB also has 3 representatives out of total of 4 members in the Board of Directors of CDBC.

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

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18. INVESTMENTS IN SUBSIDIARIES (Continued)

(b) The deconsolidation and disposal of a subsidiary had the following effects on the financial position of the Group as at the end of the financial year:

	2013 RM	2012 RM
Property, plant and equipment	-	55,342
Cash and bank balances	461	174,816
Other payables	(3,802)	(7,592)
Due from associates	-	(1,942)
Net (liabilities)/assets deconsolidated and disposed	(3,341)	220,624
Transfer from foreign currency translation reserve	(204,065)	(174,114)
Non-controlling interest at disposal date	1,637	-
	(205,769)	46,510
Total proceeds from deconsolidation and disposal	-	(3)
(Gain)/Loss on deconsolidation and disposal to the Group (Note 11)	(205,769)	46,507
Deconsolidation and disposal settled by cash	-	3
Cash outflow arising on deconsolidation and disposal:		
Cash consideration	-	3
Cash and cash equivalents of subsidiaries deconsolidated and disposed	(461)	(174,816)
Net cash outflow on deconsolidation and disposal	(461)	(174,813)

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

	Chateau de Bavet Club Co., Ltd.	Other individual immaterial subsidiaries	Total
2013			
NCI percentage of ownership interest and voting interest	51.66%		
Carrying amount of NCI (RM)	15,269,855	(675,680)	14,594,175
(Loss)/Profit allocated to NCI (RM)	(716,125)	25,006	(691,119)

18. INVESTMENTS IN SUBSIDIARIES (Continued)

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

	Chateau de Bavet Club Co., Ltd.	Other individual immaterial subsidiaries	Total
2012			
NCI percentage of ownership interest and voting interest	42.06%		
Carrying amount of NCI (RM)	9,681,964	(654,573)	9,027,391
Loss allocated to NCI (RM)	(7,618)	(673,496)	(681,114)

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

(d) The summarised financial information before intra-group elimination of the subsidiary in which the Group have a material NCI as at the end of each reporting period are as follows:

	Chateau de Bavet Club Co., Ltd. RM
2013	
Assets and liabilities	
Non-current assets	35,947,992
Current assets	2,853,660
Current liabilities	(9,243,282)
Net assets	29,558,370
Results	
Loss for the financial year	(1,568,543)
Total comprehensive income	756,959
Cash flows from operating activities	423,316
Cash flows from financing activities	(241,619)
Net increase in cash and cash equivalents	181,697

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18. INVESTMENTS IN SUBSIDIARIES (Continued)

(d) The summarised financial information before intra-group elimination of the subsidiaries in which the Group have a material NCI as at the end of each reporting period are as follows (Continued):

	Chateau de Bavet Club Co., Ltd. RM
2012	
Assets and liabilities	
Non-current assets	34,749,567
Current assets	2,605,029
Current liabilities	(14,335,185)
Net assets	23,019,411
Results	
Profit for the financial year	70,263
Total comprehensive income	(4,107,420)
Cash flows from operating activities	(1,429,907)
Cash flows from investing activities	249,632
Net decrease in cash and cash equivalents	(1,180,275)

19. INVESTMENTS IN JOINT VENTURES

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Unquoted shares at cost	50,001	282,651	50,001	282,651
Share of post-acquisition reserves	(50,001)	(50,748)	-	-
	-	231,903	50,001	282,651
Exchange differences	-	12,301	-	-
	-	244,204	50,001	282,651
Less: Impairment losses (Note 11)	-	-	(50,001)	(282,651)
	-	244,204	-	-

19. INVESTMENTS IN JOINT VENTURES (Continued)

Details of the joint ventures are as follows:

Name of joint ventures	Country of incorporation	Proportion of ownership interest 2013 %	Proportion of ownership interest 2012 %	Principal activities
RGB Abbiati Pte. Ltd. ^	Singapore	-	50	Struck off during the year.
RGB Xtale Sdn. Bhd.	Malaysia	50	50	Dormant.
Rasa Perpaduan Malaysia Sdn. Bhd.	Malaysia	50	50	Dormant.

^ On 7 February 2013, RGB Abbiati Pte Ltd was struck off from the register of companies in Singapore.

(a) The winding up of a joint venture had the following effects on the financial statements of the Group and the Company for the financial year:

	Group 2013 RM
Total proceeds from winding up - cash	185,274
Less: Cost of investment	(232,650)
Loss on winding up of a joint venture to the Company	(47,376)
Less: Realisation of post-acquisition reserve	747
Loss before reclassification adjustments	(46,629)
Add: Reclassification adjustments of foreign currency translation reserve	(10,839)
Loss on winding up of a joint venture to the Group	(57,468)

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

	Group 2013 RM	Group 2012 RM
Assets and liabilities		
Current assets	22,393	512,954
Current liabilities	(1,209,115)	(603,160)
Net liabilities	(1,186,722)	(90,206)
Proportion of the ownership of the Group	50%	50%
Carrying amount of the investments in joint ventures	-	244,204

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19. INVESTMENTS IN JOINT VENTURES (Continued)

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

	Group 2013 RM	Group 2012 RM
Results		
Administrative expenses	(4,132)	(9,453)
Other (expenses)/gain, net	(791)	385
Finance costs	(25)	(25)
Loss before tax	(4,948)	(9,093)
Loss for the financial year	(4,948)	(9,093)
Share of loss by the Group for the financial year	-	(241)

(c) The unrecognised share of losses of joint ventures amounted to RM2,474 (2012: RM4,306) in the current financial year and RM587,279 (2012: RM584,805) cumulatively. The Group has stopped recognising its share of losses since there is no further obligation in respect of those losses using the equity method of accounting.

20. INVESTMENTS IN ASSOCIATES

	Group 2013 RM	Group 2012 RM
Unquoted shares at cost	39,894	754,514
Share of post-acquisition reserves	79,184	(446,703)
	119,078	307,811
Exchange differences	8,682	276,971
	127,760	584,782

20. INVESTMENTS IN ASSOCIATES (Continued)

Details of the associates are as follows:

Name of associates	Country of incorporation	Proportion of ownership interest 2013 %	Proportion of ownership interest 2012 %	Principal activities
Held through subsidiaries:				
Cron Corporation ^	Japan	-	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	Dormant.
Rainbow World Club Ltd.	Cambodia	20	20	Dormant.
Goldenmac., Ltd.	Cambodia	25	25	Dormant.
Cash Box Entertainment Co., Ltd.	Cambodia	20	20	Dormant.
Olympic Entertainment Co., Ltd.	Cambodia	20	20	Dormant.
Golden Beach Club Ltd.	Cambodia	50	50	Dormant.
Rasa Sayang Restaurant Co., Ltd.	Cambodia	56	56	Dormant.

^ Cron Corporation has ceased to be an associate of the Group after it was disposed of for a consideration of JPY5 million on 4 March 2013.

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

(b) The disposal of an associate had the following effects on the financial statements of the Group for the financial year:

	Group 2013 RM	Group 2012 RM
Total proceeds from disposal - cash	145,299	3
Less: Cost of investment	(714,620)	(10,187)
Loss on disposal in the separate financial statements	(569,321)	(10,184)
Less: Realisation of post-acquisition reserve	220,175	7,376
Loss before reclassification adjustments	(349,146)	(2,808)
Add: Reclassification adjustments of foreign currency translation reserve	(250,835)	281
Loss on disposal of an associate to the Group	(599,981)	(2,527)

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20. INVESTMENTS IN ASSOCIATES (Continued)

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

	Dreamgate Holding Co., Ltd. RM	Other individual immaterial associates RM	Total RM
2013			
Assets and liabilities			
Non-current assets	3,304,220	-	3,304,220
Current assets	1,949	697,687	699,636
Current liabilities	(4,435,798)	(4,945,395)	(9,381,193)
Net liabilities	(1,129,629)	(4,247,708)	(5,377,337)
Results			
Revenue	41,870	46,967	88,837
Profit for the financial year	5,824	610,510	616,334
Total comprehensive income	5,824	610,510	616,334
2012			
Assets and liabilities			
Non-current assets	3,084,245	252,760	3,337,005
Current assets	1,815	1,516,264	1,518,079
Current liabilities	(4,143,120)	(4,776,406)	(8,919,526)
Net liabilities	(1,057,060)	(3,007,382)	(4,064,442)
Results			
Revenue	44,935	2,220,020	2,264,955
Profit for the financial year	(5,667)	(1,963,896)	(1,969,563)
Total comprehensive income	(5,667)	(1,963,896)	(1,969,563)

20. INVESTMENTS IN ASSOCIATES (Continued)

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

	Total RM
As at 31 December 2013	
Share of net assets of the Group	127,760
Carrying amount in the statement of financial position	127,760
Share of results of the Group for the financial year ended 31 December 2013	
Share of profit of the Group	717,823
Share of total comprehensive income of the Group	717,823
As at 31 December 2012	
Share of net assets of the Group	584,782
Carrying amount in the statement of financial position	584,782
Share of results of the Group for the financial year ended 31 December 2012	
Share of loss of the Group	(1,087,323)
Share of total comprehensive loss of the Group	(1,087,323)

(e) The unrecognised share of profit of associates amounted to RM2,854 (2012: unrecognised share of loss of RM3,057) in the current financial year. As a result, the accumulated unrecognised share of loss of associates amounted to RM1,828,469 (2012: RM1,831,323). The Group has stopped recognising its share of profit/losses since there is no further entitlement/obligation in respect of those profit/losses using the equity method of accounting.

21. OTHER INVESTMENT

	Group	
	2013 RM	**2012 RM**
Available-for-sale financial assets		
- Unquoted shares at cost	4,000	4,000
Less: Impairment losses (Note 11)	(4,000)	(4,000)
	-	-

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22. INTANGIBLE ASSETS

Group	Goodwill RM	Development costs RM	Gaming licenses RM	Rights RM	Total RM
At 31 December 2013					
Cost					
At 1 January 2013	271,839	2,734,206	445,410	-	3,451,455
Additions	-	2,522,828	-	3,436,483	5,959,311
Movement of assets transferred to assets held for sale (Note 31)	-	-	86,898	-	86,898
Exchange differences	-	-	40,680	-	40,680
At 31 December 2013	271,839	5,257,034	572,988	3,436,483	9,538,344
Accumulated amortisation and impairment					
At 1 January 2013	271,839	2,269,902	-	-	2,541,741
Amortisation (Note 11)	-	26,767	-	462,452	489,219
Exchange differences	-	-	-	11,545	11,545
At 31 December 2013	271,839	2,296,669	-	473,997	3,042,505
Net carrying amount					
At 31 December 2013	-	2,960,365	572,988	2,962,486	6,495,839
At 31 December 2012					
Cost					
At 1 January 2012	271,839	2,682,025	2,269,782	-	5,223,646
Additions	-	52,181	-	-	52,181
Movement of assets transferred to assets held for sale (Note 31)	-	-	76,896	-	76,896
Written off (Note 11)	-	-	(1,826,510)	-	(1,826,510)
Exchange differences	-	-	(74,758)	-	(74,758)
At 31 December 2012	271,839	2,734,206	445,410	-	3,451,455
Accumulated amortisation and impairment					
At 1 January 2012	271,839	2,252,058	1,881,468	-	4,405,365
Amortisation (Note 11)	-	17,844	-	-	17,844
Reversal of impairment losses (Note 11)	-	-	(1,826,510)	-	(1,826,510)
Exchange differences	-	-	(54,958)	-	(54,958)
At 31 December 2012	271,839	2,269,902	-	-	2,541,741
Net carrying amount					
At 31 December 2012	-	464,304	445,410	-	909,714

22. INTANGIBLE ASSETS (Continued)

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

	Group	
	2013 RM	2012 RM
Employee benefits expense (Note 12)	-	41,528

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

Allocation of goodwill and gaming licenses

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

Key assumptions used in value-in-use calculations

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

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

(i) Net revenue

The estimated net revenue used to calculate the cash inflows is the estimated leasing income receivable from the leasing of casino building together with the gaming license to a casino operator in Cambodia.

(ii) Exchange rate

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

(iii) Discount rate

The discount rate used was 8.9% based on the Group's weighted average cost of capital.

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

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

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23. INVENTORIES

	Group 2013 RM	2012 RM
At Cost		
Gaming machines	293,072	-
Goods at third party premises	2,399,062	5,402,700
Goods in transit	100,873	671,627
	2,793,007	6,074,327
At net realisable value		
Gaming and amusement machines, coin and notes counting machines and binding machines	226,196	409,706
Spare parts, gaming and amusement accessories, table game equipment and accessories	1,339,738	1,559,265
	1,565,934	1,968,971
	4,358,941	8,043,298

24. TRADE RECEIVABLES

	Group 2013 RM	2012 RM
Trade receivables		
Third parties	41,979,749	63,702,321
Related parties	504,335	4,221
	42,484,084	63,706,542
Less: Impairment losses		
Third parties	(1,101,400)	(1,614,254)
Related parties	(19,939)	(4,221)
Trade receivables, net	41,362,745	62,088,067

Included in "trade receivables third parties" is an amount of RM11,217,307 (2012: RM16,006,469) which will be paid by variable instalments which is based on an agreed percentage on the gross collections generated from the machines sold and is interest free.

Normal trade credit terms granted to the customers range from one month to three months. Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition.

Credit terms granted to related parties range from six months to twelve months.

24. TRADE RECEIVABLES (Continued)

The currency exposure profile of trade receivables are as follows:

	Group	
	2013 RM	2012 RM
Ringgit Malaysia	1,111,045	1,004,694
United States Dollar	22,943,128	45,231,361
Hong Kong Dollar	2,737,420	2,485,095
Peso	12,016,978	10,848,321
Thai Baht	1,904,508	2,390,609
Singapore Dollar	304,393	121,869
Others	345,273	6,118
	41,362,745	62,088,067

Ageing analysis of trade receivables

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

	Group	
	2013 RM	2012 RM
Neither past due nor impaired	17,744,272	46,851,566
1 to 30 days past due not impaired	4,697,458	3,669,886
31 to 60 days past due not impaired	2,343,560	2,413,747
61 to 90 days past due not impaired	1,659,951	1,514,987
91 to 120 days past due not impaired	1,207,818	977,444
More than 120 days past due not impaired	7,400,692	5,961,214
	17,309,479	14,537,278
Impaired	7,430,333	2,317,698
	42,484,084	63,706,542

Trade receivables that are neither past due nor impaired

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

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

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to RM17,309,479 (2012: RM14,537,278) that are past due at the reporting date but not impaired.

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

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24. TRADE RECEIVABLES (Continued)

Trade receivables that are impaired

	Group Individually impaired	
	2013 RM	2012 RM
Trade receivables-nominal amounts	7,430,333	2,317,698
Less: Impairment losses	(1,121,339)	(1,618,475)
	6,308,994	699,223

Movement in impairment accounts:

	Group	
	2013 RM	2012 RM
At 1 January	1,618,475	3,696,677
Charge for the financial year (Note 11)	61,893	266,453
Reversal of impairment losses (Note 11)	(642,856)	(2,225,856)
Exchange differences	83,827	(118,799)
At 31 December	1,121,339	1,618,475

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

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

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

25. OTHER RECEIVABLES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Deposits	6,563,865	7,885,908	7,000	170,683
Interest receivables	151,468	129,914	66,265	55,123
Sundry receivables	634,245	1,507,632	-	-
	7,349,578	9,523,454	73,265	225,806
Less: Impairment losses	(293,798)	(133,274)	-	-
	7,055,780	9,390,180	73,265	225,806
Prepayments	1,327,995	860,117	-	-
	8,383,775	10,250,297	73,265	225,806

25. OTHER RECEIVABLES (Continued)

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Representing receivables:				
- Current	8,202,573	9,904,489	73,265	225,806
- Non-current	181,202	345,808	-	-
	8,383,775	10,250,297	73,265	225,806

The currency exposure profile of other receivables are as follows:

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
United States Dollar	5,668,709	5,912,367	-	-
Ringgit Malaysia	1,062,605	1,610,684	73,265	225,806
Thai Baht	832,687	179,665	-	-
Hong Kong Dollar	201,586	506,305	-	-
Peso	186,786	415,587	-	-
Japanese Yen	186,756	348,430	-	-
Euro	142,239	1,110,876	-	-
Others	102,407	166,383	-	-
	8,383,775	10,250,297	73,265	225,806

Movement in impairment accounts:

	Group 2013 RM	Group 2012 RM
At 1 January	133,274	130,735
Charge for the financial year (Note 11)	165,472	32,344
Reversal of impairment losses (Note 11)	(23,653)	(20,228)
Disposal and deconsolidation of a subsidiary	-	(2,498)
Exchange differences	18,705	(7,079)
At 31 December	293,798	133,274

Included in non-current receivables are an amount of RM181,202 (2012: RM345,808) which is secured by unquoted shares pledged to the Group, non-interest bearing and not receivable within the next one year.

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26. DUE FROM/(TO) SUBSIDIARIES

	Company 2013 RM	Company 2012 RM
Due from subsidiaries	23,954,927	35,640,092
Less: Impairment losses	(10,007,524)	(16,897,041)
	13,947,403	18,743,051

Movement in impairment accounts:

	Company 2013 RM	Company 2012 RM
At 1 January	16,897,041	24,214,496
Charge for the financial year (Note 11)	70,895	1,218,068
Reversal of impairment losses (Note 11)	(6,960,412)	(8,535,523)
At 31 December	10,007,524	16,897,041

The amounts due from/(to) 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 RM8,523,200 (2012: RM9,760,000) and RM1,600,000 (2012: RM1,600,000) on which interest is charged at 10% (2012: 10%) and 5% (2012: 8.3%) per annum respectively.

27. DUE FROM/(TO) JOINT VENTURES

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Due from joint ventures	988,466	993,997	988,466	986,462
Less: Impairment losses	(988,466)	(993,997)	(988,466)	(986,462)
	-	-	-	-

27. DUE FROM/(TO) JOINT VENTURES (Continued)

Movement in impairment accounts:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
At 1 January	993,997	983,437	986,462	978,423
Charge for the financial year (Note 11)	2,004	10,932	2,004	8,184
Reversal of impairment losses (Note 11)	-	(145)	-	(145)
Exchange differences	(7,535)	(227)	-	-
At 31 December	988,466	993,997	988,466	986,462

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

28. DUE FROM/(TO) ASSOCIATES

	Group	
	2013 RM	2012 RM
Due from associates	5,052,120	4,382,787
Less: Impairment losses	(2,100,269)	(1,978,225)
	2,951,851	2,404,562

Movement in impairment accounts:

	Group	
	2013 RM	2012 RM
At 1 January	1,978,225	2,283,052
Charge for the financial year (Note 11)	25,263	247,780
Reversal of impairment losses (Note 11)	-	(492,550)
Exchange differences	96,781	(60,057)
At 31 December	2,100,269	1,978,225

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

29. DUE TO MINORITY SHAREHOLDERS OF A SUBSIDIARY

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

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30. CASH AND CASH EQUIVALENTS

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Deposits with licensed banks	10,134,312	4,608,002	6,639,611	1,751,815
Cash and bank balances	26,855,077	26,030,296	946,107	289,248
	36,989,389	30,638,298	7,585,718	2,041,063

The currency exposure profile of cash and cash equivalents are as follows:

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
United States Dollar	11,418,690	11,601,848	-	-
Ringgit Malaysia	10,946,508	5,653,695	7,585,718	2,041,063
Thai Baht	9,439,644	9,676,495	-	-
Peso	2,953,196	2,661,983	-	-
Japanese Yen	747,409	31,888	-	-
Singapore Dollar	743,188	242,278	-	-
Hong Kong Dollar	681,571	414,796	-	-
Others	59,183	355,315	-	-
	36,989,389	30,638,298	7,585,718	2,041,063

For the purpose of the statements of cash flows, cash and cash equivalents comprise of the followings as at the end of the financial year:

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Deposits with licensed banks	10,134,312	4,608,002	6,639,611	1,751,815
Cash and bank balances	26,855,077	26,030,296	946,107	289,248
Bank overdrafts (Note 35)	(2,877,652)	(4,143,964)	-	-
	34,111,737	26,494,334	7,585,718	2,041,063
Cash and bank balances for disposal group classified as held for sale (Note 31)	308	1,894	-	-
Less: Fixed deposit pledged to licensed banks	(10,134,312)	(4,608,002)	(6,639,611)	(1,751,815)
Bank balances pledged to licensed banks	(126,805)	-	(33,425)	-
	23,850,928	21,888,226	912,682	289,248

(a) Included in the deposits with licensed banks of the Group is an amount of RM10,134,312 (2012: RM4,608,002) pledged to licensed banks as security for the Company's commercial papers and banking facilities granted to certain subsidiaries as disclosed in Note 35 to the financial statements.

30. CASH AND CASH EQUIVALENTS (Continued)

(b) Included in the cash and bank balances of the Group is an amount of RM126,805 (2012: RM Nil) pledged to licensed banks as security for the Company's commercial papers as disclosed in Note 35 to the financial statements.

(c) Other information on financial risks of cash and cash equivalents are disclosed in Note 44 to the financial statements.

31. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 22 June 2011, Macrocept Sdn. Bhd. ("MCSB") had entered into a Sale and Purchase Agreement ("SPA") to dispose of 32% equity interest in Chateau de Bavet Club Co., Ltd. ("CDBC") over a period of 36 months. In December 2013, the parties to the SPA mutually agreed for the termination of SPA for the remaining unfulfilled obligation of 6.4% equity interest in CDBC subject to the approval obtained from the relevant authority after the purchaser had paid for 25.6% equity interest. The transfer of shares are scheduled as below:

Details of transfer	Ownership interest %	Consideration RM
April and September 2012	12.8	4,812,230
November 2013	9.6	2,704,697
To be transferred in year 2014	3.2	1,052,662
	25.6	8,569,589

As at 31 December 2013 and 31 December 2012, the assets and liabilities of CDBC classified as held for sale are as below:

	2013 RM	2012 RM
Assets of disposal group classified as held for sale		
Property, plant and equipment	1,131,394	6,566,077
Intangible assets	18,942	105,840
Other receivables	8,708	218,540
Due from associates	82,301	471,732
Cash and bank balances	308	1,894
	1,241,653	7,364,083
Liabilities of disposal group classified as held for sale		
Trade payables	-	14,965
Other payables	82,279	535,376
	82,279	550,341

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32. SHARE CAPITAL

	Number of ordinary shares of RM0.10 each		Amount	
	2013	2012	2013 RM	2012 RM
Authorised:				
At 1 January/31 December	1,500,000,000	1,500,000,000	150,000,000	150,000,000
Issued and fully paid:				
At 1 January	1,151,189,100	1,151,189,100	115,118,910	115,118,910
Issue of ordinary shares pursuant to ESOS	7,922,600	-	792,260	-
At 31 December	1,159,111,700	1,151,189,100	115,911,170	115,118,910

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

33. RESERVES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Non-distributable:				
Share premium	14,409,433	14,372,872	14,409,433	14,372,872
Foreign currency translation reserve	(19,317,949)	(30,187,220)	-	-
Share option reserve	513,411	375,870	513,739	376,142
	(4,395,105)	(15,438,478)	14,923,172	14,749,014
Distributable:				
Accumulated losses	(36,554,270)	(40,185,014)	(1,946,999)	(16,936,481)
	(40,949,375)	(55,623,492)	12,976,173	(2,187,467)

(a) Foreign currency 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.

34. EMPLOYEE BENEFITS

Employees' share option scheme ("ESOS")

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

The salient features and other terms of the 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 Bye-Laws as it shall in its discretion think fit and the Board shall have the power by resolution to add, to amend or delete all or any of these Bye-Laws upon such recommendation.

(ii) Subject to the discretion of the ESOS Committee, any employee who is at least eighteen years of age, whose employment has been confirmed and any Executive 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 60% of the shares shall be allocated, in aggregate, to Executive and Non-executive Directors and senior management. In addition, not more than 10% of the shares available under the ESOS shall be allocated to any individual Director or eligible employee who, either singly or collectively through persons connected with the eligible employees, holds 20% or more in the issued and paid-up capital of the Company.

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

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

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

(v) The ESOS shall be in force for a period of five 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.

(vii) The shares granted will only be vested to the eligible employees and/or Directors of the Group who have duly accepted the offer under the ESOS, remain in employment with the Group as at vesting dates.

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34. EMPLOYEE BENEFITS (Continued)

Employees' share option scheme ("ESOS") (Continued)

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

	Number of options over ordinary shares of RM0.10 each					
Grant Date	**Outstanding at 1 January 2013 '000**	**Granted '000**	**Exercised '000**	**Forfeited '000**	**Outstanding at 31 December 2013 '000**	**Exercisable at 31 December 2013 '000**
2013						
2010 Options:						
Grant 1	61,286	-	(7,811)	(797)	52,678	52,678
2012 Options:						
Grant 2	2,827	-	(89)	(218)	2,520	1,650
Grant 3	10,908	-	(23)	(352)	10,533	5,257
2013 Options:						
Grant 4	-	4,683	-	-	4,683	1,171
	75,021	4,683	(7,923)	(1,367)	70,414	60,756
WAEP (RM)	0.100	0.105	0.100	0.100	0.100	0.100
2012						
2010 Options:						
Grant 1	62,532	-	-	(1,246)	61,286	45,964
2012 Options:						
Grant 2	-	3,290	-	(463)	2,827	943
Grant 3	-	11,022	-	(114)	10,908	2,727
	62,532	14,312	-	(1,823)	75,021	49,634
WAEP (RM)	0.100	0.100	0.100	0.100	0.100	0.100

	Exercise price RM	**Exercise period**
2013		
2010 Options:		
Grant 1	0.100	25.11.2010 – 20.10.2019
2012 Options:		
Grant 2	0.100	13.02.2012 – 20.10.2019
Grant 3	0.100	01.11.2012 – 20.10.2019
2013 Options:		
Grant 4	0.105	11.12.2013 – 20.10.2019

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34. EMPLOYEE BENEFITS (Continued)

	Exercise price RM	Exercise period
2012		
2010 Options:		
Grant 1	0.100	25.11.2010 – 20.10.2019
2012 Options:		
Grant 2	0.100	13.02.2012 – 20.10.2019
Grant 3	0.100	01.11.2012 – 20.10.2019

Fair value of share options granted

The fair value of the share options granted under ESOS during the financial year is estimated at the grant date using a binomial options pricing model, taking into account the terms and conditions upon which the instruments were granted.

The fair value of share options granted on 11 December 2013 are measured at the grant date and the assumptions are as follows:

	Grant 4			
	Batch 1	**Batch 2**	**Batch 3**	**Batch 4**
Fair value of share options granted (RM)	0.035	0.043	0.049	0.055
Share price (RM)	0.118	0.118	0.118	0.118
Exercise price (RM)	0.105	0.105	0.105	0.105
Dividend yield (%)	0	0	0	0
Expected volatility (%)	48.69	48.69	48.69	48.69
Risk-free interest rate (% p.a.)	3.76	3.76	3.76	3.76
Option life (years)	5.86	5.86	5.86	5.86
Cliff vesting period (years)	0	1	2	3
Expected employee exit rate (%)	17.30	17.30	17.30	17.30
Expected early exercise price multiple (times)	1.47	1.47	1.47	1.47

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

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35. BORROWINGS

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Short term borrowings (secured):				
Bank overdrafts (Note 30)	2,877,652	4,143,964	-	-
Onshore foreign currency loan	10,109,685	14,309,196	-	-
Commercial papers	12,323,411	6,466,028	12,323,411	6,466,028
Finance lease liabilities (Note 36)	371,550	215,692	-	-
Term loans	112,000	112,000	-	-
	25,794,298	25,246,880	12,323,411	6,466,028
Long term borrowings (secured):				
Commercial papers *	37,748,100	54,300,000	37,748,100	54,300,000
Finance lease liabilities (Note 36)	101,714	349,689	-	-
Term loans	318,395	433,928	-	-
	38,168,209	55,083,617	37,748,100	54,300,000
Long term borrowings (unsecured):				
Medium term notes	10,000,000	10,000,000	10,000,000	10,000,000
	48,168,209	65,083,617	47,748,100	64,300,000
Total borrowings:				
Bank overdrafts (Note 30)	2,877,652	4,143,964	-	-
Onshore foreign currency loan	10,109,685	14,309,196	-	-
Commercial papers	50,071,511	60,766,028	50,071,511	60,766,028
Finance lease liabilities (Note 36)	473,264	565,381	-	-
Medium term notes	10,000,000	10,000,000	10,000,000	10,000,000
Term loans	430,395	545,928	-	-
	73,962,507	90,330,497	60,071,511	70,766,028

* The Group has entered into repayment schedule on the commercial papers with the noteholders under the Unrated Commercial Papers/Medium Term Notes Programme where the repayment will be made on a quarterly basis and is expected to complete by year 2017. Commercial papers with repayment terms after the next 12 months were reclassified to non-current liabilities.

The secured borrowings, other than finance lease liability, are secured by the following:

(a) legal charges over certain freehold land, leasehold land and buildings of the Group as disclosed in Note 17(a) to the financial statements;

(b) certain bank balances and deposits with licensed banks as disclosed in Note 30 to the financial statements;

35. BORROWINGS (Continued)

The secured borrowings, other than finance lease liability, are secured by the following (Continued):

(c) corporate guarantees of RM39.22 million (2012: RM39.22 million) by the Company;

(d) a third party debenture covering fixed and floating assets on present and future assets of a subsidiary; and

(e) legal charges over unquoted shares of a subsidiary as disclosed in Note 18 to the financial statements.

Other information on financial risks of borrowings are disclosed in Note 44 to the financial statements.

36. FINANCE LEASE LIABILITIES

	Group	
	2013 RM	2012 RM
Minimum lease payments:		
Not later than 1 year	387,243	255,908
Later than 1 year and not later than 5 years	103,091	365,586
Total minimum lease payments	490,334	621,494
Less: Future interest charges	(17,070)	(56,113)
Present value of minimum lease payments	473,264	565,381
Present value of payments:		
Not later than 1 year	371,550	215,692
Later than 1 year and not later than 5 years	101,714	349,689
Present value of minimum lease payments	473,264	565,381
Less: Amount due within 12 months (Note 35)	(371,550)	(215,692)
Amount due after 12 months (Note 35)	101,714	349,689

37. DEFERRED TAX LIABILITIES

	Group	
	2013 RM	2012 RM
At 1 January	194,604	285,982
Recognised in statement of comprehensive income (Note 14)	(4,864)	(91,378)
At 31 December	189,740	194,604

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37. DEFERRED TAX LIABILITIES (Continued)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Development costs RM	Property, plant and equipment RM	Total RM
At 1 January 2013	104,250	538,604	642,854
Recognised in statement of comprehensive income	(4,500)	(12,864)	(17,364)
At 31 December 2013	99,750	525,740	625,490
At 1 January 2012	106,500	657,482	763,982
Recognised in statement of comprehensive income	(2,250)	(118,878)	(121,128)
At 31 December 2012	104,250	538,604	642,854

Deferred tax assets of the Group:

	Unused tax losses, unabsorbed capital allowances and tax incentives RM	Accruals RM	Other investments, lease receivables, trade and other receivables RM	Property, plant and equipment expensed out RM	Total RM
At 1 January 2013	(284,500)	(16,500)	(126,250)	(21,000)	(448,250)
Recognised in statement of comprehensive income	(61,250)	5,750	65,250	2,750	12,500
At 31 December 2013	(345,750)	(10,750)	(61,000)	(18,250)	(435,750)
At 1 January 2012	(388,750)	(22,000)	(44,000)	(23,250)	(478,000)
Recognised in statement of comprehensive income	104,250	5,500	(82,250)	2,250	29,750
At 31 December 2012	(284,500)	(16,500)	(126,250)	(21,000)	(448,250)

37. DEFERRED TAX LIABILITIES (Continued)

The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Unused tax losses	2,520,000	2,031,000	-	-
Unabsorbed capital allowances	55,000	55,000	39,000	39,000
	2,575,000	2,086,000	39,000	39,000

The unused tax losses and unabsorbed capital allowances of the Group amounting to RM2,520,000 (2012: RM2,031,000) and RM16,000 (2012: RM16,000) respectively which are derived from Singapore operations are available for offsetting against future taxable profits of a subsidiary in Singapore, subject to the agreement with the tax authority.

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

38. TRADE PAYABLES

	Group	
	2013 RM	2012 RM
Trade payables		
Third parties	36,001,854	48,541,519
Related parties	311,079	289,700
	36,312,933	48,831,219

The currency exposure profile of trade payables are as follows:

	Group	
	2013 RM	2012 RM
United States Dollar	35,047,507	45,678,699
Euro	1,112,693	2,440,650
Ringgit Malaysia	90,314	41,514
Australia Dollar	41,969	54,783
Hong Kong Dollar	242	599,443
Others	20,208	16,130
	36,312,933	48,831,219

Included in "trade payables third parties" is an amount RM5,089,904 (2012: RM8,327,583) which is being paid by monthly instalments and interest is charged at 5.3% (2012: 5.3%) per annum.

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38. TRADE PAYABLES (Continued)

Also, included in "trade payables third parties" is an amount RM13,273,947 (2012: RM10,490,239) which will be paid by variable instalments based on agreed percentage on the gross collections generated from the machines purchased and is interest free.

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

Amount owing to related parties are unsecured, interest-free and payable upon demand in cash and cash equivalents.

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

Other information on financial risk of trade payables are disclosed in Note 44 to the financial statements.

39. OTHER PAYABLES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Advances received from customers	3,214,918	1,994,275	-	-
Accruals	7,010,179	8,030,953	811,515	379,028
Deposits received	1,819,678	2,359,651	1,034	1,034
Sundry payables	3,902,334	8,114,823	14,082	47,024
Deferred revenue	301,227	-	-	-
	16,248,336	20,499,702	826,631	427,086
Representing payables:				
- Current	16,039,187	20,499,702	826,631	427,086
- Non-current	209,149	-	-	-
	16,248,336	20,499,702	826,631	427,086

The currency exposure profile of other payables are as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
United States Dollar	13,952,893	14,094,839	-	-
Peso	1,299,017	2,794,259	-	-
Hong Kong Dollar	539,726	50,619	-	-
Thai Baht	765,257	697,001	-	-
Ringgit Malaysia	(301,743)	1,888,609	826,631	427,086
Euro	-	910,962	-	-
Others	(6,814)	63,413	-	-
	16,248,336	20,499,702	826,631	427,086

40. RELATED PARTIES DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has controlling related party relationship with its direct and indirect subsidiaries.

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

	Note	2013 RM	2012 RM
Group			
Related parties*:			
- Sales of products	(i)	139,885	104,120
- Repair and maintenance income	(i)	-	690
- Installation fee	(i)	-	500
- Sales of property, plant and equipment		1,335	-
Associates:			
- Purchase of products	(ii)	1,220	16,144
- R&D expenses and maintenance fee	(ii)	8,286	589,851
Company			
Subsidiaries:			
- Dividend income		15,395,500	12,231,400
- Interest income	(iii)	1,060,659	1,211,915
- Operating lease expense	(iv)	42,000	42,000

* Related parties are corporations in which certain Directors of the Company and certain subsidiaries have substantial interest in these corporations. Related parties also include clubs or associations in which certain Directors of the Company and certain subsidiaries are committee members.

(i) The sale of products and rendering of services to related parties were made according to the prices and conditions not materially different from 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 not materially different from those offered by these related companies to their major customers.

(iii) The interest income arose from the amounts owing by the subsidiaries to the Company.

(iv) The leasing of premises from a subsidiary are made at market rates.

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40. RELATED PARTIES DISCLOSURES (Continued)

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and the Company.

The remuneration of Directors and other members of key management personnel during the financial year was as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Short-term employee benefits	3,659,552	2,772,459	523,060	474,000
Post-employment benefits:				
Defined contribution plans	362,597	274,420	27,990	23,916
Share-based payment	83,040	89,343	42,202	38,586
	4,105,189	3,136,222	593,252	536,502

Included in the total remuneration of key management personnel are:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Directors' remuneration (Note 13)	3,737,914	3,084,963	593,252	536,502

Executive and Non-executive Directors of the Group and the Company and other members of key management have been granted the following number of options under the ESOS.

	Group		Company	
	2013	2012	2013	2012
At 1 January	58,343,000	52,343,000	57,000,000	51,000,000
Adjustment	1,393,000	-	-	-
Granted	-	6,000,000	-	6,000,000
Exercised	(7,100,000)	-	(7,100,000)	-
At 31 December	52,636,000	58,343,000	49,900,000	57,000,000

The share options were granted to the same terms and conditions as those offered to other employees of the Group as disclosed in Note 34 to the financial statements.

41. CAPITAL COMMITMENTS

	Group 2013 RM	2012 RM
Capital expenditure		
Approved but not contracted for:		
Property, plant and equipment	8,758,000	17,000,000

42. CONTINGENT LIABILITIES

(a) The Company has given unsecured corporate guarantees to certain financial institutions for banking facilities granted to its subsidiaries for a limit of up to RM39.22 million (2012: RM39.22 million) of which RM13,965,655 (2012: RM19,669,451) was utilised at the end of reporting period.

(b) The Company has given unsecured corporate guarantees to certain trade creditors of its subsidiaries for a limit of up to RM79.81 million (2012: RM52.28 million) of which RM27,825,062 (2012: RM15,219,317) was utilised at reporting date.

The Directors are of the view that the chances of the financial institutions and trade creditors calling upon the corporate guarantees are unlikely.

43. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the Group's capital management is to ensure that entities of the Group would be able to continue as going concerns whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2013 and 31 December 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep lower gearing ratio. The Group includes within net debt, borrowings, trade and other payables, less cash and cash equivalents. Capital represents equity attributable to the owners of the parent.

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43. FINANCIAL INSTRUMENTS (Continued)

(a) Capital management (Continued)

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Borrowings	35	73,962,507	90,330,497	60,071,511	70,766,028
Trade payables	38	36,312,933	48,831,219	-	-
Other payables	39	16,248,336	20,499,702	826,631	427,086
Liabilities of disposal group classified as held for sale, net of cash and bank balances	31	82,279	550,341	-	-
Less:					
Cash and cash equivalents	30	(36,989,389)	(30,638,298)	(7,585,718)	(2,041,063)
Net debt		89,616,666	129,573,461	53,312,424	69,152,051
Equity attributable to the owners of the parent, represent total capital		74,961,795	59,495,418	128,887,343	112,931,443
Capital and net debt		164,578,461	189,068,879	182,199,767	182,083,494
Gearing ratio		54%	69%	29%	38%

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Securities, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than 40 million. The Company has complied with this requirement during the financial year ended 31 December 2013.

(b) Financial instruments

	Note	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Loans and receivables					
Trade receivables	24	41,362,745	62,088,067	-	-
Other receivables (current and non-current)	25	7,055,780	9,390,180	73,265	225,806
Due from subsidiaries	26	-	-	13,947,403	18,743,051
Due from associates	28	2,951,851	2,404,562	-	-
Cash and cash equivalents	30	36,989,389	30,638,298	7,585,718	2,041,063
		88,359,765	104,521,107	21,606,386	21,009,920
Other financial liabilities					
Trade payables	38	36,312,933	48,831,219	-	-
Other payables	39	16,248,336	20,499,702	826,631	427,086
Borrowings (current and non-current)	35	73,962,507	90,330,497	60,071,511	70,766,028
Due to a subsidiary	26	-	-	3,596,413	8,126,678
Due to joint ventures	27	-	185,274	-	185,274
Due to associates	28	70,398	531,918	-	-
Due to minority shareholders of a subsidiary	29	876,987	890,421	-	-
		127,471,161	161,269,031	64,494,555	79,505,066

43. FINANCIAL INSTRUMENTS (Continued)

(c) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

(i) Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the current position of loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair value of these borrowings is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(ii) Amounts due from subsidiaries, amounts due from joint ventures and amounts due from associates

The fair value of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period.

(d) Fair value hierarchy

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

Fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

The following tables set out the financial instruments not carried at fair value for which fair value is disclosed, together with their carrying amounts shown in the statement of financial position.

	Financial instruments not carried at fair value			
	Group		Company	
	Fair value (Level 2) RM	Carrying amount RM	Fair value (Level 2) RM	Carrying amount RM
2013				
Financial liabilities				
Commercial papers	37,229,621	37,748,100	37,229,621	37,748,100
Finance lease liabilities	65,689	101,714	-	-
Medium term notes	9,822,330	10,000,000	9,822,330	10,000,000
	47,117,640	47,849,814	47,051,951	47,748,100

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43. FINANCIAL INSTRUMENTS (Continued)

(d) Fair value hierarchy (Continued)

	Financial instruments not carried at fair value			
	Group		Company	
	Fair value (Level 2) RM	Carrying amount RM	Fair value (Level 2) RM	Carrying amount RM
2012				
Financial liabilities				
Commercial papers	52,472,133	54,300,000	52,472,133	54,300,000
Finance lease liabilities	311,834	349,689	-	-
Medium term notes	9,954,997	10,000,000	9,954,997	10,000,000
	62,738,964	64,649,689	62,427,130	64,300,000

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors and does not trade in derivative financial instruments. Financial risk management is carried out through risk review programmes, internal control systems, insurance programmes and adherence to the Group financial risk management policies. The Group is exposed mainly to credit risk, liquidity risk, interest rate risk and foreign currency risk. Information on the management of the related exposures is detailed below.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risks, or the risk of counterparties defaulting, arises mainly from receivables and amounts due from subsidiaries respectively. For other financial assets (including investment securities and cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with the recognised and creditworthy third parties. It is the Group's policy that all customers who trade on credit terms are subject to credit verification procedures by the Credit Control 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.

As at 31 December 2013, other than the amounts owing by subsidiaries constituting approximately 100% (2012: 100%) of the total receivables of the Company, the Group also has a significant concentration of credit risk that may arise from exposures to groups of receivables which contributed approximately 77% (2012: 76%) of the total trade receivables as at reporting date. These customers contributed approximately 52% (2012: 58%) of the total revenue of the Group.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (Continued)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period are as below:

	Group			
	2013 RM	% of total	2012 RM	% of total
By segment:				
Sales and marketing	22,862,218	55%	43,954,188	71%
Technical support and management	17,888,831	43%	16,591,664	27%
Others	611,696	2%	1,542,215	2%
	41,362,745	100%	62,088,067	100%
By country:				
The Philippines	32,116,628	77%	49,248,880	79%
Malaysia	1,655,652	4%	966,850	2%
Cambodia	2,497,436	6%	5,998,252	10%
Macau	3,243,829	8%	3,374,800	5%
Vietnam	386,336	1%	1,596,149	3%
Laos	650,859	2%	504,157	1%
Other countries	812,005	2%	398,979	0%
	41,362,745	100%	62,088,067	100%

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 24 to the financial statements. Deposits with bank and other financial institutions that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding trade receivables that are either past due or impaired is disclosed in Note 24 to the financial statements.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arising primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group and the Company manages their debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash equivalents to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	2013 RM			
	On demand or within one year	**One to five years**	**Over five years**	**Total**
Group				
Financial liabilities:				
Trade and other payables	52,505,353	209,149	-	52,714,502
Borrowings	31,914,848	47,755,594	10,750,000	90,420,442
Due to associates	70,398	-	-	70,398
Due to minority shareholders of a subsidiary	876,987	-	-	876,987
Total undiscounted financial liabilities	85,367,586	47,964,743	10,750,000	144,082,329
Company				
Financial liabilities:				
Trade and other payables	826,631	-	-	826,631
Borrowings	18,377,200	47,331,696	10,750,000	76,458,896
Due to a subsidiary	3,596,413	-	-	3,596,413
Total undiscounted financial liabilities	22,800,244	47,331,696	10,750,000	80,881,940

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	2012 RM			
	On demand or within one year	**One to five years**	**Over five years**	**Total**
Group				
Financial liabilities:				
Trade and other payables	69,696,719	-	-	69,696,719
Borrowings	32,263,803	66,967,975	12,450,000	111,681,778
Due to a joint venture	185,274	-	-	185,274
Due to associates	531,918	-	-	531,918
Due to minority shareholders of a subsidiary	890,421	-	-	890,421
Total undiscounted financial liabilities	103,568,135	66,967,975	12,450,000	182,986,110
Company				
Financial liabilities:				
Trade and other payables	427,086	-	-	427,086
Borrowings	13,391,667	66,130,000	12,450,000	91,971,667
Due to a subsidiary	8,126,678	-	-	8,126,678
Due to a joint venture	185,274	-	-	185,274
Total undiscounted financial liabilities	22,130,705	66,130,000	12,450,000	100,710,705

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments would fluctuate because of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in deposits.

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Interest rates of bank borrowings are mainly subject to fluctuations in the banks' base lending rates.

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Interest rate risk (Continued)

The following tables set out the carrying amounts, the weighted average effective interest rates at the end of the reporting period and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

	Note	Weighted average effective interest rate (%)	Within 1 year RM	1-2 years RM	2-3 years RM	3-4 years RM	4-5 years RM	Over 5 years RM	Total RM
At 31 December 2013									
Group									
Fixed rate									
Medium term notes	35	5.0	-	-	-	-	-	(10,000,000)	(10,000,000)
Finance lease liabilities	35	10.0	(371,550)	(101,714)	-	-	-	-	(473,264)
Commercial papers	35	10.0	(12,323,411)	(12,528,146)	(12,678,821)	(12,541,133)	-	-	(50,071,511)
Trade payables	38	5.3	(5,089,904)	-	-	-	-	-	(5,089,904)
Floating rate									
Deposits with licensed banks	30	2.8	10,134,312	-	-	-	-	-	10,134,312
Bank overdrafts	35	7.9	(2,877,652)	-	-	-	-	-	(2,877,652)
Onshore foreign currency loan	35	2.0	(10,109,685)	-	-	-	-	-	(10,109,685)
Term loans	35	7.9	(112,000)	(112,000)	(112,000)	(94,395)	-	-	(430,395)
Company									
Fixed rate									
Due from subsidiaries	26	9.2	10,123,200	-	-	-	-	-	10,123,200
Medium term notes	35	5.0	-	-	-	-	-	(10,000,000)	(10,000,000)
Commercial papers	35	10.0	(12,323,411)	(12,528,146)	(12,678,821)	(12,541,133)	-	-	(50,071,511)
Floating rate									
Deposits with licensed banks	30	2.9	6,639,611	-	-	-	-	-	6,639,611

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Interest rate risk (Continued)

	Note	Weighted average effective interest rate (%)	Within 1 year RM	1-2 years RM	2-3 years RM	3-4 years RM	4-5 years RM	Over 5 years RM	Total RM
At 31 December 2012									
Group									
Fixed rate									
Medium term notes	35	5.0	-	-	-	-	-	(10,000,000)	(10,000,000)
Finance lease liabilities	35	10.0	(215,692)	(210,425)	(139,264)	-	-	-	(565,381)
Trade payables	38	5.3	(8,327,583)	-	-	-	-	-	(8,327,583)
Floating rate									
Deposits with licensed banks	30	2.8	4,608,002	-	-	-	-	-	4,608,002
Bank overdrafts	35	7.9	(4,143,964)	-	-	-	-	-	(4,143,964)
Onshore foreign currency loan	35	1.9	(14,309,196)	-	-	-	-	-	(14,309,196)
Term loans	35	7.9	(112,000)	(112,000)	(112,000)	(112,000)	(97,928)	-	(545,928)
Commercial papers	35	10.0	(6,466,028)	(13,400,000)	(13,400,000)	(13,400,000)	(14,100,000)	-	(60,766,028)
Company									
Fixed rate									
Due from subsidiaries	26	9.8	11,360,000	-	-	-	-	-	11,360,000
Medium term notes	35	5.0	-	-	-	-	-	(10,000,000)	(10,000,000)
Floating rate									
Deposits with licensed banks	30	3.1	1,751,825	-	-	-	-	-	1,751,825
Commercial papers	35	10.0	(6,466,028)	(13,400,000)	(13,400,000)	(13,400,000)	(14,100,000)	-	(60,766,028)

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Interest rate risk (Continued)

Sensitivity analysis for interest rate risk

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's and of the Company's profit net of tax (through the impact on interest income and expense on floating rate deposits with licensed bank, loans and borrowings).

	2013 Effect on profit net of tax RM	2012 Effect on profit net of tax RM
Group		
Increase 10 basis points		
Deposits with licensed banks	3,992	3,457
Bank overdrafts	(2,158)	(3,109)
Onshore foreign currency loan	(9,937)	(14,346)
Term loans	(323)	(409)
Commercial papers	(37,554)	(45,575)
Decrease 10 basis points		
Deposits with licensed banks	(3,992)	(3,457)
Bank overdrafts	2,158	3,109
Onshore foreign currency loan	9,937	14,346
Term loans	323	409
Commercial papers	37,554	45,575
Company		
Increase 10 basis points		
Deposits with licensed banks	1,719	1,316
Commercial papers	(37,554)	(45,575)
Decrease 10 basis points		
Deposits with licensed banks	(1,719)	(1,316)
Commercial papers	37,554	45,575

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

Subsidiaries operating in the Philippines, Cambodia, Laos, Macau, Vietnam and Singapore have assets and liabilities together with expected cash flows from anticipated transactions denominated in foreign currencies that give rise to foreign exchange exposures.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity analysis of the Group and the Company to a reasonably possible change in the United States Dollar ("USD"), Philippine Peso ("Peso") and Thai Baht ("THB") exchange rates against the respective functional currencies of the Group entities, with all other variables held constant:

	Profit net of tax			
	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Strengthened 5%				
USD/RM	8,821	50,884	(178,417)	559,759
Peso/USD	718,934	556,536	-	-
THB/USD	570,525	577,409	-	-
Weakened 5%				
USD/RM	(8,821)	(50,884)	178,417	(559,759)
Peso/USD	(718,934)	(556,536)	-	-
THB/USD	(570,525)	(577,409)	-	-

45. OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

(i)	Sales and marketing	Sales and marketing of gaming and amusement machines and systems and related products.
(ii)	Technical support and management services	Technical support, maintenance, and management of gaming and amusement machines and equipment.
(iii)	Others	Renting of property, manufacturing, research and development.

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring losses, such as goodwill impairment.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment assets exclude tax assets and assets used primarily for corporate purposes.

Segment liabilities exclude tax liabilities and unallocated liabilities. Even though loans and borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors (e.g. funding requirements) except for the portion of commercial papers and medium term notes used to finance the investments in subsidiaries is included in the unallocated liabilities.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

45. OPERATING SEGMENTS (Continued)

	Sales and marketing RM	Technical support and management RM	Others RM	Consolidated RM
2013				
Revenue				
Total revenue	68,484,572	70,420,627	921,473	139,826,672
Inter-segment sales	-	-	(192,000)	(192,000)
Revenue from external customers	68,484,572	70,420,627	729,473	139,634,672
Results				
Segment results	7,459,063	17,290,210	(3,445,988)	21,303,285
Finance costs	(381,621)	(3,250,193)	(93,958)	(3,725,772)
Share of results of associates	718,127	-	(304)	717,823
	7,795,569	14,040,017	(3,540,250)	18,295,336
Unallocated expenses				
- Unallocated finance costs				(4,493,437)
- Other unallocated expenses				(7,271,661)
Profit before tax				6,530,238
Tax expense				(564,447)
Profit for the financial year				5,965,791
Assets				
Segment assets	46,734,622	107,485,814	52,565,877	206,786,313
Investments in associates	-	-	127,760	127,760
Tax assets				227,616
Unallocated assets				10,177,461
Total assets				217,319,150
Liabilities				
Segment liabilities	36,888,115	44,535,923	5,189,000	86,613,038
Tax liabilities				209,740
Unallocated liabilities				40,940,402
Total liabilities				127,763,180

45. OPERATING SEGMENTS (Continued)

	Sales and marketing RM	Technical support and management RM	Others RM	Consolidated RM
Other information				
Addition to non-current assets				
- Reportable segments	27,251	28,943,448	6,163	28,976,862
- Unallocated				678,227
				29,655,089
Interest income				
- Reportable segments	6	43,238	-	43,244
- Unallocated				263,856
				307,100
Depreciation and amortisation				
- Reportable segments	616,083	32,525,134	1,739,686	34,880,903
- Unallocated				109,850
				34,990,753
Impairment of non-financial asset				
- Reportable segments	-	(373,761)	(182,196)	(555,957)
				(555,957)
Other non-cash items				
- Reportable segments	271,586	(308,416)	638,912	602,082
- Unallocated				(123,848)
				478,234

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

45. OPERATING SEGMENTS (Continued)

	Sales and marketing RM	Technical support and management RM	Others RM	Consolidated RM
2012				
Revenue				
Total revenue	114,389,160	72,045,018	1,239,677	187,673,855
Inter-segment sales	-	-	(276,000)	(276,000)
Revenue from external customers	114,389,160	72,045,018	963,677	187,397,855
Results				
Segment results	9,108,957	7,727,865	(581,461)	16,255,361
Finance costs	(619,875)	(3,554,157)	(206,058)	(4,380,090)
Share of results of a joint venture	-	-	(241)	(241)
Share of results of associates	(1,088,943)	-	1,620	(1,087,323)
	7,400,139	4,173,708	(786,140)	10,787,707
Unallocated expenses				
- Unallocated finance costs				(4,997,461)
- Other unallocated gain				343,236
Profit before tax				6,133,482
Tax expense				(97,397)
Profit for the financial year				6,036,085
Assets				
Segment assets	73,213,029	96,338,015	52,865,400	222,416,444
Investments in joint ventures	-	-	244,204	244,204
Investments in associates	465,828	-	118,954	584,782
Tax assets				188,172
Unallocated assets				7,123,183
Total assets				230,556,785
Liabilities				
Segment liabilities	58,032,508	50,162,256	6,506,110	114,700,874
Tax liabilities				214,604
Unallocated liabilities				47,118,498
Total liabilities				162,033,976

45. OPERATING SEGMENTS (Continued)

	Sales and marketing RM	Technical support and management RM	Others RM	Consolidated RM
Other information				
Addition to non-current assets				
- Reportable segments	24,738	31,566,643	143,573	31,734,954
- Unallocated				18,733
				31,753,687
Interest income				
- Reportable segments	5	33,489	-	33,494
- Unallocated				147,767
				181,261
Depreciation and amortisation				
- Reportable segments	131,085	41,643,160	1,776,123	43,550,368
- Unallocated				131,155
				43,681,523
Impairment of non-financial asset				
- Reportable segments	(584,552)	29,471	(6,211,467)	(6,766,548)
- Unallocated				4,000
				(6,762,548)
Other non-cash items				
- Reportable segments	483,618	34,935	6,297,444	6,815,997
- Unallocated				256,179
				7,072,176

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

45. OPERATING SEGMENTS (Continued)

Reconciliations

Reconciliations of reportable segment revenues, profit, assets and liabilities to the Group's corresponding amounts are as follows:

	2013 RM	2012 RM
Revenue		
Total revenue for reportable segments	139,826,672	187,673,855
Elimination of inter-segmental revenue	(192,000)	(276,000)
Revenue of the Group per consolidated statement of profit or loss and other comprehensive income	139,634,672	187,397,855
Profit for the financial year		
Total profit for the reportable segments	18,295,336	10,787,707
Unallocated expenses		
- Net foreign exchange (losses)/gain	(3,753,081)	4,726,142
- Legal and professional fees	(813,964)	(2,000,391)
- Finance costs	(4,493,437)	(4,997,461)
- Other corporate expenses	(2,704,616)	(2,382,515)
Profit before tax	6,530,238	6,133,482
Tax expense	(564,447)	(97,397)
Profit for the financial year of the Group per consolidated statement of profit or loss and other comprehensive income	5,965,791	6,036,085
Assets		
Total assets for reportable segments	206,914,073	223,245,430
Tax assets	227,616	188,172
Unallocated assets	10,177,461	7,123,183
Assets of the Group per consolidated statement of financial position	217,319,150	230,556,785
Liabilities		
Total liabilities for reportable segments	86,613,038	114,700,874
Tax liabilities	209,740	214,604
Unallocated liabilities	40,940,402	47,118,498
Liabilities of the Group per consolidated statement of financial position	127,763,180	162,033,976

45. OPERATING SEGMENTS (Continued)

Geographical information

The manufacturing facilities, sales offices and concession outlets of the Group are mainly based in Malaysia, Cambodia, the Philippines, Laos and Macau.

In presenting information on the basis of geographical areas, segment revenue is based on the geographical location from which the sale transactions originated.

Segment assets are based on the geographical location of the Group's assets. The non-current assets do not include tax assets and assets used primarily for corporate purposes.

	Revenues from external customers		Non-current assets	
	2013 RM	2012 RM	2013 RM	2012 RM
The Philippines	91,709,293	129,088,977	34,526,067	32,122,401
Cambodia	21,477,386	32,466,429	56,776,052	49,016,394
Malaysia	7,481,417	4,231,667	17,194,749	12,564,330
Laos	8,311,536	6,467,518	6,265,345	4,865,673
Macau	3,298,104	5,128,361	4,456,065	8,429,325
Vietnam	2,638,585	6,041,809	-	21,214
Other countries	4,718,351	3,973,094	2,457,142	1,731,685
	139,634,672	187,397,855	121,675,420	108,751,022

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position.

	Note	2013 RM	2012 RM
Property, plant and equipment	17	115,179,581	107,841,308
Intangible assets	22	6,495,839	909,714
		121,675,420	108,751,022

Information about major customers

Revenue from major customers amounting to RM52,454,023 (2012: RM86,958,187) and RM23,860,004 (2012: RM14,509,123) arose from sales and marketing segment and technical support and management segment respectively.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

46. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 7 February 2013, RGB Abbiati Pte. Ltd. was struck off from the register of companies in Singapore.

(b) Cron Corporation ceased to be an associate of the Group after it was disposed of for a consideration of JPY5 million on 4 March 2013.

(c) Diamond House (Nipo) Co., Ltd., a dormant company incorporated in Cambodia, was de-registered on 23 September 2013.

(d) Pursuant to the Sale and Purchase Agreement ("SPA") dated 22 June 2011 for the disposal of 32% equity interest in Chateau de Bavet Club Co., Ltd. ("CDBC"), second tranche of 345,600 shares representing 9.6% of the entire capital of CDBC has been transferred to the acquirer on 6 November 2013. As a result, Macrocept Sdn. Bhd. ("MCSB") holds 48.34% of CDBC as at 31 December 2013.

The Group considers that it controls CDBC even though it owns 48.34% of the voting rights as MCSB is the single largest shareholder of CDBC. MCSB entered into an agreement with another shareholder of CDBC who owns a 22.4% equity interest to act in concert with MCSB in the management of CDBC. MCSB also has 3 representatives out of total of 4 members in the Board of Directors of CDBC.

In December 2013, the parties to the SPA mutually agreed for the termination of SPA for the remaining unfulfilled obligation of 6.4% equity interest in CDBC subject to the approval obtained from the relevant authority after the purchaser had paid for 25.6% equity interest.

(e) During the financial year, the Company increased its issued and paid-up ordinary share capital from RM115,118,910 to RM115,911,170 by way of issuance of 7,922,600 ordinary shares of RM0.10 each for cash pursuant to the Company's ESOS at a weighted average issue price of RM0.10 per ordinary share.

(f) The Company granted options over ordinary shares amounting to 4,683,200 to eligible employees of the Group at an exercise price of RM0.105 per share under the Company's ESOS on 11 December 2013.

47. SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

There were no material subsequent events from the end of reporting period up till the date the financial statements are authorised for issue except for the following:

(a) The Company has allotted a total of 300,000 ordinary shares of RM0.10 each for cash pursuant to the Company's ESOS at a weighted average issue price of RM0.10 per ordinary share.

(b) Movieland Entertainment Co., Ltd., a dormant company incorporated in Cambodia, was de-registered on 8 April 2014.

48. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The accumulated losses as at the end of the reporting period may be analysed as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Total accumulated losses of the Company and its subsidiaries:				
- Realised	(127,913,549)	(132,694,678)	202,736	(14,357,719)
- Unrealised	5,259,355	8,050,698	(2,149,735)	(2,578,762)
Total share of accumulated losses from joint ventures:				
- Realised	(58,125)	(58,125)	-	-
- Unrealised	306	306	-	-
Total share of retained profits/(accumulated losses) from associates:				
- Realised	249,944	(55,768)	-	-
- Unrealised	(265,341)	(677,452)	-	-
	(122,727,410)	(125,435,019)	(1,946,999)	(16,936,481)
Add:				
Consolidation adjustments	86,173,140	85,250,005	-	-
Accumulated losses as per financial statements	(36,554,270)	(40,185,014)	(1,946,999)	(16,936,481)

LIST OF GROUP PROPERTIES

AS AT 31 DECEMBER 2013

	Registered Owner/ Address/Location	Description	Use	Tenure	Approximate Age of Building (Years)	Built-up Area (Sq. Metres)	Audited Net Book Value (RM)	Date of Last Revaluation
	RGB Sdn. Bhd.							
1.	65 Sims Avenue #08-04 Yi Xiu Factory Building Singapore	Building	Office cum Factory	Freehold	31	113	965,661	1 January 2011
2.	No. 2017 Solok Perusahaan 3 Kawasan Perusahaan Perai 13600 Perai, Penang Malaysia	Land & Building	Factory	Leasehold – 99 years expiring on 12 December 2074	40	1,035.03	1,598,489	1 January 2011
3.	No. 2018 Solok Perusahaan 3 Kawasan Perusahaan Perai 13600 Perai, Penang Malaysia	Land & Building	Factory	Leasehold – 99 years Expiring on 12 December 2074	40	1,109.71	1,632,765	1 January 2011
	Data Touch Sdn. Bhd.							
4.	No. 8 Green Hall 10200 Penang Malaysia	Land & Building	Office	In Perpetuity	35	2,387.16	4,394,972	1 January 2011
	Chateau De Bavet Club Co., Ltd.							
5.	No. 1, National Road Bavet Commune Chantrea District Svay Rieng Province Kingdom of Cambodia	Building	Hotel & Casino	Freehold	5	23,727	31,671,542	-
	Total						**40,263,429**	

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

LIST OF ASSOCIATE'S PROPERTIES

AS AT 31 DECEMBER 2013

	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. 13 & 14, Block C E0, E1, Chantrea Bavet Sway Rieng Kingdom of Cambodia	Shoplot	Office	Freehold	7	128	326,154	-
2.	No. 1, National Road Bavet Commune Chantrea District Svay Rieng Province Kingdom of Cambodia	Land	Hotel & Casino	Freehold	-	-	2,978,066	-
	Total						**3,304,220**	

ADDITIONAL COMPLIANCE INFORMATION

Utilisation of Proceeds
There were no proceeds raised from any corporate proposals during the current financial year.

Share Buybacks
During the financial year, the Company has not conducted any share buy-backs.

Options, Warrants or Convertible Securities
During the financial year ended 31 December 2013, a total of 4,683,200 options over ordinary shares were granted pursuant to the ESOS and of which 1,170,800 have been vested and hence exercisable by eligible directors and employees.

The aggregate options granted to, exercised by and outstanding to directors and chief executive during the financial year 2013 and since the commencement of the ESOS are as follows:

Directors and Chief Executive	Aggregate options granted	Aggregate options exercised	Aggregate options outstanding
During the financial year 2013	-	-	-
Since the commencement of the ESOS	48,000,000	6,000,000	42,000,000

The aggregate maximum and actual allocation of the ESOS to directors and senior management during the financial year 2013 and since the commencement of the ESOS are as follows:

Directors and senior management	Aggregate maximum allocation (%)	Actual allocation (%)
During the financial year 2013	-	-
Since the commencement of the ESOS	52.87	50.28

A breakdown of the options granted to and exercised by non-executive directors for the financial year 2013 is as follows:

Non-Executive Directors	Amount of options granted	Amount of options exercised
Dato' Mahinder Singh Dulku, DSPN, PKT	4.000.000	-
Ng Eng Tong	4,000,000	-
Ooi Teng Chew (retired on 31 December 2013)	4,000,000	4,000,000
Total	12,000,000	4,000,000

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.

ADDITIONAL COMPLIANCE INFORMATION

Non-audit Fees
During the year, non-audit fees amounting to RM8,293 were paid by the Company and its subsidiaries to the Company's external auditors and its affiliates as professional fees.

Variation in Results
There was no significant variance between the results for the financial year and the unaudited results previously announced.

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

Material Contracts
During the year under review, there were no material contracts of the Company involving the interests of major shareholders and/or directors.

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

STATISTICS OF SHAREHOLDINGS

AS AT 31 MARCH 2014

Share Capital

Authorised	:	RM150,000,000
Issued and fully paid up	:	RM115,941,170
Class of Shares	:	Ordinary Shares of RM0.10 each
Voting Rights	:	One Vote per Ordinary Share

Distribution of shareholdings

Size of holdings	No. of Holders	% of Holders	No. of Shares	% of Shares
1 - 99	10	0.18	343	0.00
100 - 1,000	162	2.85	111,319	0.01
1,001 - 10,000	2,035	35.76	11,982,126	1.03
10,001 -100,000	2,655	46.65	111,470,017	9.61
100,001 - 57,970,585 (*)	827	14.53	568,965,619	49.07
57,970,585 and above (**)	2	0.04	466,882,276	40.27
Total	5,691	100.00	1,159,411,700	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	% of Shares	No. of Shares	% of Shares
Datuk Chuah Kim Seah, DMSM, DSDK, JP	337,850,290	29.14	1,603,800 [a]	0.14
Gerak Juara Sdn Bhd	129,031,986	11.13	-	-
Mazlan Ismail	-	-	129,031,986 [b]	11.13
Ahmad Anwar Bin Mohd Nor	-	-	129,031,986 [b]	11.13

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

STATISTICS OF SHAREHOLDINGS
AS AT 31 MARCH 2014

Directors' interests in the ordinary shares of the Company

Name	Direct Interest		Indirect Interest		No. of unexercised
	No. of Shares	% of Shares	No. of Shares	% of Shares	ESOS options
Dato' Mahinder Singh Dulku, DSPN, PKT	140,000	0.01	-	-	4 ,000,000 [d]
Datuk Chuah Kim Seah, DMSM, DSDK, JP	337,850,290	29.14	1,753,800 [a]	0.15	10,000,000 [d]
Steven Lim Tow Boon, BKM	4,640,500	0.40	-	-	8,000,000 [d]
Mazlan Ismail	-	-	129,031,986 [b]	11.13	6,000,000 [d]
Chuah Kim Chiew	26,764,194	2.31	1,603,800 [c]	0.14	6,000,000 [d]
Chuah Eng Hun	-	-	-	-	6,000,000 [e]
Ng Eng Tong	-	-	-	-	4,000,000 [f]
Lam Voon Kean *(appointed on 31 March 2014)*	-	-	-	-	-

[a] Deemed interested by virtue of holding more than 15% in the shares of Manju Sdn Bhd and 150,000 ordinary shares held by his spouse, Datin Tan Soon Kim.
[b] Deemed interested by virtue of holding more than 15% in the shares of Gerak Juara Sdn Bhd.
[c] Deemed interested by virtue of holding more than 15% in the shares of Manju Sdn Bhd.
[d] The ESOS option was granted on 25 November 2010.
[e] Four million and two million of the ESOS options were granted on 25 November 2010 and 1 November 2012 respectively.
[f] The ESOS option was granted on 1 November 2012.

By virtue of his interest in the shares of the Company, Datuk Chuah Kim Seah, DMSM, DSDK, 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 31 MARCH 2014

No.	Name	No. of Shares	%
1	CHUAH KIM SEAH	116,587,830	10.06
2	GERAK JUARA SDN BHD	112,938,816	9.74
3	CHUAH KIM SEAH	111,355,630	9.60
4	CHUAH KIM SEAH	109,906,830	9.48
5	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SHANMUGAM A/L THOPPALAN (8069535)	37,000,000	3.19
6	CHUAH KIM CHIEW	26,764,194	2.31
7	AMSEC NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR PACIFIC PEARL FUND (UT-PM-PPF)	21,833,500	1.88
8	LEE WEI MING	18,000,000	1.55
9	GERAK JUARA SDN BHD	16,093,170	1.39
10	GOH SIN TIEN	13,869,000	1.20
11	LEE WEI TAT	13,000,000	1.12
12	YEOH MEI MEI	12,000,000	1.04
13	UOBM NOMINEES (TEMPATAN) SDN BHD EXEMPT AN UNITED OVERSEAS BANK NOMINESS (PTE) LTD (UBT0845)	10,000,000	0.86
14	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHAMMED AZLAN BIN HASHIM	10,000,000	0.86
15	VERSTRAETEN ERIC E.M.	9,219,500	0.80
16	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VANITHA A/P KANESON (8087318)	8,190,000	0.71
17	LEE WAI YUEN	6,500,000	0.56
18	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD HWANG INVESTMENT MANAGEMENT BERHAD FOR HWANG ABSOLUTE RETURNFUND II	6,000,000	0.52
19	UNG CHI FONG	5,361,400	0.46
20	SOH ENG KOOI @ OOI ENG KOOI	4,840,000	0.42
21	LIM TOW BOON	4,640,500	0.40
22	OOI TENG CHEW	4,300,000	0.37
23	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG GAH @ WONG SEE YEN (BSS PTLG-CL)	4,300,000	0.37
24	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD EXEMPT AN FOR HWANG INVESTMENT MANAGEMENT BERHAD (TSTAC/CLNT-T)	4,000,000	0.35
25	AFFIN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH JUI LIAN (KOH0682M)	4,000,000	0.35
26	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR TENG WHYE LOK (PB)	3,961,000	0.34
27	WONG KIM HAI	3,615,000	0.31
28	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB COMMERCE TRUSTEE BERHAD FOR PACIFIC RECOVERY FUND	3,608,700	0.31
29	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG TOW FOCK	3,533,100	0.31
30	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG CHEE FAI (100579)	3,200,000	0.28
	TOTAL:	708,618,170	61.12

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 11th Annual General Meeting of the Company will be held at Sri Perak 1 & 2, Level 4, Bayview Hotel Georgetown Penang, 25A Farquhar Street, 10200 Penang, Malaysia on Wednesday, 28 May 2014 at 10.00 am for the following purposes:

AGENDA

As Ordinary Business:

1. To receive the Audited Financial Statements for the year ended 31 December 2013 and the Reports of Directors and Auditors thereon.

2. To approve the payment of a final single-tier dividend of 0.05 sen per ordinary share in respect of the financial year ended 31 December 2013 as recommended by the Board of Directors. — Resolution 1

3. To approve the payment of Directors' Fees of RM258,720 for the financial year ended 31 December 2013. — Resolution 2

4. To re-elect the following directors retiring in accordance with Article 100(1) of the Company's Articles of Association.
   (a) Mr. Mazlan Bin Ismail — Resolution 3
   (b) Mr. Lim Tow Boon — Resolution 4

5. To re-elect the following directors retiring in accordance with Article 107 of the Company's Articles of Association.
   (a) Ms. Lam Voon Kean — Resolution 5
   (b) Datuk Norazman Bin Hamidun — Resolution 6

6. To consider and if thought fit, to pass the following Ordinary Resolution in accordance with Section 129(6) of the Companies Act, 1965: — Resolution 7

   "THAT Dato' Mahinder Singh Dulku, retiring pursuant to Section 129(6) of the Companies Act, 1965, be and is hereby re-appointed as Director of the Company to hold office until the conclusion of next annual general meeting of the Company."

7. To re-appoint Messrs. BDO as Auditors of the Company and to authorise the Directors to fix their remuneration. — Resolution 8

As Special Business:

To consider and, if thought fit, to pass the following Resolutions with or without modifications:

8. **Ordinary Resolution** — Resolution 9
   Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares

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

NOTICE OF ANNUAL GENERAL MEETING

9. **Ordinary Resolution** Resolution 10
   Proposed grant of options to Ms. Lam Voon Kean, the Independent Non-Executive Director

   "THAT the Board of Directors of the Company be and is hereby authorised, at any time and from time to time, to offer and grant to Ms. Lam Voon Kean, the Independent Non-Executive Director, options to subscribe for up to a maximum entitlement of new shares of the Company subject to such terms and conditions as stipulated in the Bye-Laws governing and constituting the Employees' Share Option Scheme launched on 21 October 2009 as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the said Bye-Laws."

10. **Ordinary Resolution** Resolution 11
    Proposed grant of options to Datuk Norazman Bin Hamidun, the Independent Non-Executive Director

    "THAT the Board of Directors of the Company be and is hereby authorised, at any time and from time to time, to offer and grant to Datuk Norazman Bin Hamidun, the Independent Non-Executive Director, options to subscribe for up to a maximum entitlement of new shares of the Company subject to such terms and conditions as stipulated in the Bye-Laws governing and constituting the Employees' Share Option Scheme launched on 21 October 2009 as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the said Bye-Laws."

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

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 11th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Article 65(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 to issue a General Meeting Record of Depositors as at 21 May 2014. Only a depositor whose name appears on the Record of Depositors as at 21 May 2014 shall be entitled to attend the said meeting or appoint proxy/proxies to attend and/or vote on his/her behalf.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT subject to the shareholders' approval for the payment of a final single-tier dividend of 0.05 sen per ordinary share in respect of the financial year ended 31 December 2013 ("the Dividend") under Resolution 1 at the 11th Annual General Meeting of the Company, the Dividend will be paid to the shareholders on 19 August 2014. The entitlement date for the Dividend shall be 31 July 2014.

Shareholders of the Company will only be entitled to the Dividend in respect of:
(a) securities transferred into their securities account before 4.00 pm on 31 July 2014 for transfers; and
(b) securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

WOON MEI LING (MAICSA 7047736)
LEE YAP KUAN (MAICSA 7003482)
Joint Company Secretaries

Penang
30 April 2014

NOTICE OF
ANNUAL GENERAL MEETING

Notes:

Appointment of Proxy

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b)&(c) of the Companies Act, 1965 shall not apply to the Company.
2. For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company, Suite 16-1 (Penthouse Upper), Menara Penang Garden, 42-A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
4. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy.
5. If the appointor is a corporation, the Form of Proxy must be executed under the corporation's seal or under the hand of an officer or attorney duly authorised.
6. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee which hold ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

Explanatory Note on Special Business

Resolution 9 – Authority to Issue Shares

The proposed Resolution 9, if passed, will give the Directors of the Company authority to issue shares in the Company up to an amount not exceeding 10% of the total issued capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next annual general meeting.

As of the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last annual general meeting held on 28 May 2013 and which will lapse at the conclusion of the 11th Annual General Meeting.

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

Resolution 10 – Proposed grant of options to Ms. Lam Voon Kean, the Independent Non-Executive Director

The proposed Resolution 10, if passed, will empower the Board of Directors to offer and grant to Ms. Lam Voon Kean options to subscribe for up to a defined maximum entitlement of new shares of the Company subject to such terms and conditions as stipulated in the Bye-Laws of the Employees' Share Option Scheme.

Resolution 11 – Proposed grant of options to Datuk Norazman Bin Hamidun, the Independent Non-Executive Director

The proposed Resolution 11, if passed, will empower the Board of Directors to offer and grant to Datuk Norazman Bin Hamidun options to subscribe for up to a defined maximum entitlement of new shares of the Company subject to such terms and conditions as stipulated in the Bye-Laws of the Employees' Share Option Scheme.

STATEMENT ACCOMPANYING NOTICE OF 11TH ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.27(2) OF BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS

No individual is seeking election as a Director at the forthcoming 11th Annual General Meeting of the Company.

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FORM OF PROXY

No. of Shares Held
CDS Account No.

RGB International Bhd. (603831-K)
(Incorporated in Malaysia)

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

of ....
(FULL ADDRESS)

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

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

of ....
(FULL ADDRESS)

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

of ....
(FULL ADDRESS)

or failing *him/her, the *CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us and on *my/our behalf at the 11th Annual General Meeting of the Company to be held at Sri Perak 1 & 2, Level 4, Bayview Hotel Georgetown Penang, 25A Farquhar Street, 10200 Penang, Malaysia on Wednesday, 28 May 2014 at 10.00 am and at any adjournment thereof.

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

RESOLUTIONS	1	2	3	4	5	6	7	8	9	10	11
FOR											
AGAINST											

Signed this .... day of 2014

	No. of Shares	%
Proxy 1		
Proxy 2		
Total		100

....
Common Seal/Signature of Member

Note:

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b)&(c) of the Companies Act, 1965 shall not apply to the Company.
2. For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company, Suite 16-1 (Penthouse Upper), Menara Penang Garden, 42-A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia not less than forty-eight (48) hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting.
4. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he specifies the proportions of his shareholding to be represented by each proxy.
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6. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee which hold ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account its holds.

* Strike out whichever is not applicable.

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Stamp

The Company Secretaries

RGB INTERNATIONAL BHD. (603831-K)
Suite 16-1 (Penthouse Upper), Menara Penang Garden
42-A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia

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Fax : +(60)4 263 1188