annual report
2010

RGB International Bhd.
(603831-K)
(formerly known as Dreamgate Corporation Bhd.)

CONTENTS

CORPORATE PROFILE

RGB International Bhd. (formerly known as Dreamgate Corporation 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") 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)
- equity investment and management of boutique casinos, hotels and clubs with gaming licenses ("L&E" 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 and has diversified into hospitality and leisure as well.

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

vision

To be the leading manufacturer, distributor and operator in the gaming industry and the leading provider of hospitality and leisure services.

mission

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

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

core values

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

Our people, our key assets

- The continuous development of our human capital
- Uphold high standards of ethics, integrity and honesty

Quality

- Striving for the best in quality of service and products

Corporate leadership

- Operate in an efficient manner to ensure high returns at all times to our shareholders
- Focus on growth guided by good corporate governance and financial discipline

Corporate social responsibility

- Meeting our social obligations

CORPORATE INFORMATION

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

Datuk Chuah Kim Seah, JP
Group Managing Director

Mr. Steven Lim Tow Boon, BKM
Mr. Mazlan Ismail
Mr. Chuah Kim Chiew
Mr. Chuah Eng Hun
Group Executive Directors

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

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

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

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

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

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

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

Registered Office
Suite 2-1 2nd Floor, 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
Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : +(60)3 7841 8000
Fax : +(60)3 7841 8008

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

Stock Exchange Listing
Main Market of Bursa Securities

Stock code : 0037
Stock name : RGB

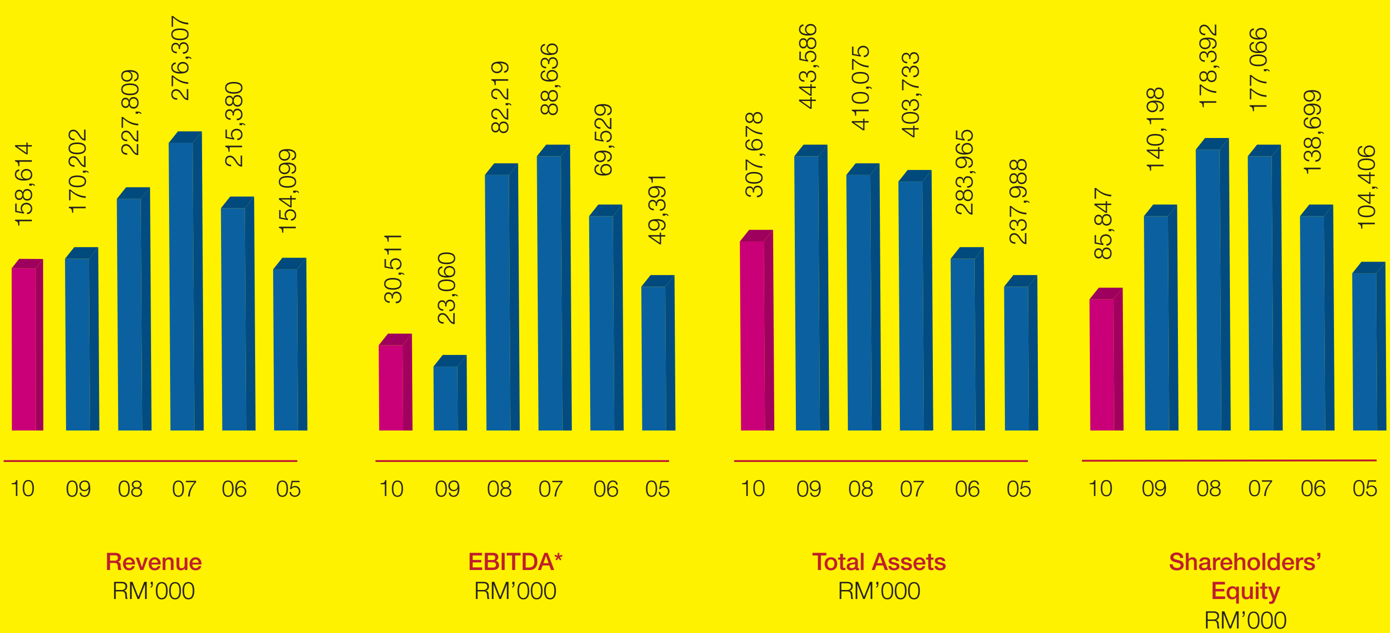
Auditors
UHY (AF 1411)
Chartered Accountants
51-21-F Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang, Malaysia

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

GROUP FINANCIAL HIGHLIGHTS

	2010 RM'000	2009 RM'000 Restated	2008 RM'000	2007 RM'000	2006 RM'000	2005 RM'000
Revenue	158,614	170,202	227,809	276,307	215,380	154,099
(Loss)/Profit Before Tax	(59,469)	(64,684)	(3,294)	40,412	33,279	27,872
EBITDA*	30,511	23,060	82,219	88,636	69,529	49,391
Net (Loss)/Profit	(58,906)	(64,752)	(3,613)	39,435	31,470	27,792
Cash and Bank Balances	15,861	21,556	31,062	35,000	16,782	8,872
Property, Plant and Equipment	176,162	279,852	236,600	203,608	136,383	127,845
Total Assets	307,678	443,586	410,075	403,733	283,965	237,988
Shareholders' Equity	85,847	140,198	178,392	177,066	138,699	104,406

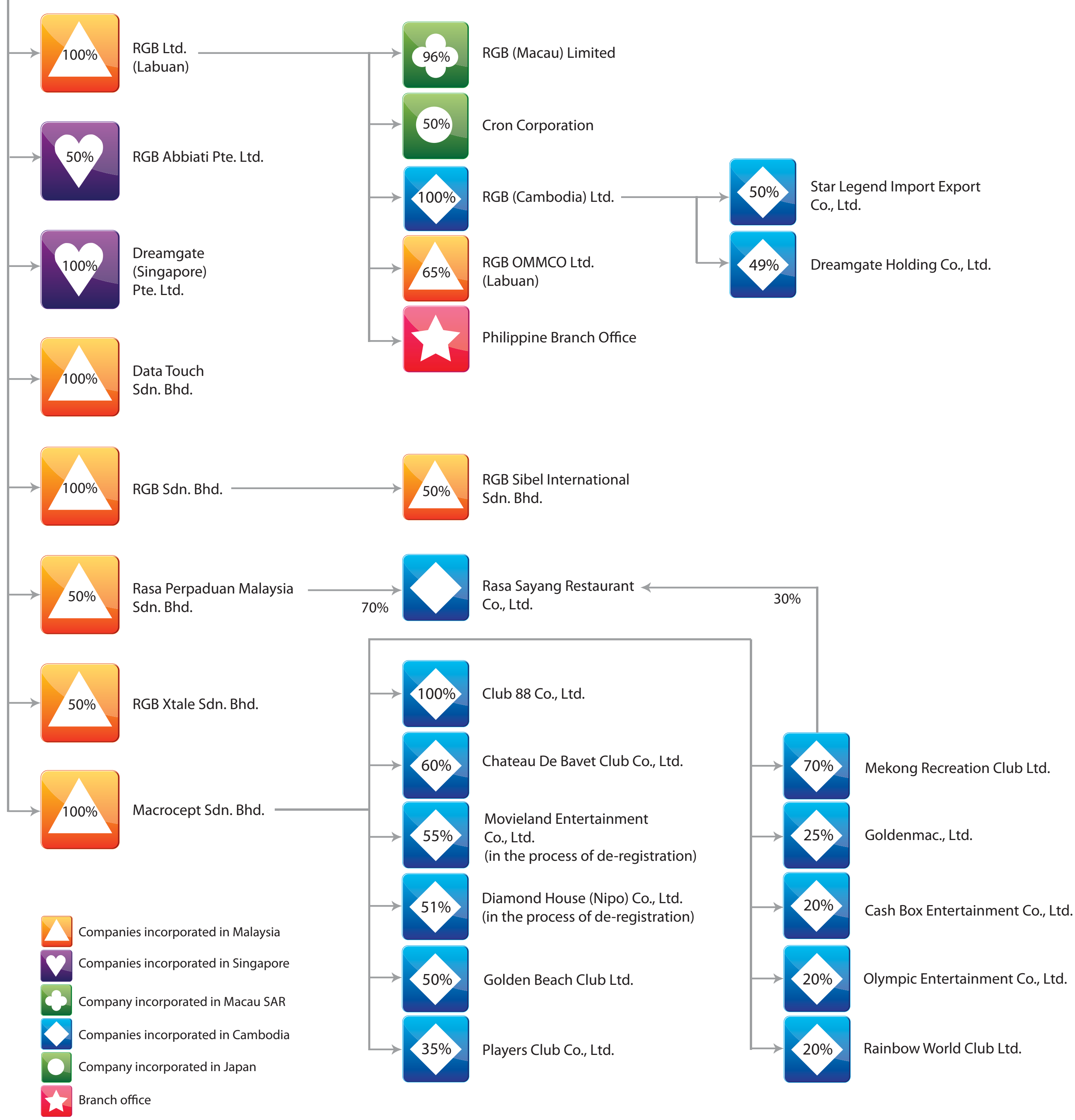
* Earnings before interest, taxation, depreciation, amortisation, impairment of property, plant & equipment, intangible assets and investments.



GROUP CORPORATE STRUCTURE

as at 13 April 2011

RGB International Bhd. (603831-K)
(Formerly known as Dreamgate Corporation Bhd.)



PROFILE OF DIRECTORS

PROFILE OF DIRECTORS

Mr. Ooi Teng Chew

Independent Non-Executive Chairman

Malaysian, 65 years of age
Fellow, Institute of Chartered Accountants of England & Wales
Fellow, Malaysian Institute of Certified Public Accountants

Mr. Ooi joined the board on 30 October 2003 and was appointed as Chairman of the Board on 17 March 2004.

He is the Chairman of the Audit and Credit Review & Risk Assessment ("CRRA") Committees and serves as member of the Remuneration, Nomination and Employees' Share Option Scheme ("ESOS") Committees.

Mr. Ooi was in public practice for 27 years and retired from an international firm of accountants in 2001.

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

Mr. Ooi had attended all 5 board meetings held in the financial year.

Datuk Chuah Kim Seah, JP

Group Managing Director

Malaysian, 58 years of age
Fellow, Association of Chartered Certified Accountants
Member, Malaysian Institute of Accountants

Appointed to the board on 30 October 2003, Datuk Chuah is also a member of both Remuneration and ESOS Committees.

Together with his brother, Kim Chiew, Datuk Chuah set up RGBSB which spearheaded their joint involvement in the gaming and amusement industry. To-date, Datuk Chuah has garnered more than 25 years' experience in strategic, financial as well as sales and marketing management.

RGB Group owed its growth, to a group acknowledged in Asia for the supply of a vast array of gaming products and for expertise in concession management, to his vision.

Presently, Datuk Chuah oversees the general business management and the implementation of the Group's strategic plans and policies. In addition, he also assesses potential business ventures and alliances.

He sits on the board of certain subsidiary and associate companies of RGB and several other private limited companies. He had attended all 5 board meetings convened in the financial year.

PROFILE OF DIRECTORS

Mr. Steven Lim Tow Boon, BKM

Group Executive Director

Malaysian, 50 years of age
Bachelor of Arts, Brock University, Canada

A member of the board since 30 October 2003, Mr. Lim also serves as Chief Operating Officer ("COO") of RGB Business Division since 2009.

As COO, he is responsible for strategic planning and operational management for SSM and TSM functions for RGB Group.

Mr. Lim's career in the industry began with his joining the Group in 1988 as Management Executive. Over the years, his expertise and experience in sales and marketing has propelled the Group's growth in the gaming industry.

He was confered the Bintang Kebaktian Masyarakat ("BKM") from Sultan Kedah on the occasion of His Majesty's 82nd birthday early this year.

Mr. Lim is also a director of several subsidiary and associate companies of RGB Group. He had attended all 5 meetings of the board held in the financial year.

Mr. Mazlan Ismail

Group Executive Director

Malaysian, 48 years of age
Diploma in Management, Malaysian Institute of Management

Appointed to the board on 30 October 2003, Mr. Mazlan's functions in the Group are treasury, credit control, risk assessment, investor relations and corporate communications.

He is also a member of the ESOS and CRRA Committees.

Mr. Mazlan started his career as Senior Audit Assistant with Chuah & Associates in 1988 before joining the commercial sector 3 years later.

He is also a director of Institut Teknologi Dan Pengurusan Victoria Sdn. Bhd., a private higher learning institute and Gerak Juara Sdn. Bhd., an investment holding company.

Mr. Mazlan holds a Diploma in Management from the Malaysian Institute of Management ("MIM") in 1998 and is an Associate Member of MIM.

He is a member of the board of several associate and subsidiary companies of the Group. He had attended all 5 board meetings held in the financial year.

PROFILE OF DIRECTORS

Mr. Chuah Kim Chiew

Group Executive Director

Malaysian, 48 years of age
Bachelor of Business Administration, University of Waseda, Japan

A member of the board since 30 October 2003, Mr. Chuah is primarily responsible for the Research & Development ("R&D") division and leads the team on the creation and development of the Group's own proprietary gaming machines - RGBGames. In April 2010, his responsibilities were expanded to encompass the complete life cycle of the machines from idea inception in R&D through sales and services. His additional responsibilities are manufacturing operations, information technology and technical support.

Mr. Chuah has been with the Group since its origin. In the early days, he was involved in the coordination of back end support services for technical and sales functions.

Mr. Chuah also sits on the board of several subsidiary and associate companies of RGB. He had attended all 5 board meetings convened during the year.

Mr. Chuah Eng Hun

Group Executive Director

Malaysian, 27 years of age
Bachelor of Commerce (Accounting), Deakin University, Australia
Member, CPA Australia

Mr. Chuah Eng Hun joined the board on 18 February 2009 as Non-Independent Non-Executive Director. On 01 March 2011, he was re-designated as Group Executive Director.

He also serves as member of the ESOS Committee.

In his new role, Mr. Chuah is responsible for the continued development of SSM and TSM services in the Philippines.

Prior to joining RGB Group, Mr. Chuah was with Ernst & Young, an international audit firm, for 3 years. He left in 2009 as Senior Associate in Audit Assurance. Mr Chuah become a certified practising member of the CPA Australia in August 2010.

He had attended all 5 board meetings held during the year.

PROFILE OF DIRECTORS

Dato' Mahinder Singh Dulku, DSPN, PKT

Senior Independent Non-Executive Director

Malaysian, 68 years of age
Utter Barrister, Lincoln's Inn, UK

Dato' Mahinder was appointed a Director of RGB on 28 April 2006 and later assumed the position as Senior Independent Non-Executive Director on 18 April 2007.

He chairs the Remuneration, Nomination and ESOS Committees and serves as member of the Audit and CRRA Committees.

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

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

Dato' Mahinder is also the present President of the Penang Swimming Club and the Old Xaverians' Association, Penang.

He had attended all 5 board meetings convened during the financial year.

Notes:
All the Directors are Malaysians.

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

Save as disclosed herein, none of the other Directors has any family relationship with any 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, if any.

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

KEY MANAGEMENT TEAM

Ms. Maxine Lee Yap Kuan
Group Compliance & Communications Director

Ms. Teh Mun Hui
Group Finance Director

Mr. Chuah Kee Yong
Group Operations Director

Mr. Ganaser Kaliappen
Group Regulatory Compliance Director

KEY MANAGEMENT TEAM

Ms. Maxine Lee Yap Kuan

Group Compliance & Communications Director

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

Following corporate reorganisation early this year, Ms. Lee now oversees the implementation of policies and operational management for administrative, legal and corporate compliance functions for the Group.

Ms. Lee was with Farlim Group (M) Bhd. and several well known corporate secretarial services providers prior to joining the Group.

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

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

Ms. Teh Mun Hui

Group Finance Director

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

She was initially attached to Arthur Andersen & Co. (now Ernst & Young) in its audit assurance division before joining the Group in 2001 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 a year later. She is a member of the Malaysian Institute of Accountants and MICPA.

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

Mr. Chuah Kee Yong

Group Operations Director

Mr. Chuah is the Group Operations Director since May 2010. In his current role, he is primarily responsible for SSM and TSM services for Cambodia, Lao PDR and Myanmar markets. He was the Group Technology Director since 2007 prior to assuming his current position.

He held the position as General Manager for the Technical Division in 2005. Mr. Chuah was with a multi-national company prior to joining the Group in 1999.

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

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

Mr. Ganaser Kaliappen

Group Regulatory Compliance Director

Mr. Ganaser is the Group Regulatory Compliance Director for the Group. Following a reorganisation early this year, Mr. Ganaser is responsible for managing regulatory compliance with the authorities and legislations in the various countries where RGB Group operates.

Mr. Ganaser was the General Manager, Regulatory Compliance prior to his appointment as director in 2009.

He was with the Administrative and Diplomatic Service of the Government for 25 years where he had served with distinction. His last posting was as Director in the Ministry of Defence. Earlier, he was the Principal Assistant Secretary with the Ministry of Finance where he was responsible for the financial control, licensing and control of gaming industry and regulatory compliance functions.

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

He sits on the board of a subsidiary company.

CHAIRMAN'S STATEMENT

Dear 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 2010 (FYE 2010).

Financial performance review

FYE 2010 was another challenging and difficult year for the Group. The following is a snapshot of the Group's performance during the year:

- *Revenue declined 7% to RM159 million from RM170 million in 2009*
- *EBITDA for the year improved by 32% to RM30.5 million as compared to 2009 before impairment charge of RM8 million (2009: RM23 million)*
- *Loss for the year before tax reduced by 8% to RM59 million from RM65 million in 2009*
- *Net Loss Per Share attributable to owners of the parent reduced by 34% to 4.4 sen from 6.7 sen*

Even though it has managed to improve its financial performance, the impact from the sudden closure of our slot club business in Cambodia in 2009 continues to weigh heavily on the Group's results, particularly, the impact of depreciation and impairment of machines still not in operation.

Group Borrowings

As the Group continued to suffer losses, in October 2010 RAM Ratings Services Berhad downgraded the Company's Commercial Paper and/or Medium Term Notes to BBB3 and P3 from A1 and P1 respectively with the long term rating carrying a negative outlook.

CHAIRMAN'S STATEMENT

At the request of the Noteholders, the Group agreed to give a 3rd Party Debenture covering fixed and floating assets on all present and future assets of RGB Ltd., a wholly owned subsidiary of the Company and undertook to reduce borrowings from asset disposals including the investment in the casino in Bavet, Cambodia. During the year, a European-based casino operator offered to purchase a substantial stake in the casino but on credit term exceeding one year, while another party also expressed keen interest. Although negotiations are ongoing, to date, no agreement has been reached with any party.

The Group had total borrowings of RM128 million as at 31 December 2010, down from RM147 million a year earlier. This will be further reduced by end of 2011 by about RM11 million from the proceeds of disposal of machines following the mutual termination of a concession in Macau SAR at the end of 2010.

Going forward

The socio-political uncertainties in the Middle East and recent earthquake and tsunami in Japan are expected to have mid to long term impact on the already jittery world economy. Crude petroleum price and ancillary costs have risen in response to these events and the resultant impact will have negative effects on the gaming industry in general and the Group in particular. Thus the Group will have to work even harder this year to make sure those efforts to turnaround the Group will succeed.

The Group's objective and top priority in 2011 is to pare down borrowings further through divestment of assets, to improve profitability in all divisions and to improve our gearing through a fund raising exercise at an opportune time.

As announced earlier, the Group has secured new concession programmes in the Philippines and Cambodia which will enable the Group to generate revenue to offset depreciation costs from the remaining gaming machines under the mobilisation plan. At the same time, 130 units of the Group's RGBGames machines featuring Manny "Pacman" Pacquiao will be installed on trial basis in various gaming venues in the Philippines.

CHAIRMAN'S STATEMENT

These developments will have a significant impact on the profitability of the Group and together with the implementation of the other planned initiatives, the Board is confident that the Group can turnaround over the next 12 to 18 months.

Acknowledgments

On behalf of the Board, I wish to put on record our sincere appreciation to all our employees for their sacrifice, understanding and support in weathering this difficult time.

Our gratitude is further extended to valued shareholders, business partners, financial institutions and the regulatory authorities for their continued support, trust and confidence in us.

I wish to congratulate Mr. Chuah Eng Hun on his re-designation to Group Executive Director on the 01 March 2011. In his new role, Mr. Chuah will focus on the development and growth of SSM and TSM divisions in the Philippines.

On behalf of the Board of Directors, I offer our congratulations to our Chief Operating Officer, Mr. Steven Lim who was conferred the Bintang Kebaktian Masyarakat by Yang Maha Mulia Al Sultan Almu'tasimu Billahi Muhibbuddin Tuanku Alhaj Abdul Halim Mu'Adzam Shah Ibni Almarhum Sultan Badlishah of Kedah on the occasion of His Majesty's 82nd birthday recently.

Last but not least, I would like to thank my directors for their continued invaluable advice, guidance and support.

OOI TENG CHEW
Chairman
13 April 2011


PAC-MAN™
Extra Hand
PAC-MAN
Extra Hand Link

REVIEW OF OPERATIONS

Dear shareholders,

OVERVIEW

The economies in Asia took the lead in steering the global economy towards recovery from the financial crisis of 2008 – 2009. Buoyed by this positive news, the Group has made a small stride towards recovery as well.

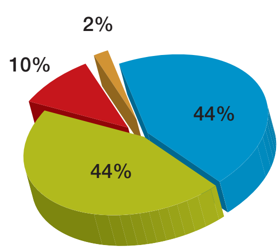
Although the gaming industry in Asia experienced growth last year, casino operators remained prudent in their investment approach and concluded outright purchases only for replacement purposes. In addition, there were assertive moves from our competitors to penetrate our markets.

SSM

In spite of the soft market, the Group was able to increase sales to Macau SAR and Vietnam compared to 2009. On the other hand, sales to the Philippines and Singapore fell mainly due to delay in decisions arising from change in senior administration of PAGCOR, the governing gaming authority in the Philippines, and most of the machines required for the two new casinos in Singapore were delivered in 2009. As a result, revenue from outright sales of machines for 2010 amounted to RM69 million (2009: RM89 million) and SSM division reported a loss before tax of RM919,000 (2009: Profit before tax of RM5.5 million). The loss before tax was due in part to compensation of RM508,000 to a customer for machine malfunction and a provision of RM1.4 million for sales returns.

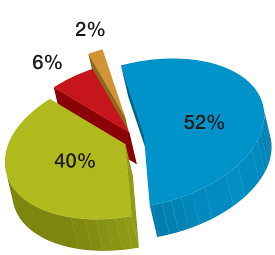
Group Revenue by Business Segments

2010 - RM159 million



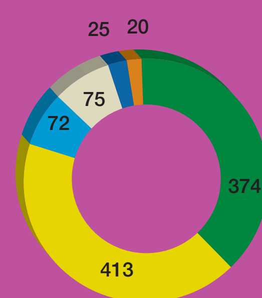
SSM
TSM
L&E
OTHERS

2009 - RM170 million

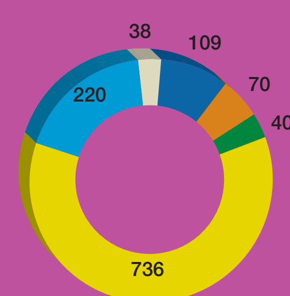


SSM - Sales of Machines by Geographical Exposure

2010 - 979 units



2009 - 1,213 units



Malaysia
Macau SAR
Philippines
Singapore
Vietnam
Others

REVIEW OF OPERATIONS

TSM

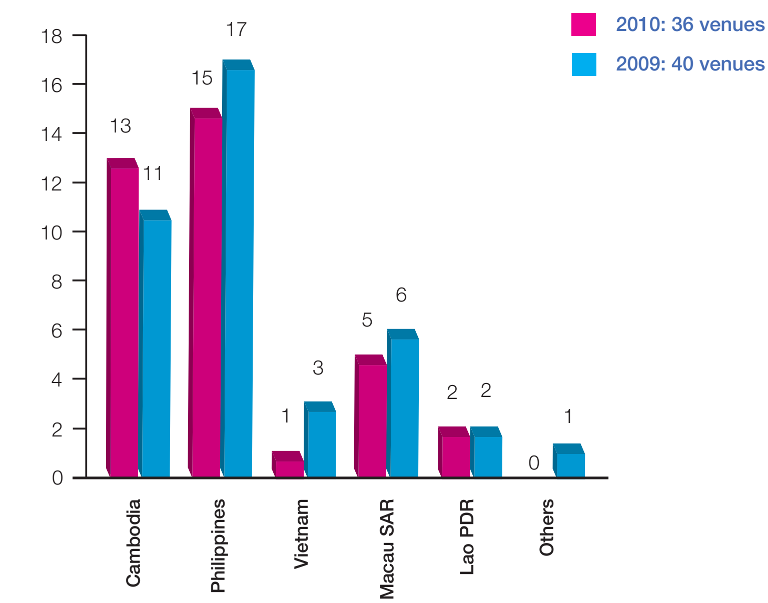
Over the years, the Group has changed its business strategy, from outright sales of machines to placement of machines under concessions agreements to derive regular income making TSM a major contributor of profits. In 2010, the TSM division secured 16 new concessions but only 5 were opened, the remaining 11 in the Philippines did not commence operations as PAGCOR decided to manage these concessions on their own or reissue the lease contracts to interested operators under new terms and conditions. The division terminated 9 loss making concessions and as at 31 December 2010, the Group was managing 36 operating outlets (2009: 40 operating outlets) with 4,659 machines (2009: 5,348 machines).

Due to yield improvement efforts and cost cutting measures, revenue and EBITDA before impairment, increased to RM71 million (2009: RM67million) and RM46 million (2009: RM32 million) respectively. However, high depreciation cost of about RM69 million and impairment cost of RM8 million, overshadowed this marked improvement and TSM incurred a loss before tax of RM31 million.

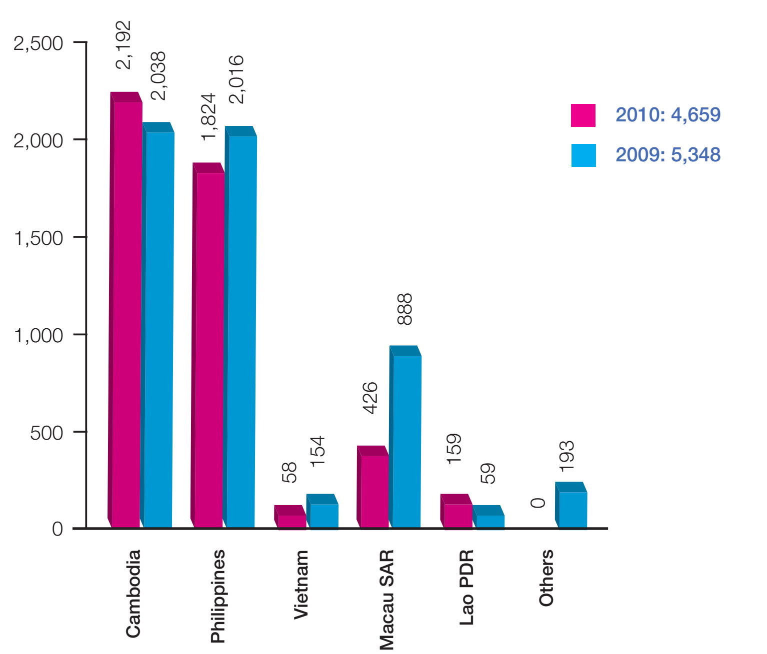
L&E

The Group's investment in Chateau Hotel & Casino, Bavet, Cambodia was not able to contribute positive results to the Group due to high table losses and junket related expenses. Revenue and loss before tax for 2010 was RM15 million (2009: RM11 million) and RM16 million (2009: RM15 million) respectively. The Group is currently pursuing the disposal of its 40% equity interest to a strategic partner as announced earlier.

TSM: Number of concession venues



TSM: Number of machines



REVIEW OF OPERATIONS

TECHNOLOGY CENTRE

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

The R&D team has worked diligently to meet their deliverables for 2010 - launching 10 standalone games together with 3 progressive links for the international market.

A 5 Reels slots with localized game specifications was introduced to the Singapore clubs market while a 9 Individual Reels product was custom designed for the Malaysian local clubs circuit as there is still a sizeable demand among the local players for highly volatile 9-reel games.

Another ongoing initiative is the upgrade of the Group's gaming floor management system namely SmartLink with 2 new modules.

(b) Manufacturing activities

The management at the factory is driven to increase the efficiency of its assembly lines and enhance the quality of its table layouts.

The critical review of the manufacturing floor space resulted in the optimization of storage space for machines and the expansion of production floor space for machine assembly and refurbishment activities to be conducted efficiently.

An eco-friendly printer for table layout production was acquired during the year. It utilises advanced digital technology to print the finest vibrant coloured casino layouts on durable polyester. This reflects the Group's commitment to continuously upgrade its facility and team to produce the highest quality layouts. In 2010, we sold about 700 pieces of polyester layouts to casino operators locally and abroad. The strong demand for these layouts has prompted us to ramp up production to meet the needs of our customers on a timely basis.

(c) Technical support

Our technical support team is well trained and highly motivated. They have been instrumental in ensuring continuous on-site support and timely installation, both hallmarks of our concession programmes. Regular technical training, in close cooperation with manufacturers, have helped to enhance their knowledge and skills.

REVIEW OF OPERATIONS

HUMAN RESOURCE

The impact from our broad cost cutting initiatives continued to be felt in 2010. We are fortunate to have loyal staff to take on additional responsibilities while recruitment for new talented and experienced staff is in progress. We are pleased to note that the newcomers have fitted well into the Group and are contributing towards our turnaround initiative.

Our group human resource team, in collaboration with TSM, SSM and manufacturers, organised in-house technical training programmes aimed at enhancing the knowledge and skills of technical staff and related support teams.

GOING FORWARD

In 2011, the Group expects to sell 1,200 machines (inclusive of 250 RGBGames machines) across the Asian region to meet demand for expansion undertaken by casino operators and replacement market in the Philippines particularly. We are working closely with major machine suppliers to develop attractive packages for our customers. Supplier support and matching customers' needs will be instrumental in realising sales for the Group.

As announced earlier, our concession programmes were given a big boost recently by PAGCOR, the governing gaming authority in the Philippines, which accepted the Group's offer for the placement of 1,700 machines throughout their gaming venues. We have commenced the installations and expect to completely deploy all the machines before the end of the year. In addition, the Group has secured 4 concessions in Cambodia and the Philippines for the placement of about 500 machines. As a result, all the mobilized machines from the previous year will commence generating revenue to set off against cost of depreciation this year.

The Group remains cautious in its outlook for Chateau Hotel & Casino. Pending the disposal of this investment, we will focus on expanding the number of cash tables whilst curtailing non-core gaming activities. At the same time, floor space will be leased to interested third parties to generate regular income.

In order to achieve our objective to reduce our debt obligations, the management will have to remain focused on generating profits from its operations. With the positive developments reported above and constant striving to improve yields, we believe that the objective is achievable. The road ahead will not be easy, but we are confident that, with dedication, commitment and hard work from all, we will be able to deliver a better result in the coming year.

APPRECIATION

I would like to put on record my sincere appreciation and gratitude to the entire team at RGB for their efforts in 2010. The commitment, determination and passion of our people have made a significant difference to our turnaround effort.

DATUK CHUAH KIM SEAH, JP
Group Managing Director
13 April 2011

CALENDAR OF EVENTS 2010

30 Apr
1st Social & Wellness Event ("SWE")

2 The Human Resource division took the lead and organised the first event - Treasure Hunt - at the Botanical Garden, Penang. End result: a healthy walkabout the park and working together to hunt for knowledge about the park.


2


2


1

23 May
RGB Challenge Trophy 2010

A fun filled golfing tournament was held at Penang Turf Club, Penang.


1

24-26 Mar
Asia's GEM - Asia's Gaming & Entertainment + Leisure Expo 2010

1 The Group is a regular at this major exposition held in Manila, the Philippines where we exhibited the full range of our electronic gaming machines and ancillary products.

3

26 May
7th Annual General Meeting

3 7th Annual General Meeting held at The Gurney Resort Hotel & Residences, Penang. All resolutions proposed at the meeting were duly approved by the shareholders.

CALENDAR OF EVENTS 2010

27 May
Change of Name

Henceforth, the Company is known as RGB International Bhd.. The change was part of the initiative to significantly strengthen the Group's corporate branding and identity as the brand name "RGB" has been in existence for the past 25 years and is well established in the Asian gaming and leisure industry.

5

5

25 Jun
2nd SWE

5 The 2nd SWE, themed "Waka Waka" in celebration of the ongoing World Cup 2010, was held at Botanical Garden, Penang.

4

08-10 Jun
G2E Asia Conference & Exhibition 2010

4 The Group showcased its games, products and technology at this premier gaming exposition convened in Macau SAR. Our latest gaming machine, created in collaboration with the celebrated boxer - Manny "Pacman" Pacquiao was unveiled to the public at this show.

6

15-16 Jul
Singapore Gaming Expo

6 Our latest and innovative products were showcased at this exposition.

CALENDAR OF EVENTS 2010

24 Sep
4th SWE

8 Finance division's "The Xtreme Race" got all teams running to search for clues around historical sites near the Head Office in Georgetown, Penang.

26 Nov
5th SWE

9 The Technology and R&D team came up with "The Wipeout Challenge" featuring water and mysterious tins on a rainy evening at Padang Polo, Penang. Yet, we see active support by the directors and staff.

06 Aug
3rd SWE

7 The challenging "Sweat Sweat Sweat" by the Compliance & Communications team which was held at Bukit Dumbar Recreation Park, Penang got every participant huffing and puffing away to finish the races.

CALENDAR OF EVENTS 2010

13-17 Dec
Visiting RGB sites in Manila and Poipet

The Group introduced RGB sites in Manila, the Philippines and Poipet, Cambodia to HwangDBS Investment Management Bhd. and Maybank Investment Bank Berhad.

17 Dec
Penang Shan Children's Home Association

10 An early Christmas celebration, with donation, gifts and food, for the children at the Penang Shan Children's Home Association.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

In 2010, the RGB Group continued to focus on operating its business responsibly and be 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 for the Group. While we focus on managing our business deliverables through improving financial profitability and shareholders' value, we are also mindful of our goals to provide a sustainable workplace for our human assets' career developments as they are critical components to our growth and to promote a sustainable socially and environmentally responsible organisation.

To that end, we work to integrate the four corporate social responsibility approaches; 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

Our initiatives in managing our relationships with our stakeholders 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 the Code; 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 'RGB Recycle' program as part of our efforts to reduce our environmental and carbon footprints.

The RGB Recycle campaign has gained enthusiastic backing of both management and employees alike in our Malaysian offices.

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.

On a daily basis in the office, 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 all computer peripherals, air-conditioning and lighting are switched off when not in use.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Workplace

We acknowledge that people are our valuable assets and we want to provide them with challenging and rewarding careers in the Group. Employee development remains a key focus for the Group and management has made efforts to improve on 4 key areas to cultivate a conducive working environment for all and ensure sustainability of our talent pool.

These areas revolved around regular engagements with employees, creating equal opportunities for all, sustaining work-life balance and robust people development practices.

We continue to engage in open two way communication with our employees through various communication means on regular basis to ensure a clear line of sight on the Group's directions and performance.

Having defined performance parameters, key performance indicators ("KPI") are expected to be rolled out soon to selected divisions initially and eventually to all departments. The anticipated implementation KPI signalled our commitment to equal opportunities for employees' professional development in the Group.

At RGB, we place great importance on employees' safety, health and wellness. We walk the talk on work life-balance; various departments and divisions located at the head office took turn to organise social & wellness programs during year centralised on fostering good relations amongst all and promoting a healthy life-style.

People first. That starts, for the Group, with the hiring of the right employees in line with requirements and demands of our industry. We follow through with a full day induction aimed at introducing our new recruits to the Group's policies and procedures. The team leaders, working together with our human resource specialists, identify training programs to develop and refine our employees' skills and knowledge. During the year, we organised several training programs, in cooperation with our manufacturers, on machine management and system analysis, for our employees. Soft skills trainings on communications and presentation skills were also conducted for the employees.

We are confident that improvements in these 4 areas will see us as an employer of choice.

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. In 2010, we visited the Penang Shan Children's Home Association in addition to ongoing financial assistance. It was an early Christmas celebration as the RGB Gives Back team arrived with food, gifts and donation to cheer up the children at the home. The spirit of giving at RGB has been going on for years and we intend to continue giving as and when the need arise.

INVESTOR RELATIONS

The Company believes in fostering good relationship with the investing community by engaging in regular and proactive communication whilst maintaining transparency and accountability at all times. The Board has established framework and strategy for investor relations as set out in its Investor Relations Policy.

Communication Channels

Effective communication with all stakeholders 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 shareholders, investors and market participants is made in a timely, fair, transparent, accurate, consistent and equal manner. Information is disseminated via annual reports, circulars, quarterly financial reports, press releases and corporate announcements made to Bursa Securities.

In 2010, the Company held 2 analysts' briefings to present the results for the financial year ended ("FYE") 31 December 2009 and first half results for FYE 2010. These briefings collectively attracted more than 40 participants 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 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.

During the year, the Company also initiated familiarization visits to its operations sites in Macau SAR and the Philippines for institutional investors. In 2010, institutional investors also participated in the Asia's Gaming & Entertainment Manila in the Philippines and Global Gaming Expo Asia in Macau SAR. 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

Effective 27 May 2010, the Company is known as RGB International Bhd.. Following this development and to further strengthen corporate branding and identity, we had merged all information under one website at www.rgbgames.com. The single identity strategy will help to consolidate the RGB name to all parties concerned.

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

Stakeholders are encouraged to direct their queries and/or concerns regarding RGB to its Investor Relations team via its dedicated e-mail address *(ir@rgbgames.com)*. The Company is in the midst of revamping the corporate website to improve on its information accessibility and site friendliness.


旺旺旺™
WANG WANG WANG
GRAND $500,826.28
SUPER $89,268.28
MAJOR $3,998.68
MINI $1,368.03

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("Board") of RGB Group is committed to maintaining high standards of corporate governance within the Group. The Group operates within a governance framework designed based on the recommendation of the Malaysian Code of Corporate Governance (Revised 2007) ("Code").

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

Principles Statement

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

BOARD OF DIRECTORS

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

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

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

On 01 March 2011, Mr. Chuah Eng Hun was re-designated as Group Executive Director. Upon his re-designation, he resigned as member of the Audit Committee. This brings the Board composition to 5 executive and 2 independent non-executive directors presently. The currrent composition does not comply with the Code and the MMLR of Bursa Securities in respect of board composition. However, the Board expects to appoint a new independent non-executive director within the 3 month grace period commencing 01 March 2011 and ensure compliance with the MMLR of Bursa Securities and the Code on board composition.

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

CORPORATE GOVERNANCE STATEMENT

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

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

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

Board Meetings

The Board meets at least four times a year, with additional meetings convened as necessary. Five meetings were convened during the financial year ended 31 December 2010, which were attended by all directors.

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

Supply of information

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

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

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

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

Appointment to the Board

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

CORPORATE GOVERNANCE STATEMENT

Re-election of Directors

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

Directors' Training

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

Seminars, development and training programmes attended by the Directors in 2010 encompassed various topics as outlined below:

Board & Corporate Governance	• Bursa Malaysia Evening Talk: Corporate Governance • Corporate Governance Guide: Towards Boardroom Excellence • Board Effectiveness: Redefining the Roles and Functions of An Independent Director • Board Effectiveness: Understanding the Roles and Functions of the Nominating & Remuneration Committees
Financial Management	• The Challenges of Implementing FRS 139 • Recent changes to Financial Reporting Standards (FRS)
Management & Leadership	• Deloitte Southeast Asia: Employee Mobility Management • Executive Development Program on Confronting Challenges and Embracing Opportunities-Strategic Leadership in the Gaming Industry
Industry related	• Asia's Gaming & Entertainment plus Leisure Expo ("Asia's GEM") 2010 • Global Gaming Expo Asia ("G2E Asia") 2010 • Slot Management and Analysis Course by Aristocrat Leisure Limited

Board Committees

As part of its efforts to ensure the effective discharge of its duties, the Board has delegated certain functions to certain Committees, namely the Audit Committee, Remuneration Committee, Nomination Committee, ESOS Committee and CRRA Committee with each operating within its clearly defined terms of reference. The Chairman of the various Committees will report to the Board on the outcome of the Committee meetings.

CORPORATE GOVERNANCE STATEMENT

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

a) **Audit Committee**

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

b) **Nomination Committee**

Dato' Mahinder Singh Dulku, DSPN, PKT, Chairman
Ooi Teng Chew
Chuah Eng Hun (resigned on 01 March 2011)

The Nomination Committee must comprise solely of Non-Executive Directors. Following the re-designation of Mr. Chuah Eng Hun as Group Executive Director on 01 March 2011, he resigned as member of the Nomination Committee.

The Nomination Committee convened two meetings during the financial year ended 31 December 2010, which were attended by all members.

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

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

(b) To annually assess the effectiveness of the Board as a whole, the board committees and the contribution of each director, including the independent non-executive directors and the Group Managing Director/Chief Operating Officer. All assessment and evaluations carried out by the Nomination Committee in the discharge of all its functions should be properly documented.
(c) To consider, in making its recommendation, candidates proposed by the Group Managing Director/Chief Operating Officer.
(d) To recommend to the Board, candidates to fill the seats on board committees.
(e) To assist the Board in an annual review of the required mix of skills, experience and other qualities, including core competencies, which the non-executive directors should bring to the Board.
(f) To review the size of the Board with an aim to ensure a fair representation of the shareholders on the Board and determining the impact of the number on its effectiveness.
(g) To review the balance of executive and non-executive directors (including independent directors) with an aim to achieve a balance of views on the Board.
(h) To ensure a formal and transparent procedure for the appointment of new directors to the Board.
(i) To recommend individuals for nomination as members of the Board by assessing the desirability of renewing existing directorships.
(j) To facilitate the annual board effectiveness assessment, through the board and directors' self evaluation forms.
(k) To report periodically to the Board on succession planning for the Board Chairman and Group Managing Director.

CORPORATE GOVERNANCE STATEMENT

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

(a) Composition of the CRRA Committee.
(b) Size of the Board and the impact of the number upon its effectiveness.
(c) Balance of Executive and Non-Executive Directors (including Independent Directors) with an aim of achieving a balance of views on the Board.
(d) Required mix of skills and experience and other qualities, including core competencies of the members of the Board.
(e) Contribution of each individual Director, the effectiveness of the Board as a whole and the committees of the Board.
(f) Evaluation of board performance for year 2009.
(g) Retirement and re-election of Directors at the forthcoming AGM.
(h) Succession planning.

c) Remuneration Committee

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

Three meetings were convened during the year which were attended by all members.

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

(a) To recommend to the Board of Directors the policy framework and remuneration structure for the Executive and Non-Executive Directors. The focus is on a remuneration policy which should be sufficient to attract, retain and motivate Directors and key management team of caliber needed to run the Group successfully. Executive Directors are to abstain from deliberations and voting on the decision in respect of their own remuneration package.
(b) To review and present recommendations to the Board regarding the remuneration and conditions of service of the Executive Directors and key management team, in all its form including the grant of entitlement under any share schemes.
(c) To review indemnity and liability insurance policies for Directors and Officers of the Group.

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

The Board as a whole should decide the determination of remuneration packages of 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 AGM. During the meetings held in 2010, the Committee met and deliberated on remuneration package of the Executive Directors and key management team for year 2010.

CORPORATE GOVERNANCE STATEMENT

d) ESOS Committee

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

The new ESOS Committee was established on 19 October 2009 to administer the ESOS of the Company in accordance with the Bye-laws of the scheme. Four meetings were held during the financial year ended 31 December 2010, which were attended by all members.

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

(a) Allocation of shares under new ESOS to eligible directors and employees of the Group;
(b) Fixing of granting date and option price;
(c) Issuance criteria for the new grant; and
(d) Approval of the list of grantees.

e) Credit Review & Risk Assessment ("CRRA") Committee

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

The CRRA Committee is tasked to:

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

The CRRA Committee convened four meetings during the year, which were attended by all members.

During the year, the Committee met and deliberated on the following:

(a) Implementation of Enterprise Risk Management-Risk Information Management System software.
(b) Agreed on the Terms of Reference for the Committee.
(c) Reviewed aging and overdue balances on trade receivable for the Group and proposed actions to be undertaken.
(d) Reviewed the adequacy of provisions for doubtful debts.
(e) Agreed on the Group Net Assets/Capital Rationing by geographical segments and regular update to the Management.
(f) Finalised Enterprise Risk Management Risk Update Report.
(g) Reviewed the risks vis a vis continuing non-performance investments and ventures in various regions.
(h) Reviewed insurance coverage and quotes for machines.
(i) Reviewed the risks from proposed new investments and ventures prior to implementation.

CORPORATE GOVERNANCE STATEMENT

DIRECTORS' REMUNERATION

The Directors are remunerated based on their responsibilities in the Group.

The aggregate Directors' Remuneration paid or payable to all Directors of the Company by the Group and categorised into appropriate components for the financial year ended 31 December 2010 is as follows:

Directors	Salaries/Other Emoluments (RM)	Fees (RM)	Share Options granted under ESOS	Total (RM)
Executive	952,595	-	37,055	989,650
Non-Executive	66,400	194,400	14,820	275,620

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

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

SHAREHOLDERS

Communication with Shareholders and Investors

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

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

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

Following the Company's name change to RGB International Bhd., the Group has consolidated all information in one website. Henceforth, investors need only 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.*

CORPORATE GOVERNANCE STATEMENT

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

Statement of Directors' Responsibilities in Relation to the Financial Statements

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

In the preparation of the financial statements for the year ended 31 December 2010, the Directors are satisfied that the Group had used appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgment and estimates.

Internal Control

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

Relationship with the Auditors

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

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

COMPLIANCE STATEMENT

For the financial year ended 31December 2010 and up-to-date, the Group has complied with the principles and best practices of the Code except for:

- the disclosure of details of the remuneration of each director as the Board is of the opinon that transparancy and accountability aspects of corporate governance as applicable to Directors' remuneration is sufficiently served by the disclosure of remuneration band above.

- the board composition which the Board expects to comply through the appointment of a new independent non-executive director within the 3 month period commencing 01 March 2011.

This statement is issued in accordance with a resolution of the directors dated 13 April 2011.

AUDIT COMMITTEE REPORT

MEMBERS

Ooi Teng Chew, Chairman
Independent Non-Executive Director
Dato' Mahinder Singh Dulku, DSPN, PKT
Senior Independent Non-Executive Director
Chuah Eng Hun
Non-Independent Non-Executive Director (resigned on 01 March 2011)

Secretaries of the Audit Committee

Lam Voon Kean (MIA 4793)
Lee Yap Kuan (MAICSA 7003842)

TERMS OF REFERENCE

The Committee is governed by the following terms of reference:

Membership

The Committee shall be appointed by the Board from amongst the Directors excluding Alternate Directors, and shall consist of not less than 3 members all of whom shall be non-executive and financially literate, a majority of whom are Independent Non-Executive Directors.

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

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

Upon the re-designation of Mr. Chuah Eng Hun as Group Executive Director on 01 March 2011, he resigned as member of the Audit Committee.

The Board is expected to appoint a new Independent Non-Executive Director within the stipulated 3 months commencing from 01 March 2011 and the new director shall also be appointed to fill the vacancy in the Audit Committee.

The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every 3 years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

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

(i) a member of the Malaysian Institute of Accountants ("MIA"); or

(ii) if he or she is not a member of MIA, he or she must have at least 3 years of working experience and:

    (a) he or she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or

    (b) he or she must be a member of the associations of accountants specified in Part II of the Accountants Act 1967; or

(iii) fulfills such other requirements as prescribed or approved by Bursa Securities.

AUDIT COMMITTEE REPORT

Authority

The Committee is granted the authority to investigate any activity of the Group and the Company within its terms of reference, to obtain the resources which it needs, and to have full and unrestricted access to information and all employees are directed to co-operate with any request made by the Committee. The Committee is empowered to obtain independent professional or other advice and retain persons having special competence as necessary to assist the Committee in fulfilling its responsibility. The Committee shall have direct communication channels with the external and internal auditors and with senior management of the Group and shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the company, whenever deemed necessary. If the Committee is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in a breach of the MMLR, the Committee shall promptly report such matter to Bursa Securities.

Responsibilities

The Committee is to serve as a focal point for communication between non-Committee Directors, the external auditors, the internal auditors and the management on matters in connection with financial accounting, reporting and controls. The Committee is to assist the Board in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Group and the Company and the sufficiency of auditing relating thereto. It is the Board's principal agent in assuring the independence of the Company's external auditors, the integrity of the management and the adequacy of disclosures to shareholders.

Duties

The duties of the Committee are:

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

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

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

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

(e) to approve any appointment or termination of the head of internal audit and senior staff members of the internal audit function and to review any resignations of internal audit staff members and provide resigning staff members an opportunity to submit reasons for resigning, where necessary;

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

    (i) changes in or implementation of major accounting policies;
    (ii) significant adjustments and unusual events;
    (iii) the going concern assumption; and
    (iv) compliance with accounting standards and other legal requirements;

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

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

AUDIT COMMITTEE REPORT

(i) to recommend to the Board on the appointment and the annual re-appointment of external auditors, their audit fees and any questions on resignation and dismissal;

(j) to review the co-ordination of the audit approach and ensure 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 auditor may wish to discuss (in the absence of management where necessary);

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

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

(n) to review and verify the allocation of share options to employees under the ESOS; and

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

Meetings

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

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

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

The Group Finance Director and the representatives of the internal auditors shall be in attendance at meetings of the Committee as and when required.

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

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

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

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

Attendance at meetings

A total of six meetings were held during the financial year ended 31 December 2010, which were attended by all members.

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES

The main activities undertaken by the Committee for the financial year ended 31 December 2010 were as follows:

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

(b) Reviewed the internal audit plan, its scope of work, functions, competency and resources and that it has the necessary authority to carry out its work;

(c) Reviewed the internal audit reports, which highlighted the audit issues, recommendations and management's response. Discussed with management the corrective actions taken to improve the system of internal control based on improvement opportunities identified in the internal audit reports;

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

(e) Discussed with external auditors on their audit plan and scope of work for the year as well as the audit procedures to be utilised;

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

(g) Considered the appointment of external and internal auditors;

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

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

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

INTERNAL AUDIT FUNCTION

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

The total costs incurred for the internal audit function of the Company and the Group for 2010 is RM202,000.

STATEMENT ON EMPLOYEES' SHARE OPTION SCHEME

The Audit Committee has reviewed and verified that during the financial year ended 31 December 2010, the allocation of share options pursuant to the ESOS to eligible directors and employees of RGB Group had been made in accordance with the eligibility and entitlement criteria determined by the ESOS Committee and the share options have been granted in accordance with the Bye-Laws.

STATEMENT ON INTERNAL CONTROL

Introduction

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board of RGB International Bhd. (formerly known as Dreamgate Corporation Bhd.) is committed to maintain a sound system of internal control in the Group and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the financial year.

Board responsibility

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

Following the publication of the *Statement on Internal Control: Guidance for Directors of Public Listed Companies* (the "Internal Control Guidance"), the Board affirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced, or potentially exposed to, by the Group in pursuing its business objectives. This process has been in place throughout the financial year under review and up to the date of approval of the annual report.

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

Risk Management

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

During the financial year, a professional firm of consultants has been appointed to carry out the group risk management update which entails an update of the attendant risk profile following findings from the review carried out in Year 2008. The management of each major business unit has been entrusted to prepare action plans, with implementation time scales to address the high/significant risk and control issues identified.

The appointed firm provides update on a quarterly basis to the Credit Review & Risk Assessment Committee on the status of implementation of action plans and highlight new risks, if any.

Internal Audit Function

The Board acknowledges the importance of internal audit function and has outsourced the function to a professional firm of consultants to provide much assurance it requires regarding the effectiveness as well as adequacy and integrity of the Group's system of internal control.

The internal audit function adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the Audit Committee. The audit reviews the internal controls in place and makes recommendation to the Audit Committee on proposed action plan to improve the controls. On quarterly basis or earlier as appropriate, the internal auditors report to the Audit Committee on areas for improvement and will subsequently follow up to determine the extent of their recommendations that have been implemented.

STATEMENT ON INTERNAL CONTROL

Internal Control

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

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

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

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

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

This statement was made in accordance with a resolution of the Board of Directors dated 13 April 2011.

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

2010

25 January	Amended announcement of the audited consolidated results for the 3rd quarter ended 30 September 2009
25 February	Announcement of the audited consolidated results for the 4th quarter and the financial year ended 31 December 2009
28 April	Announcement of the audited consolidated results for the financial year ended 31 December 2009
26 May	7th Annual General Meeting
26 May	Announcement of the consolidated results for the 1st quarter ended 31 March 2010
25 August	Announcement of the consolidated results for the 2nd quarter ended 30 June 2010
26 November	Announcement of the consolidated results for the 3rd quarter ended 30 September 2010

2011

28 February	Announcement of the consolidated results for the 4th quarter and financial year ended 31 December 2010

DIRECTORS' REPORT

Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

Principal activities

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are set out in Note 14 to the financial statements. There have been no significant changes in the nature of these activities during the financial year other than as disclosed in Note 14 to the financial statements.

Results

	Group RM	Company RM
Loss attributable to:		
Owners of the parent	(50,884,249)	(17,715,424)
Minority interests	(8,022,149)	-
	(58,906,398)	(17,715,424)

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

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements.

Dividend

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend any payment of dividend for the current financial year.

Directors

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

Ooi Teng Chew
Datuk Chuah Kim Seah, JP
Lim Tow Boon, BKM
Mazlan Ismail
Chuah Kim Chiew
Chuah Eng Hun
Dato' Mahinder Singh Dulku, DSPN, PKT

DIRECTORS' REPORT

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 35 to the financial statements.

Directors' interests

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

	← Number of ordinary shares of RM0.10 each →			
	1 January 2010	Acquired	Sold	31 December 2010
The Company				
Direct interest:				
Ooi Teng Chew	300,000	-	-	300,000
Datuk Chuah Kim Seah, JP	337,750,290	100,000	-	337,850,290
Lim Tow Boon, BKM	5,434,500	-	-	5,434,500
Mazlan Ismail	1,740,000	-	-	1,740,000
Chuah Kim Chiew	26,764,194	-	-	26,764,194
Dato' Mahinder Singh Dulku, DSPN, PKT	140,000	-	-	140,000
Indirect interest:				
Datuk Chuah Kim Seah, JP	1,753,800	-	-	1,753,800
Mazlan Ismail	162,031,986	-	-	162,031,986
Chuah Kim Chiew	1,603,800	-	-	1,603,800
	← Number of ordinary shares of MOP1,000 each →			
Subsidiary - RGB (Macau) Limited				
Direct interest:				
Lim Tow Boon, BKM	1	-	-	1

DIRECTORS' REPORT

Directors' interests (Continued)

	Number of options over ordinary shares of RM0.10 each			
	Grant date, 25 November 2010	Exercised	Lapsed	31 December 2010
The Company				
Ooi Teng Chew	4,000,000	-	-	4,000,000
Datuk Chuah Kim Seah, JP	10,000,000	-	-	10,000,000
Lim Tow Boon, BKM	8,000,000	-	-	8,000,000
Mazlan Ismail	6,000,000	-	-	6,000,000
Chuah Kim Chiew	6,000,000	-	-	6,000,000
Chuah Eng Hun	4,000,000	-	-	4,000,000
Dato' Mahinder Singh Dulku, DSPN, PKT	4,000,000	-	-	4,000,000

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

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

Issue of shares

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM104,150,970 to RM115,104,970 by way of issuance of 109,540,000 ordinary shares of RM0.10 each for cash pursuant to the Company's Private Placement at a weighted average issue price of RM0.16 per ordinary share for additional working capital purposes.

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

Employees' share option scheme

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

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of options holders, other than directors, who have been granted options to subscribe for less than 500,000 ordinary shares of RM0.10 each.

DIRECTORS' REPORT

The name of option holders granted options to subscribe for 500,000 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, 25 November 2010	Exercised	Lapsed	31 December 2010
Chuah Kee Yong	3,000,000	-	-	3,000,000
Lee Yap Kuan	3,000,000	-	-	3,000,000
Teh Mun Hui	3,000,000	-	-	3,000,000
Khaw Chai Huat	1,000,000	-	-	1,000,000
Tang Weng Cheong	508,800	-	-	508,800

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

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing-off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

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

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

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

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

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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

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

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

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

DIRECTORS' REPORT

Other statutory information (Continued)

(f) In the opinion of the directors:

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

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made, except as disclosed in Note 44 to the financial statements.

Significant events

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

Subsequent events

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

Auditors

The auditors, UHY, retire and do not wish to seek for re-appointment. A resolution to appoint BDO will be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the Board in accordance with a resolution of the directors dated 13 April 2011.

Lim Tow Boon, BKM **Chuah Kim Chiew**

STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act 1965

We, Lim Tow Boon, BKM and Chuah Kim Chiew, being two of the directors of **RGB INTERNATIONAL BHD.** (formerly known as Dreamgate Corporation Bhd.), do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 52 to 127 are drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 December 2010** and of their financial performance and cash flows for the financial year then ended.

The information set out in Note 46 to the financial statements 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 ("Bursa Securities") Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Securities.

Signed on behalf of the Board in accordance with a resolution of the directors dated 13 April 2011.

Lim Tow Boon, BKM

Chuah Kim Chiew

STATUTORY DECLARATION

pursuant to Section 169(16) of the Companies Act 1965

I, Teh Mun Hui, being the officer primarily responsible for the financial management of **RGB INTERNATIONAL BHD.** (formerly known as Dreamgate Corporation Bhd.), do solemnly and sincerely declare that the accompanying financial statements set out on pages 52 to 127 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the
abovenamed Teh Mun Hui
at Georgetown in the state of the Penang
on 13 April 2011:

Teh Mun Hui

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

to the members of RGB International Bhd.
(Formerly known as Dreamgate Corporation Bhd.)

Report on the Financial Statements

We have audited the financial statements of **RGB INTERNATIONAL BHD.** (formerly known as Dreamgate Corporation Bhd.), which comprise the statements of financial position as at **31 December 2010** of the Group and of the Company, and the statements of 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 52 to 127.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with 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.

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 judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation 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 have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 December 2010** and of their financial performance and cash flows for the financial year then ended.

Report on Other Legal and Regulatory Requirements

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

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

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 14 to the financial statements.

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

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

INDEPENDENT AUDITORS' REPORT

to the members of RGB International Bhd.

(Formerly known as Dreamgate Corporation Bhd.)

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 46 to the financial statements has been complied by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of 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.

Other Matters

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

UHY
No. AF-1411
Chartered Accountants

KOAY THEAM HOCK
No. 2141/04/13 (J)
Chartered Accountant

Penang

Dated: 13 April 2011

STATEMENTS OF COMPREHENSIVE INCOME
as at 31 December 2010

	Note	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Revenue	4	158,614,334	170,202,054	-	-
Cost of sales	5	(153,228,787)	(142,425,354)	-	-
Gross profit		5,385,547	27,776,700	-	-
Other income	6	1,914,427	1,291,089	7,286,816	6,755,092
Administrative expenses		(47,371,047)	(50,803,814)	(2,466,180)	(1,509,668)
Selling and marketing expenses		(2,114,925)	(3,082,076)	-	-
Other expenses, net		(6,613,882)	(31,129,465)	(15,266,773)	(1,572,789)
Finance costs	7	(10,638,798)	(9,230,715)	(7,269,287)	(6,728,332)
Share of results of jointly controlled entities		(27,193)	59,244	-	-
Share of results of associates		(3,171)	434,529	-	-
Loss before tax	8	(59,469,042)	(64,684,508)	(17,715,424)	(3,055,697)
Income tax benefit/(expense)	11	562,644	(67,795)	-	(60)
Loss net of tax		(58,906,398)	(64,752,303)	(17,715,424)	(3,055,757)
Other comprehensive income:					
- Foreign currency translation, representing other comprehensive income for the financial year		(19,109,535)	(1,042,803)	-	-
Total comprehensive income for the financial year		(78,015,933)	(65,795,106)	(17,715,424)	(3,055,757)
Loss attributable to:					
Owners of the parent		(50,884,249)	(62,032,061)	(17,715,424)	(3,055,757)
Minority interests		(8,022,149)	(2,720,242)	-	-
		(58,906,398)	(64,752,303)	(17,715,424)	(3,055,757)
Total comprehensive income attributable to:					
Owners of the parent		(70,793,153)	(63,150,556)	(17,715,424)	(3,055,757)
Minority interests		(7,222,780)	(2,644,550)	-	-
		(78,015,933)	(65,795,106)	(17,715,424)	(3,055,757)
Loss per share attributable to owners of the parent:		**Sen**	**Sen**		
Basic	12(a)	(4.44)	(6.71)		
Diluted	12(b)	(4.41)	N/A		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2010

	Note	Group 2010 RM	Group 2009 RM (Restated, Note 2.2)	Group As at 1.1.2009 RM (Restated, Note 2.2)	Company 2010 RM	Company 2009 RM
Assets						
Non-current assets						
Property, plant and equipment	13	176,161,655	279,852,376	238,000,259	20,102	25,529
Investments in subsidiaries	14	-	-	-	44,572,756	44,660,605
Investments in jointly controlled entities	15	1,263,626	1,306,867	1,186,955	282,650	282,650
Investments in associates	16	2,237,905	2,051,001	1,599,064	-	-
Other investment	17	4,000	4,000	4,000	-	-
Intangible assets	18	1,035,918	1,448,465	2,016,061	-	-
Long term lease receivables	21	-	903,171	2,956,735	-	-
Other receivables	22	1,565,538	1,837,619	1,058,877	-	-
Due from subsidiaries	23	-	-	-	113,982,745	-
		182,268,642	287,403,499	246,821,951	158,858,253	44,968,784
Current assets						
Inventories	19	11,883,618	16,043,559	11,562,301	-	-
Trade receivables	20	77,630,121	87,259,279	88,796,106	-	-
Short term lease receivables	21	509,148	1,921,094	1,921,094	-	-
Other receivables	22	9,675,211	12,355,601	15,940,244	1,255,926	98,812
Tax recoverable		122,769	257,475	875,757	109,190	109,190
Due from subsidiaries	23	-	-	-	51,726,527	168,334,828
Due from jointly controlled entities	24	307,224	168,345	357,700	246,718	-
Due from associates	25	4,105,545	11,340,570	7,663,418	-	-
Deposits with licensed banks	27	5,314,446	5,279,746	5,074,145	2,762,659	2,686,127
Cash and bank balances		15,860,867	21,556,437	31,062,201	21,310	1,746,171
		125,408,949	156,182,106	163,252,966	56,122,330	172,975,128
Total assets		307,677,591	443,585,605	410,074,917	214,980,583	217,943,912
Equity and liabilities						
Current liabilities						
Borrowings	28	116,000,058	137,575,403	127,991,705	86,643,698	98,663,874
Trade payables	29	52,270,101	103,301,333	46,584,037	-	-
Other payables	30	25,457,546	25,572,545	13,630,150	432,983	225,577
Due to jointly controlled entities	24	3,367,855	3,673,527	956,694	-	-
Due to associates	25	3,072,980	2,841,054	8,689	-	-
Due to minority shareholders of subsidiaries	26	2,302,012	17,529,935	11,384,233	-	-
Tax payable		-	25,863	774,094	-	-
		202,470,552	290,519,660	201,329,602	87,076,681	98,889,451
Net current (liabilities)/assets		(77,061,603)	(134,337,554)	(38,076,636)	(30,954,351)	74,085,677

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2010

	Note	Group 2010 RM	Group 2009 RM (Restated, Note 2.2)	Group As at 1.1.2009 RM (Restated, Note 2.2)	Company 2010 RM	Company 2009 RM
Non-current liabilities						
Borrowings	28	12,319,273	9,807,971	24,641,215	10,000,000	-
Deferred tax liabilities	31	7,973	786,397	794,159	-	-
		12,327,246	10,594,368	25,435,374	10,000,000	-
Total liabilities		214,797,798	301,114,028	226,764,976	97,076,681	98,889,451
Net assets		92,879,793	142,471,577	183,309,941	117,903,902	119,054,461
Equity attributable to owners of the parent						
Share capital	32	115,104,970	104,150,970	87,204,970	115,104,970	104,150,970
Share premium	32	14,372,310	8,837,559	826,817	14,372,310	8,837,559
Foreign currency translation reserve	33	(26,234,839)	(6,325,935)	(5,207,440)	-	-
Share option reserve	33	82,197	-	3,241,762	82,207	-
(Accumulated losses)/Retained earnings		(17,478,029)	33,535,607	92,325,906	(11,655,585)	6,065,932
		85,846,609	140,198,201	178,392,015	117,903,902	119,054,461
Minority interests		7,033,184	2,273,376	4,917,926	-	-
Total equity		92,879,793	142,471,577	183,309,941	117,903,902	119,054,461
Total equity and liabilities		307,677,591	443,585,605	410,074,917	214,980,583	217,943,912

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2010

		Attributable to owners of the parent							
			Non-distributable			Distributable			
Group	Note	Share capital RM	Share premium RM	Foreign currency translation reserve RM	Share option reserve RM	(Accumulated losses)/ Retained earnings RM	Total RM	Minority interests RM	Total equity RM
At 1 January 2010		104,150,970	8,837,559	(6,325,935)	-	33,535,607	140,198,201	2,273,376	142,471,577
Effects of adopting FRS 139	2.2	-	-	-	-	(3,073,036)	(3,073,036)	-	(3,073,036)
At 1 January 2010 (Restated)		104,150,970	8,837,559	(6,325,935)	-	30,462,571	137,125,165	2,273,376	139,398,541
Total comprehensive income for the financial year		-	-	(19,908,904)	-	(50,884,249)	(70,793,153)	(7,222,780)	(78,015,933)
Transactions with owners:									
Issue of ordinary shares pursuant to Private Placement	32	10,954,000	5,534,751	-	-	-	16,488,751	-	16,488,751
Share option granted under ESOS		-	-	-	82,197	-	82,197	10	82,207
Waiver of advances by the minority interests in subsidiaries		-	-	-	-	2,943,649	2,943,649	-	2,943,649
Subscription of share application monies by the minority interests in subsidiaries		-	-	-	-	-	-	11,982,578	11,982,578
Total transactions with owners		10,954,000	5,534,751	-	82,197	2,943,649	19,514,597	11,982,588	31,497,185
At 31 December 2010		115,104,970	14,372,310	(26,234,839)	82,197	(17,478,029)	85,846,609	7,033,184	92,879,793
At 1 January 2009		87,204,970	826,817	(5,207,440)	3,241,762	92,325,906	178,392,015	4,917,926	183,309,941
Total comprehensive income for the financial year		-	-	(1,118,495)	-	(62,032,061)	(63,150,556)	(2,644,550)	(65,795,106)
Transactions with owners:									
Issue of ordinary shares pursuant to Private Placement	32	16,946,000	8,010,742	-	-	-	24,956,742	-	24,956,742
Termination of ESOS		-	-	-	(3,241,762)	3,241,762	-	-	-
Total transactions with owners		16,946,000	8,010,742	-	(3,241,762)	3,241,762	24,956,742	-	24,956,742
At 31 December 2009		104,150,970	8,837,559	(6,325,935)	-	33,535,607	140,198,201	2,273,376	142,471,577

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2010

Company	Note	Share capital RM	◄ Non-distributable ► Share premium RM	Share option reserve RM	Distributable (Accumulated losses)/ Retained earnings RM	Total equity RM
At 1 January 2010		104,150,970	8,837,559	-	6,065,932	119,054,461
Effects of adopting FRS 139	2.2	-	-	-	(6,093)	(6,093)
At 1 January 2010 (Restated)		104,150,970	8,837,559	-	6,059,839	119,048,368
Total comprehensive income for the financial year		-	-	-	(17,715,424)	(17,715,424)
Transactions with owners:						
Issue of ordinary shares pursuant to Private Placement		10,954,000	5,534,751	-	-	16,488,751
Share options granted under ESOS: Included in investments in subsidiaries		-	-	82,207	-	82,207
Total transactions with owners		10,954,000	5,534,751	82,207	-	16,570,958
At 31 December 2010		115,104,970	14,372,310	82,207	(11,655,585)	117,903,902
At 1 January 2009		87,204,970	826,817	3,279,095	5,842,594	97,153,476
Total comprehensive income for the financial year		-	-	-	(3,055,757)	(3,055,757)
Transactions with owners:						
Issue of ordinary shares pursuant to Private Placement		16,946,000	8,010,742	-	-	24,956,742
Termination of ESOS		-	-	(3,279,095)	3,279,095	-
Total transactions with owners		16,946,000	8,010,742	(3,279,095)	3,279,095	24,956,742
At 31 December 2009		104,150,970	8,837,559	-	6,065,932	119,054,461

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2010

	Note	Group 2010 RM	Group 2009 RM (Restated, Note 2.2)	Company 2010 RM	Company 2009 RM
Cash flows from operating activities					
Loss before tax		(59,469,042)	(64,684,508)	(17,715,424)	(3,055,697)
Adjustments for:					
Interest income	6	(627,599)	(781,595)	(7,286,852)	(6,755,019)
Interest expense	7	10,419,217	9,017,959	7,266,592	6,725,373
Amortisation of intangible assets	8	559,317	559,316	-	-
Bad debts written off	8	29,595	-	29,595	-
Deposits written off	8	(937)	796,509	-	-
Depreciation of property, plant and equipment	8	71,780,347	51,871,406	10,894	16,233
Impairment of amount due from a subsidiary written back	8	-	-	(412)	-
Impairment of amount due from associates	8	477,417	47,639	-	-
Impairment of amount due from associates written back	8	(31,330)	(24,479)	-	-
Impairment of amount due from jointly controlled entities	8	236,609	235,768	238,675	13,540
Impairment of amount due from jointly controlled entities written back	8	(212,774)	-	-	-
Impairment of lease receivables	8	235,589	-	-	-
Impairment of property, plant and equipment	8	8,129,339	29,853,689	-	-
Impairment of property, plant and equipment written back	8	(908,131)	(3,558,858)	-	-
Impairment of other receivables	8	4,320	-	-	-
Impairment of other receivables written back	8	(384,972)	-	-	-
Impairment of trade receivables	8	2,297,104	2,754,929	-	-
Impairment of trade receivables written back	8	(116,387)	(1,482,795)	-	-
(Gain)/Loss on disposal of property, plant and equipment	8	(155,194)	(575,438)	-	701
Loss/(Gain) on disposal and deconsolidation of subsidiaries	8	35,382	(1)	34,705	-
Property, plant and equipment written off	8	811,093	3,301,581	1,925	-
Receivables written off	8	233,914	424,807	-	-
Write-down of inventories	8	344,216	1,042,923	-	-
Share options granted under ESOS	9	82,207	-	22,606	-
Share of results of jointly controlled entities		27,193	(59,244)	-	-
Share of results of associates		3,171	(434,529)	-	-
Operating profit/(loss) before working capital changes		33,799,664	28,305,079	(17,397,696)	(3,054,869)

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2010

	Note	Group		Company	
		2010 RM	2009 RM (Restated, Note 2.2)	2010 RM	2009 RM
Cash flows from operating activities (Continued)					
Decrease/(Increase) in inventories		19,940,155	(2,269,423)	-	-
Decrease/(Increase) in short term receivables		8,573,486	3,228,258	(1,186,709)	216,445
Decrease in lease receivables		2,079,528	2,053,564	-	-
Decrease/(Increase) in long term receivables		42,678	(778,742)	-	-
Decrease/(Increase) in amount due from subsidiaries		-	-	9,849,915	(18,595,564)
Increase in amount due from jointly controlled entities		(168,209)	(46,413)	(485,393)	(10,591)
Decrease/(Increase) in amount due from associates		5,583,255	(3,700,312)	-	-
(Decrease)/Increase in payables		(51,076,782)	68,659,691	207,406	(51,018)
(Decrease)/Increase in amount due to jointly controlled entities		(305,672)	2,716,833	-	-
Increase in amount due to associates		231,926	2,832,365	-	-
(Decrease)/Increase in amount due to other shareholders		(12,284,274)	6,145,702	-	-
Cash generated from/ (used in) operations		6,415,755	107,146,602	(9,012,477)	(21,495,597)
Interest paid		(3,257,228)	(2,292,586)	(104,603)	-
Taxes (paid)/refunded		(106,937)	(205,506)	-	318,947
Net cash generated from/ (used in) operating activities		3,051,590	104,648,510	(9,117,080)	(21,176,650)
Cash flows from investing activities					
Purchase of property, plant and equipment		(17,512,823)	(135,572,700)	(7,392)	-
Proceeds from disposal of property, plant and equipment		1,110,658	2,605,498	-	999
Acquisition of intangible assets	18	(207,790)	-	-	-
Acquisition of associates		-	(5,144)	-	-
Net cash (outflow)/inflow from disposal and deconsolidation of subsidiaries	14	(66,535)	3	112,745	-
Interest received		627,599	181,357	56,812	90,736
Net cash (used in)/generated from investing activities		(16,048,891)	(132,790,986)	162,165	91,735

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2010

	Group		Company	
	2010 RM	2009 RM (Restated, Note 2.2)	2010 RM	2009 RM
Cash flows from financing activities				
Proceeds from issuance of ordinary shares	16,488,751	24,956,742	16,488,751	24,956,742
Repayment of term loans	(15,192,569)	(18,889,879)	-	-
Proceeds from onshore foreign currency loan	27,243,005	47,076,208	-	-
Repayment of onshore foreign currency loan	(30,550,639)	(29,871,302)	-	-
Proceeds from bankers' acceptances	7,691,000	13,722,000	-	-
Repayment of bankers' acceptances	(6,810,000)	(25,342,000)	-	-
Net repayment of commercial papers	(19,182,165)	(2,302,732)	(19,182,165)	(2,302,732)
Drawdown of medium term notes	10,000,000	-	10,000,000	-
Repayment of hire purchase	-	(62,604)	-	-
Proceeds from subscription of ordinary shares by minority interests	11,982,578	-	-	-
Net cash generated from financing activities	1,669,961	9,286,433	7,306,586	22,654,010
Net (decrease)/increase in cash and cash equivalents	(11,327,340)	(18,856,043)	(1,648,329)	1,569,095
Effects of foreign exchange rate changes	5,091,134	5,860,490	-	-
Cash and cash equivalents at beginning of financial year	21,131,341	34,126,894	4,432,298	2,863,203
Cash and cash equivalents at end of financial year	14,895,135	21,131,341	2,783,969	4,432,298

Cash and cash equivalents comprise:

		Group		Company	
	Note	2010 RM	2009 RM	2010 RM	2009 RM
Deposits with licensed banks	27	5,314,446	5,279,746	2,762,659	2,686,127
Cash and bank balances		15,860,867	21,556,437	21,310	1,746,171
Bank overdrafts	28	(6,280,178)	(5,704,842)	-	-
		14,895,135	21,131,341	2,783,969	4,432,298

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

1. Corporate information

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 13 April 2011.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRS") and the Companies Act 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.2.

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

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

2.2 Changes in accounting policies

On 1 January 2010, the Group and the Company adopted the following new and amended FRS and Issues Committee Interpretations ("IC Interpretations") mandatory for annual financial periods beginning on or after 1 January 2010.

FRSs, amendments to FRSs and IC Interpretations

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (Revised)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1 and FRS 127	Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2	Share-based Payment - Vesting Conditions and Cancellations
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 139, FRS 7 and IC Interpretation 9	Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives.
Amendments to FRSs	Improvements to FRSs (2009)
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2: Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

FRS 4 *Insurance Contracts* and TR *i*-3 *Presentation of Financial Statements of Islamic Financial Institutions* will also be effective for annual periods beginning on or after 1 January 2010. These FRSs are, however, not applicable to the Group or the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

2. Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

FRS 7 *Financial Instruments: Disclosures*

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 *Financial Instruments: Disclosure and Presentation*. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company has applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the financial year ended 31 December 2010.

FRS 8 *Operating Segments*

FRS 8, which replaces FRS 114 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively. These revised disclosures, including related revised comparative information, are shown in Note 41.

FRS 101 *Presentation of Financial Statements (Revised)*

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital (See Note 40).

The revised FRS 101 was adopted retrospectively by the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

2. Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

FRS 139 *Financial Instruments: Recognition and Measurement*

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company has adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

Impairment of trade and other receivables

Prior to 1 January 2010, provision for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate.

Amortised cost of advances

During the current and prior years, the Group granted interest-free or low-interest loans and advances to its jointly controlled entities and associates. Prior to 1 January 2010, these loans and advances were recorded at cost in the Group's financial statements. Upon the adoption of FRS 139, the interest-free or low-interest loans or advances are recorded initially at a fair value that is lower than cost. The difference between the fair value and cost of the loan or advance is recognised as an expense. Subsequent to initial recognition, the loans and advances are measured at amortised cost.

As at 1 January 2010, the Group has remeasured the allowance for impairment losses for receivables as at that date. The Group has also remeasured interest-free or low interest loans and advances at their amortised cost. The adjustments to their previous carrying amounts are recognised as adjustments to the opening balance of retained earnings as at that date.

The following are effects arising from the above changes in accounting policies:

	Increase/(decrease)	
	As at 31 December 2010 RM	As at 1 January 2010 RM
Statements of financial position		
Group		
Other receivables (non-current)	(206,865)	(227,870)
Trade receivables	(2,255,548)	(119,346)
Other receivables (current)	(996,701)	(1,514,642)
Amount due from jointly controlled entities	(41,177)	(5,495)
Amount due from associates	(1,516,914)	(1,205,683)
Foreign exchange translation reserve	325,818	-
(Accumulated losses)/Retained earnings	(5,343,023)	(3,073,036)
Company		
Amount due from subsidiaries	(5,681)	(6,093)
Amount due from jointly controlled entities	(238,675)	-
(Accumulated losses)/Retained earnings	(244,356)	(6,093)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

2. Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

	Increase/(decrease) Group 2010 RM	Company 2010 RM
Statements of comprehensive income		
Administrative expenses	2,269,987	238,263
Loss before tax and loss net of tax	(2,269,987)	(238,263)
Other comprehensive income for the financial year, net of tax	325,818	-

Improvement to FRS issued in 2009 - Amendments to FRS 117 Leases

Prior to 1 January 2010, for all leases of land and buildings, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not received substantially all of the risks and rewards incidental to ownership. Hence, all leasehold land held for own use was classified by the Group as operating lease and where necessary, the minimum lease payments or the up-front payments made were allocated between the land and buildings elements in proportion to the relative fair values for leasehold interest in the land element and building element of the lease at the inception of the lease. The up-front payment represented prepaid lease payments and were amortised on a straight-line basis over the lease term.

The amendments to FRS 117 clarify that the leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. They also clarify that the present value of the residual value of property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee. Hence, the adoption of the amendments to FRS 117 has resulted in certain unexpired land leases to be reclassified as finance leases. The Group has applied this change in accounting policy retrospectively and certain comparatives have been restated. The following are effects to the consolidated statement of financial position as at 31 December 2010 arising from the above change in accounting policy:

	Group RM
Increase in property, plant and equipment	1,358,212
Decrease in prepaid land lease payments	(1,358,212)

The following comparatives have been restated:

	As previously stated RM	Adjustments RM	As restated RM
Consolidated statement of financial position			
31 December 2009			
Property, plant and equipment	278,472,942	1,379,434	279,852,376
Prepaid land lease payments	1,379,434	(1,379,434)	-
1 January 2009			
Property, plant and equipment	236,599,603	1,400,656	238,000,259
Prepaid land lease payments	1,400,656	(1,400,656)	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

2. Summary of significant accounting policies (Continued)

2.3 Standards and Interpretations issued but not yet effective

At the date of authorisation for issue of these financial statements, the following FRSs, amendments to FRSs and IC Interpretations were issued but not yet effective and have not been early adopted by the Group:

Effective for financial periods beginning on or after 1 March 2010

Amendments to FRS 132	Financial Instruments: Presentation

Effective for financial periods beginning on or after 1 July 2010

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners

Effective for financial periods beginning on or after 1 January 2011

Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRSs	Improvements to FRSs (2010)
IC Interpretation 4	Determining Whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers

Effective for financial periods beginning on or after 1 July 2011

Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

Effective for financial periods beginning on or after 1 January 2012

FRS 124	Related Party Disclosures
IC Interpretation 15	Agreements for the Construction of Real Estate

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

2. Summary of significant accounting policies (Continued)

2.3 Standards and Interpretations issued but not yet effective (Continued)

Except for the changes in accounting policies arising from the adoption of the revised FRS 3 and the Amendments to FRS 127, as well as the new disclosures required under the Amendments to FRS 7, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policies on adoption of the revised FRS 3 and the Amendments to FRS 127 are described below.

Revised FRS 3 *Business Combinations* and Amendments to FRS 127 *Consolidated and Separate Financial Statements*

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 Statements of Cash Flows, FRS 112 *Income Taxes*, FRS 121 *The Effects of Changes in Foreign Exchange Rates*, FRS 128 *Investments in Associates* and FRS 131 *Interests in Joint Ventures*. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to early adopt.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2.8(a).

Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquire are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

2. Summary of significant accounting policies (Continued)

2.5 Transactions with minority interests

Minority interests represent the portion of profit and loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with minority interests are accounted for as transactions with owners. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

2.6 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on the translation of monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of foreign operation.

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

(c) Foreign operations

The assets and liabilities in foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustment arising on the acquisitions of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

2. Summary of significant accounting policies (Continued)

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of the property, plant and equipment are required to be replaced in intervals, the Group recognizses 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.

Freehold land has an unlimited useful life and therefore is not depreciated. Capital work-in-progress is also not depreciated as this asset not available for use. Leasehold land is depreciated over the period of the lease of 99 years. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets 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%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the financial year the asset is derecognised.

2.8 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group’s cash-generating units (“CGU”) that are expected to benefit from the synergies of the combination.

The CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the CGU, including the allocated goodwill, with the recoverable amount of the CGU. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a CGU and part of the operation within the CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the CGU retained.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

2. Summary of significant accounting policies (Continued)

2.8 Intangible assets (Continued)

(b) Research and development costs

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during development. Deferred development costs have a finite useful life and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each reporting date.

(c) Gaming licenses

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

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("CGU").

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

2. Summary of significant accounting policies (Continued)

2.10 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any accumulated impairment losses.

2.11 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognisze further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

2.12 Jointly controlled entities

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using equity method of accounting as described in 2.11.

The financial statements of the jointly controlled entities venture are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

2. Summary of significant accounting policies (Continued)

2.13 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include loans and receivables and available-for sale financial assets.

(a) Loans and receivables

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

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

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(b) Available-for-sale financial assets

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets.

After the initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

2. Summary of significant accounting policies (Continued)

2.14 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

In any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the 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 the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable or other receivables becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively 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 as the reversal date. The amount of reversal is recognised in profit or loss.

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuers operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the 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. Such impairment losses are not reversed in subsequent periods.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

2. Summary of significant accounting policies (Continued)

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

2.18 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

(b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2 Summary of significant accounting policies (Continued)

2.19 Borrowing costs

All borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.20 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee share option plans

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share premium.

2.21 Leases

(a) As lessee

Financial leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased term, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rent, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(d).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

2 Summary of significant accounting policies (Continued)

2.22 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

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

(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) Interest income

Interest income is recognised using the effective interest method.

(d) Rental Income

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

(e) Dividend income

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

(f) Operation of casino

Casino revenue represents net housing takings.

2.23 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided for, using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2 Summary of significant accounting policies (Continued)

2.23 Income taxes (Continued)

(b) Deferred tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with the investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply for the financial year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.24 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 41, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.25 Share capital and share issuance expenses

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 equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.26 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

3. Significant accounting judgements and estimates

3.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Operating lease commitments – as lessor

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

3.2 Key sources of estimation uncertainty

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

(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 gaming machines to be 5 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Impairment of property, plant and equipment, goodwill, gaming licenses with indefinite useful lives and investments in subsidiaries

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

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

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

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

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

The carrying amounts of the property plant and equipment, goodwill and gaming licenses of the Group are as stated on the statements of financial position.

The carrying amount of the investments in subsidiaries of the Company are as stated on the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2010

3. Significant accounting judgements and estimates (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(b) Impairment of property, plant and equipment, goodwill, gaming licenses with indefinite useful lives and investments in subsidiaries (Continued)

Further details of the impairment losses recognised on the property, plant and equipment are disclosed in Note 13. Further details of the investments in subsidiaries, goodwill and gaming licenses are disclosed in Notes 14 and 18 respectively.

(c) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting date is disclosed in Note 38.

(d) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances, unutilised reinvestment allowances and unutilised allowance for increased exports to the extent that it is probable that taxable profit will be available against which the losses, capital allowances, reinvestment allowance and allowances for increased exports can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The unrecognised tax losses and capital allowances of the Group was RM1,049,000 (2009: RM789,800).

4. Revenue

	Group	
	2010	**2009**
	RM	**RM**
Sales and marketing	69,185,702	88,957,259
Technical support and management	70,722,419	67,329,307
Leisure and entertainment	15,330,484	10,638,690
Others	3,375,729	3,276,798
	158,614,334	170,202,054

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

5. Cost of sales

	Group	
	2010 RM	2009 RM
Sales and marketing	63,647,797	76,955,187
Technical support and management	77,039,622	58,570,653
Leisure and entertainment	11,894,147	6,676,877
Others	647,221	222,637
	153,228,787	142,425,354

6. Other income

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Interest income	627,599	781,595	7,286,852	6,755,019
Rental income	13,981	29,441	-	-
Sundry income	1,272,847	480,053	(36)	73
	1,914,427	1,291,089	7,286,816	6,755,092

7. Finance costs

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Interest on:				
- Bank overdrafts	352,565	252,134	-	-
- Bankers' acceptances	109,662	163,269	-	-
- Hire purchase payables	-	15,722	-	-
- Term loans	742,352	1,454,645	-	-
- Commercial papers	7,161,989	6,725,373	7,161,989	6,725,373
- Medium term notes	104,603	-	104,603	-
- Onshore foreign currency loan	277,416	220,164	-	-
- Payables	1,670,630	186,652	-	-
Total interest expense	10,419,217	9,017,959	7,266,592	6,725,373
Bank and other charges	219,581	212,756	2,695	2,959
	10,638,798	9,230,715	7,269,287	6,728,332

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2010

8. Loss before tax

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

	Group		Company	
	2010 RM	2009 RM (Restated)	2010 RM	2009 RM
Amortisation of intangible assets (Note 18)				
- included in administrative expenses	559,317	559,316	-	-
Auditors' remuneration:	173,450	135,770	22,000	20,000
- statutory audits:				
- current year	106,033	104,091	22,000	20,000
- underprovision in prior year	3,849	7,341	-	-
- special audits	63,568	24,338	-	-
Bad debts written off	29,595	-	29,595	-
Deposits written off	(937)	796,509	-	-
Depreciation of property, plant and equipment (Note 13)	71,780,347	51,871,406	10,894	16,233
Employee benefits expense (Note 9)	15,740,468	17,041,635	914,680	435,359
Impairment of amount due from a subsidiary written back	-	-	(412)	-
Impairment of amount due from associates	477,417	47,639	-	-
Impairment of amount due from associates written back	(31,330)	(24,479)	-	-
Impairment of amount due from jointly controlled entities	236,609	235,768	238,675	13,540
Impairment of amount due from jointly controlled entities written back	(212,774)	-	-	-
Impairment of lease receivables (Note 21)	235,589	-	-	-
Impairment of other receivables (Note 22)	4,320	-	-	-
Impairment of other receivables written back (Note 22)	(384,972)	-	-	-
Impairment of property, plant and equipment (Note 13):				
- included in other expenses	8,129,339	29,853,689	-	-
Impairment of property, plant and equipment written back (Note 13)	(908,131)	(3,558,858)	-	-
Impairment of trade receivables (Note 20)	2,297,104	2,754,929	-	-
Impairment of trade receivables written back (Note 20)	(116,387)	(1,482,795)	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

8. Loss before tax (Continued)

	Group		Company	
	2010 RM	2009 RM (Restated)	2010 RM	2009 RM
Loss/(Gain) on disposal and deconsolidation of subsidiaries	35,382	(1)	34,705	-
(Gain)/Loss on disposal of property, plant and equipment	(155,194)	(575,438)	-	701
Net foreign exchange (gain)/losses	(1,298,605)	2,108,492	15,230,143	1,572,088
Non-executive directors' remuneration (Note 10)	280,620	252,300	275,620	247,300
Operating leases:				
- minimum lease payments for land and buildings	1,816,138	2,495,407	108,650	60,000
Property, plant and equipment written off	811,093	3,301,581	1,925	-
Receivables written off	233,914	424,807	-	-
Write-down of inventories	344,216	1,042,923	-	-

9. Employee benefits expense

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Wages and salaries	14,621,257	15,805,087	788,455	383,787
Social security contributions	105,587	140,724	6,954	2,118
Contributions to defined contribution plan	1,063,581	1,270,140	94,415	46,116
Short term accumulating compensated absence	(6,782)	(174,316)	2,250	3,338
Share options granted under ESOS	82,207	-	22,606	-
	15,865,850	17,041,635	914,680	435,359
Less:				
Capitalised in development cost (Note 18)	(125,382)	-	-	-
	15,740,468	17,041,635	914,680	435,359

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM2,189,833 (2009: RM2,101,605) and RM189,223 (2009: RM165,104) respectively as further disclosed in Note 10.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

10. Directors' remuneration

	Group 2010 RM	Group 2009 RM	Company 2010 RM	Company 2009 RM
Directors of the Company:				
Executive:				
Salaries	952,595	875,649	181,812	165,104
Share options granted under ESOS	37,055	-	7,411	-
	989,650	875,649	189,223	165,104
Non-executive:				
Fees	194,400	189,300	194,400	189,300
Share options granted under ESOS	14,820	-	14,820	-
Other emoluments	66,400	58,000	66,400	58,000
	275,620	247,300	275,620	247,300
Directors of the Subsidiaries:				
Executive:				
Salaries	1,162,406	1,210,956	-	-
Share options granted under ESOS	12,777	-	-	-
Fees	25,000	15,000	-	-
	1,200,183	1,225,956	-	-
Non-executive:				
Fees	5,000	5,000	-	-
Total directors' remuneration	2,470,453	2,353,905	464,843	412,404
Analysis:				
Total executive directors' remuneration (Note 9)	2,189,833	2,101,605	189,223	165,104
Total non-executive directors' remuneration (Note 8)	280,620	252,300	275,620	247,300
	2,470,453	2,353,905	464,843	412,404

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

11. Income tax (benefit)/expense

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Income tax:				
Malaysian current income tax	182,824	122,668	-	-
Under/(Over)provided in prior year	32,956	(47,111)	-	60
	215,780	75,557	-	60
Deferred tax (Note 31):				
Relating to origination and reversal of temporary differences	1,762	173,368	-	-
Relating to changes in tax rates	-	-	-	-
Overprovided in prior year	(780,186)	(181,130)	-	-
	(778,424)	(7,762)	-	-
Total income tax (benefit)/ expense	(562,644)	67,795	-	60

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the financial year.

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

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2010

11. Income tax (benefit)/expense (Continued)

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

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Loss before tax	(59,469,042)	(64,684,508)	(17,715,424)	(3,055,697)
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	(14,867,261)	(16,171,127)	(4,428,856)	(763,924)
Effect of different tax rates in other countries and for Labuan trading activities	6,135,135	8,267,003	-	-
Effect of share of results of jointly controlled entities	6,797	(14,811)	-	-
Effect of share of results of associates	793	(108,632)	-	-
Income not subject to tax	(645,066)	(66,249)	(1,534,400)	(1,491,872)
Expenses not deductible for tax purposes	9,464,951	8,396,419	5,961,088	2,252,800
Utilisation of previously unrecognised unused tax losses and unabsorbed capital allowances	-	(73,163)	-	-
Deferred tax asset not recognised in respect of current year's tax losses and unabsorbed capital allowances	89,237	66,596	2,168	2,996
Under/(Over) provision of income tax in prior year	32,956	(47,111)	-	60
Overprovision of deferred tax in prior year	(780,186)	(181,130)	-	-
Income tax (benefit)/expense for the financial year	(562,644)	67,795	-	60

Tax savings during the financial year arising from:

	Group	
	2010 RM	**2009 RM**
Utilisation of previously unrecognised unused tax losses	-	73,163

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

12. Loss per share

(a) Basic

Basic loss per share amounts are calculated by dividing loss net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

	2010	2009
Loss, net of tax, attributable to owners of the parent (RM)	(50,884,249)	(62,032,061)
Weighted average number of ordinary shares in issue	1,146,692,000	924,206,000
Basic loss per share (sen)	(4.44)	(6.71)

(b) Diluted

Diluted earnings per share amounts are calculated by dividing loss net of tax, attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of share options granted. The diluted earnings per share for financial year 2009 has not been presented as the Group did not have any outstanding share options as at 31 December 2009.

	2010	2009
Loss net of tax, attributable to owners of the parent (RM)	(50,884,249)	N/A
Weighted average number of ordinary shares in issue	1,152,566,000	N/A
Diluted loss per share (sen)	(4.41)	N/A

13. 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	Capital work-in progress RM	Total RM
At 31 December 2010										
Cost										
At 1 January 2010:										
As previously stated	39,604,171	1,598,930	8,091,121	1,433,684	3,469,984	433,242,665	1,279,155	24,126,315	4,738,719	517,584,744
Effects of adopting the amendments to FRS 117	-	1,485,000	-	-	-	-	-	-	-	1,485,000
As restated	39,604,171	3,083,930	8,091,121	1,433,684	3,469,984	433,242,665	1,279,155	24,126,315	4,738,719	519,069,744
Additions	1,742,453	-	48,732	-	-	14,289,233	138,664	1,290,345	3,396	17,512,823
Disposals/written off	-	-	(411,168)	(449,719)	(275,786)	(1,781,941)	(1,384)	(1,060,051)	-	(3,980,049)
Reclassification	-	-	-	-	-	480,434	3,610	(484,044)	-	-
Transfer to inventories	-	-	-	-	-	(21,294,868)	-	(358,834)	-	(21,653,702)
Exchange differences	(3,577,102)	-	(640,507)	(132,015)	(232,584)	(43,303,918)	-	(1,872,615)	(537,052)	(50,295,793)
At 31 December 2010	37,769,522	3,083,930	7,088,178	851,950	2,961,614	381,631,605	1,420,045	21,641,116	4,205,063	460,653,023
Accumulated depreciation and impairment losses										
At 1 January 2010:										
As previously stated	880,225	166,688	5,688,586	468,913	1,913,100	214,277,843	555,385	10,433,297	4,727,765	239,111,802
Effects of adopting the amendments to FRS 117	-	105,566	-	-	-	-	-	-	-	105,566
As restated	880,225	272,254	5,688,586	468,913	1,913,100	214,277,843	555,385	10,433,297	4,727,765	239,217,368
Depreciation charge for the financial year (Note 8)	586,142	51,322	283,154	167,464	454,831	67,811,629	194,929	2,230,876	-	71,780,347
Disposals/written off	-	-	(125,881)	(167,296)	(218,470)	(1,402,841)	(865)	(298,139)	-	(2,213,492)
Transfer to inventories	-	-	-	-	-	(5,439,598)	-	(89,674)	-	(5,529,272)
Reclassification	-	-	-	-	-	45,003	2,226	(47,229)	-	-
Impairment loss recognised in statement of comprehensive income (Note 8)	-	-	(119,886)	-	(1,467)	7,855,022	-	(512,461)	-	7,221,208
Exchange differences	(61,549)	-	(538,455)	(47,420)	(114,501)	(23,985,757)	-	(701,328)	(535,781)	(25,984,791)
At 31 December 2010	1,404,818	323,576	5,187,518	421,661	2,033,493	259,161,301	751,675	11,015,342	4,191,984	284,491,368

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

13. **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
Analysed as:										
Accumulated depreciation	1,404,818	321,034	1,623,417	421,661	2,030,256	225,751,219	751,675	8,719,101	-	241,023,181
Accumulated impairment losses	-	2,542	3,564,101	-	3,237	33,410,082	-	2,296,241	4,191,984	43,468,187
At 31 December 2010	1,404,818	323,576	5,187,518	421,661	2,033,493	259,161,301	751,675	11,015,342	4,191,984	284,491,368
Net carrying amount										
At 31 December 2010	36,364,704	2,760,354	1,900,660	430,289	928,121	122,470,304	668,370	10,625,774	13,079	176,161,655
At 31 December 2009										
Cost										
At 1 January 2009:										
As previously stated	4,394,400	1,598,930	11,774,458	1,568,986	3,796,392	330,746,321	1,271,153	16,525,808	33,244,804	404,921,252
Effects of adopting the amendments to FRS 117	-	1,485,000	-	-	-	-	-	-	-	1,485,000
As restated	4,394,400	3,083,930	11,774,458	1,568,986	3,796,392	330,746,321	1,271,153	16,525,808	33,244,804	406,406,252
Additions	-	-	899,475	-	-	118,775,245	7,402	1,151,487	14,739,091	135,572,700
Disposals/written off	-	-	(4,658,369)	(114,553)	(299,323)	(1,431,287)	-	(394,927)	-	(6,898,459)
Reclassification	35,692,535	-	191,149	-	-	-	600	7,156,442	(43,040,726)	-
Transfer to inventories	-	-	-	-	-	(6,042,485)	-	-	-	(6,042,485)
Exchange differences	(482,764)	-	(115,592)	(20,749)	(27,085)	(8,805,129)	-	(312,495)	(204,450)	(9,968,264)
At 31 December 2009	39,604,171	3,083,930	8,091,121	1,433,684	3,469,984	433,242,665	1,279,155	24,126,315	4,738,719	519,069,744

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2010

13. 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
Accumulated depreciation and impairment losses										
At 1 January 2009:										
As previously stated	338,258	136,588	4,381,610	293,718	1,486,558	148,043,925	354,157	9,015,941	4,270,894	168,321,649
Effects of adopting the amendments to FRS 117	-	84,344	-	-	-	-	-	-	-	84,344
As restated	338,258	220,932	4,381,610	293,718	1,486,558	148,043,925	354,157	9,015,941	4,270,894	168,405,993
Depreciation charge for the financial year (Note 8)	308,959	51,322	1,119,911	301,808	569,628	47,421,350	200,888	1,897,540	-	51,871,406
Disposals/written off	-	-	(896,167)	(114,552)	(128,705)	(158,571)	-	(268,823)	-	(1,566,818)
Transfer to inventories	-	-	-	-	-	(2,787,727)	-	-	-	(2,787,727)
Reclassification	232,671	-	59,113	-	1,571	192,562	340	(486,257)	-	-
Impairment loss recognised in statement of comprehensive income (Note 8)	-	-	939,397	-	3,564	24,523,328	-	371,326	457,216	26,294,831
Exchange differences	337	-	84,722	(12,061)	(19,516)	(2,957,024)	-	(96,430)	(345)	(3,000,317)
At 31 December 2009	880,225	272,254	5,688,586	468,913	1,913,100	214,277,843	555,385	10,433,297	4,727,765	239,217,368
Analysed as:										
Accumulated depreciation	880,225	269,712	1,916,456	468,913	1,909,536	186,118,698	555,385	6,763,587	(345)	198,882,167
Accumulated impairment losses	-	2,542	3,772,130	-	3,564	28,159,145	-	3,669,710	4,728,110	40,335,201
At 31 December 2009	880,225	272,254	5,688,586	468,913	1,913,100	214,277,843	555,385	10,433,297	4,727,765	239,217,368
Net carrying amount										
At 31 December 2009	38,723,946	2,811,676	2,402,535	964,771	1,556,884	218,964,822	723,770	13,693,018	10,954	279,852,376

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

13. Property, plant and equipment (Continued)

Company	Furniture, fittings and office equipment RM
At 31 December 2010	
Cost	
At 1 January 2010	98,686
Additions	7,392
Written off	(5,500)
At 31 December 2010	100,578
Accumulated depreciation	
At 1 January 2010	73,157
Depreciation charge for the financial year (Note 8)	10,894
Written off	(3,575)
At 31 December 2010	80,476
Net carrying amount	
At 31 December 2010	20,102
At 31 December 2009	
Cost	
At 1 January 2009	101,086
Disposal	(2,400)
At 31 December 2009	98,686
Accumulated depreciation	
At 1 January 2009	57,624
Depreciation charge for the financial year (Note 8)	16,233
Disposal	(700)
At 31 December 2009	73,157
Net carrying amount	
At 31 December 2009	25,529

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

13. 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	
	2010 RM	2009 RM
Freehold land and buildings	3,367,640	3,409,186
Leasehold land and buildings	2,760,354	2,811,674
	6,127,994	6,220,860

(b) A motor vehicle of the Group with a net carrying amount of RM2 (2009: RM15,714) is held in trust for the Company in the name of a director.

(c) 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 RM8,129,339 (2009: RM29,853,689). The recoverable amount was based on either the value-in-use of the CGU to which the property, plant and equipment are allocated or the estimated fair value less costs to sell.

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

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

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

14. Investments in subsidiaries

	Company	
	2010 RM	2009 RM
Unquoted shares at cost	44,572,756	44,660,605

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

14. Investments in subsidiaries (Continued)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Proportion of ownership interest 2010 %	2009 %	Principal activities
Held by the Company:				
RGB Sdn. Bhd.	Malaysia	100	100	Manufacturing, refurbishment, technical support, and maintenance, sales and marketing of gaming and amusement machines and equipment, sales and marketing of security surveillance products and systems for local and overseas markets.
RGB Ltd.	Malaysia	100	100	Investment holding, sales and marketing, technical support and management of gaming and amusement machines and equipment solely for the overseas markets.
Data Touch Sdn. Bhd.	Malaysia	100	100	Renting of property.
CDI Corporation Sdn. Bhd.	Malaysia	-	60	Under members' voluntary liquidation.
Dreamgate (Singapore) Pte. Ltd.*	Singapore	100	100	Trading, maintenance and management of gaming and amusement machine and equipment.
Macrocept Sdn. Bhd.	Malaysia	100	100	Investment holding.
Frontier Wish International Limited*	Hong Kong	-	100	Dormant.
Held through subsidiaries:				
RGB (Macau) Limited	Macau	96	96	Import and export including sales and marketing and technical support and management of gaming and amusement machines and equipment.
RGB (Cambodia) Ltd.*	Cambodia	100	100	Sales and marketing, technical support and maintenance of gaming and amusement machines and equipment and still in early stage of operation and has not commenced business.
Mekong Recreation Club Ltd. *	Cambodia	70	70	Dormant since 2009.
Chateau de Bavet Club Co., Ltd.*	Cambodia	60	60	Operating casino operations, and all other business activities related to the gaming and leisure industry, international standard hotel, restaurant, modern night club, fun club, spa centre and such other business activities.

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for the financial year ended 31 December 2010

14. Investments in subsidiaries (Continued)

Name of subsidiaries	Country of incorporation	Proportion of ownership interest 2010 %	2009 %	Principal activities
Held through subsidiaries (Continued):				
Club 88 Co., Ltd.*	Cambodia	100	100	Dormant since 2009.
RGB OMMCO Ltd.	Malaysia	65	65	Technical support and management of gaming and amusement machines and equipment solely for the overseas markets.
Diamond House (Nipo) Co., Ltd.* #	Cambodia	51	51	Dormant since 2009.
Movieland Entertainment Co., Ltd.* #	Cambodia	55	55	Dormant since 2009.

* *Audited by firms other than UHY.*

\# Diamond House (Nipo) Co., Ltd. and Movieland Entertainment Co., Ltd., 51% and 55% owned Cambodia incorporated subsidiaries of the Group respectively have on 29 December 2010 applied to be de-registered. Both subsidiaries are dormant.

(a) The members' voluntary winding up of CDI Corporation Sdn. Bhd. ("CDI"), a 60% owned subsidiary was completed on 29 November 2010 and dissolved on 06 March 2011.

(b) The Company disposed off its entire 100% interest in its Hong Kong incorporated wholly owned subsidiary, Frontier Wish International Limited, a dormant company for a total consideration of RM5,000 on 06 December 2010.

The disposal and deconsolidation of the subsidiaries had the following effects on the financial position of the Group as at the end of the financial year:

	2010 RM
Cash and bank balances	179,280
Other payables	(28,479)
Net assets disposed and deconsolidated	150,801
Transfer from foreign currency translation reserve	(2,674)
	148,127
Total proceeds from disposal and deconsolidation	(112,745)
Loss on disposal and deconsolidation to the Group	35,382
Disposal and deconsolidation settled by:	
Cash	112,745

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2010

14. Investments in subsidiaries (Continued)

	2010 RM
Cash outflow arising on disposal and deconsolidation:	
Cash consideration	112,745
Cash and cash equivalents of subsidiaries disposed and deconsolidated	(179,280)
Net cash outflow on disposal and deconsolidation	(66,535)

15. Investments in jointly controlled entities

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Unquoted shares at cost	1,280,777	1,280,777	282,650	282,650
Share of post-acquisition reserves	(17,730)	18,293	-	-
	1,263,047	1,299,070	282,650	282,650
Exchange differences	579	7,797	-	-
	1,263,626	1,306,867	282,650	282,650

Details of the jointly controlled entities are as follows:

Name of jointly controlled entities	Country of incorporation	Proportion of ownership interest 2010 %	2009 %	Principal activities
Held by the Company:				
RGB Abbiati Pte. Ltd.	Singapore	50	50	Trading in casino products and equipment and related activities.
RGB Xtale Sdn. Bhd.	Malaysia	50	50	Dormant.
Rasa Perpaduan Malaysia Sdn. Bhd.	Malaysia	50	50	To carry on business relating to hotels, restaurants, snack bars, clubs, confectioners and caterers.
Held through subsidiaries:				
RGB Sibel International Sdn. Bhd.	Malaysia	50	50	Ceased operation during the financial year.
Star Legend Import Export Co., Ltd.	Cambodia	50	50	Dormant.

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for the financial year ended 31 December 2010

15. Investments in jointly controlled entities (Continued)

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

	2010 RM	2009 RM
Assets and liabilities		
Current assets	2,052,830	2,994,060
Non-current assets	10,710	11,340
Total assets	2,063,540	3,005,400
Current liabilities	(1,631,508)	(1,698,533)
Non-current liabilities	-	-
Total liabilities	(1,631,508)	(1,698,533)
Results		
Revenue and other income	2,346,327	2,901,783
Expenses, including financial costs and taxation	(2,373,520)	(2,842,539)

16. Investments in associates

	Group	
	2010 RM	2009 RM
Unquoted shares at cost	761,347	761,347
Share of post-acquisition reserves	1,202,173	1,080,143
	1,963,520	1,841,490
Exchange differences	274,385	209,511
	2,237,905	2,051,001

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for the financial year ended 31 December 2010

16. Investments in associates (Continued)

Details of the associates are as follows:

Name of associates	Country of incorporation	Proportion of ownership interest 2010 %	2009 %	Principal activities
Held through subsidiaries:				
Cron Corporation	Japan	50	50	Research and development, manufacturing, sales and marketing of gaming and amusement machines and equipment.
Dreamgate Holding Co., Ltd.	Cambodia	49	49	Property investment holding.
Players Club Co., Ltd.	Cambodia	35	35	Dormant since 2009.
Rainbow World Club Ltd.	Cambodia	20	20	Dormant since 2009.
Goldenmac., Ltd.	Cambodia	25	25	Dormant since 2009.
Cash Box Entertainment Co., Ltd.	Cambodia	20	20	Dormant since 2009.
Olympic Entertainment Co., Ltd.	Cambodia	20	20	Dormant since 2009.
Golden Beach Club Ltd.	Cambodia	50	50	Dormant since 2009.
Rasa Sayang Restaurant Co., Ltd.	Cambodia	56	56	Restaurant operator and dormant.

The summarised financial information of the associates are as follows:

	2010 RM	2009 RM
Assets and liabilities		
Current assets	6,477,054	7,333,128
Non-current assets	5,081,570	10,819,177
Total assets	11,558,624	18,152,305
Current liabilities	(9,051,957)	(15,670,967)
Non-current liabilities	(2,379,712)	(3,105,122)
Total liabilities	(11,431,669)	(18,776,089)
Results		
Revenue	5,612,687	9,010,400
Profit/(Loss) for the financial year	140,718	(211,846)

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for the financial year ended 31 December 2010

17. Other investment

	Group 2010 RM	Group 2009 RM
Unquoted shares at cost	4,000	4,000

18. Intangible assets

Group	Goodwill RM	Development cost RM	Gaming licenses RM	Total RM
At 31 December 2010				
Cost				
At 1 January 2010	271,838	2,252,058	2,620,853	5,144,749
Additions	-	207,790	-	207,790
Exchange differences	-	-	(222,045)	(222,045)
At 31 December 2010	271,838	2,459,848	2,398,808	5,130,494
Accumulated amortisation and impairment				
At 1 January 2010	-	1,692,741	2,003,543	3,696,284
Amortisation (Note 8)	-	559,317	-	559,317
Exchange differences	-	-	(161,025)	(161,025)
At 31 December 2010	-	2,252,058	1,842,518	4,094,576
Net carrying amount				
At 31 December 2010	271,838	207,790	556,290	1,035,918

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for the financial year ended 31 December 2010

18. Intangible assets (Continued)

	Goodwill RM	Development cost RM	Gaming licenses RM	Total RM
At 31 December 2009				
Cost				
At 1 January 2009	271,838	2,252,058	2,650,982	5,174,878
Exchange differences	-	-	(30,129)	(30,129)
At 31 December 2009	271,838	2,252,058	2,620,853	5,144,749
Accumulated amortisation and impairment				
At 1 January 2009	-	1,133,425	2,025,392	3,158,817
Amortisation (Note 8)	-	559,316	-	559,316
Exchange differences	-	-	(21,849)	(21,849)
At 31 December 2009	-	1,692,741	2,003,543	3,696,284
Net carrying amount				
At 31 December 2009	271,838	559,317	617,310	1,448,465

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

	Group	
	2010 RM	**2009 RM**
Employee benefits expense (Note 9)	**125,382**	**-**

(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 leisure and entertainment segment CGU in Cambodia, which constitute a separately reportable segment in Note 41.

Key assumptions used in value-in-use calculations

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

18. Intangible assets (Continued)

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

Key assumptions used in value-in-use calculations (Continued)

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

(i) Net revenue

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

(ii) Exchange rate

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

(iii) Discount rate

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

Sensitivity to changes in assumptions

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

19. Inventories

	Group	
	2010 RM	2009 RM
Cost		
Gaming and amusement machines, coin and notes counting machines and binding machines	1,087,354	707,666
Spare parts, gaming and amusement accessories, table game equipment and accessories	4,865,926	4,682,092
Food, beverage and other hotel supplies	34,681	278,439
Goods-in-transit	5,895,657	10,375,362
	11,883,618	16,043,559

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for the financial year ended 31 December 2010

20. Trade receivables

	Group	
	2010 RM	2009 RM
Trade receivables		
Third parties	87,143,464	95,143,768
Related parties	47,441	115,103
	87,190,905	95,258,871
Less: Allowance for impairment:		
Third parties	(9,560,784)	(7,999,592)
Trade receivables, net	77,630,121	87,259,279

Included in trade receivables - third parties is RM1,736,469 (2009: RM18,276,420) which is being paid by monthly installments and interest is charged at 5.3% (2009: 8.0%) per annum.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2010 RM	2009 RM
Neither past due nor impaired:	53,045,271	63,133,210
1 to 30 days past due not impaired	6,868,844	3,329,656
31 to 60 days past due not impaired	7,611,492	2,980,783
61 to 90 days past due not impaired	1,362,381	2,387,085
91 to 120 days past due not impaired	1,874,693	5,574,587
More than 121 days past due not impaired	4,322,146	9,851,790
	22,039,556	24,123,901
Impaired	12,106,078	8,001,760
	87,190,905	95,258,871

20. Trade receivables (Continued)

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 RM22,039,556 (2009: RM24,123,901) 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.

Trade receivables that are impaired

	Group Individually impaired	
	2010	**2009**
	RM	**RM**
Trade receivables-nominal amounts	12,106,078	8,001,760
Less: Allowance for impairment	(9,560,785)	(7,999,592)
	2,545,293	2,168

Movement in allowance accounts:

	Group	
	2010	**2009**
	RM	**RM**
At 1 January	7,999,592	6,812,811
Effects of adopting FRS 139	119,346	-
As restated	8,118,938	6,812,811
Charge for the financial year (Note 8)	2,297,104	2,754,929
Reversal of impairment losses (Note 8)	(116,387)	(1,482,795)
Exchange differences	(738,870)	(85,353)
At 31 December	9,560,785	7,999,592

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

21. Lease receivables

	Group	
	2010 RM	2009 RM
Future minimum lease receivables:		
Not later than 1 year	753,336	2,052,817
Later than 1 year and not later than 2 years	-	911,770
Total future minimum lease receivables	753,336	2,964,587
Less: Unearned finance income	(8,599)	(140,322)
Less: Allowance for impairment (Note 8)	(235,589)	-
Present value of finance lease receivables	509,148	2,824,265
Analysis of present value of finance lease receivables:		
Not later than 1 year	509,148	1,921,094
Later than 1 year and not later than 2 years	-	903,171
	509,148	2,824,265
Less: Amount due within 12 months	(509,148)	(1,921,094)
Amount due after 12 months	-	903,171

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

Other information on financial risks of finance lease receivables are disclosed in Note 39.

22. Other receivables

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Deposits	8,922,454	10,110,404	45,630	10,000
Interest receivables	204,356	755,462	60,296	88,812
Sundry receivables	971,068	806,923	-	-
	10,097,878	11,672,789	105,926	98,812
Less: Allowance for impairment	(1,203,566)	-	-	-
	8,894,312	11,672,789	105,926	98,812
Prepayments	2,346,437	2,520,431	1,150,000	-
	11,240,749	14,193,220	1,255,926	98,812

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for the financial year ended 31 December 2010

22. Other receivables (Continued)

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Representing receivables:				
- Current	9,675,211	12,355,601	1,255,926	98,812
- Non-current	1,565,538	1,837,619	-	-
	11,240,749	14,193,220	1,255,926	98,812

Movement in allowance accounts:

	Group	
	2010 RM	2009 RM
At 1 January	-	-
Effects of adopting FRS 139	1,742,512	-
As restated	1,742,512	-
Charge for the financial year (Note 8)	4,320	-
Reversal of impairment losses (Note 8)	(384,972)	-
Exchange differences	(158,294)	-
At 31 December	1,203,566	-

Included in non-current receivables are:

(a) an amount of RM359,143 (2009: RM369,357) which is secured by unquoted shares pledged to the Group, non-interest bearing and not receivable within the next one year; and

(b) an amount of RM1,206,395 (2009: RM1,468,262) which is unsecured, non-interest bearing and not receivable within the next one year.

23. Due from subsidiaries

The amounts due from subsidiaries are non-trade in nature, non-interest bearing, unsecured, repayable on demand and to be settled in cash except for amounts due from subsidiaries amounting to RM87,000,000 (2009: RM99,000,000) and RM10,000,000 (2009: RMnil) on which interest is charged at 8.8% (2009: 7.1%) and 8.3% (2009: nil) per annum respectively.

24. Due from/to jointly controlled entities

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

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for the financial year ended 31 December 2010

25. Due from/to associates

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

26. Due to minority shareholders of subsidiaries

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

27. Deposits with licensed banks

Included in the deposits of the Group and of the Company are amounts of RM5,314,446 (2009: RM5,169,910) and RM2,762,659 (2009: RM2,686,127) respectively which are pledged to licensed banks as securities for the banking facilities granted to the Group.

Other information on financial risks of deposits with licensed banks are disclosed in Note 39.

28. Borrowings

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Short term borrowings (secured):				
Bank overdrafts	6,280,178	5,704,842	-	-
Bankers' acceptances	2,250,000	1,369,000	-	-
Onshore foreign currency loan	13,897,272	17,204,906	-	-
Term loans	6,928,910	14,632,781	-	-
	29,356,360	38,911,529	-	-
Short term borrowings (unsecured):				
Commercial papers	86,643,698	98,663,874	86,643,698	98,663,874
	116,000,058	137,575,403	86,643,698	98,663,874
Long term borrowings (secured):				
Term loans	2,319,273	9,807,971	-	-
Long term borrowings (unsecured):				
Medium term notes	10,000,000	-	10,000,000	-
	12,319,273	9,807,971	10,000,000	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

28. Borrowings (Continued)

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Total borrowings:				
Bank overdrafts	6,280,178	5,704,842	-	-
Bankers' acceptances	2,250,000	1,369,000	-	-
Onshore foreign currency loan	13,897,272	17,204,906	-	-
Medium term notes	10,000,000	-	10,000,000	-
Term loans	9,248,183	24,440,752	-	-
Commercial papers	86,643,698	98,663,874	86,643,698	98,663,874
	128,319,331	147,383,374	96,643,698	98,663,874

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

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

(b) certain deposits with licensed banks as disclosed in Note 27;

(c) corporate guarantees of RM73.98 million (2009: RM130.84 million) by the Company; and

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

Other information on financial risks of borrowings are disclosed in Note 39.

29. Trade payables

	Group	
	2010 RM	2009 RM
Trade payables		
Third parties	50,786,539	101,655,038
Related parties	1,483,562	1,646,295
	52,270,101	103,301,333

Included in trade payables - third parties is RM8,383,550 (2009: RM44,799,079) which is being paid by monthly installments and interest is charged at 5.6% (2009: 5.3%) per annum.

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

Further details on related party transactions are disclosed in Note 35.

Other information on financial risk of trade payables are disclosed in Note 39.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

30. Other payables

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Amounts due to related parties	56,804	78,799	-	-
Advances received from customers	2,018,878	4,437,502	-	-
Accruals	9,744,057	8,674,605	371,351	213,053
Deposits received	2,683,002	2,273,940	1,034	1,034
Sundry payables	10,954,805	10,107,699	60,598	11,490
	25,457,546	25,572,545	432,983	225,577

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

Further details on related party transactions are disclosed in Note 35.

31. Deferred tax liabilities

	Group	
	2010 RM	2009 RM
At 1 January	786,397	794,159
Recognised in statement of comprehensive income (Note 11)	(778,424)	(7,762)
At 31 December	7,973	786,397

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 2010	125,000	515,397	640,397
Recognised in statement of comprehensive income	(73,000)	(50,424)	(123,424)
At 31 December 2010	52,000	464,973	516,973
At 1 January 2009	265,000	624,265	889,265
Recognised in statement of comprehensive income	(140,000)	(108,868)	(248,868)
At 31 December 2009	125,000	515,397	640,397

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

31. Deferred tax liabilities (Continued)

Deferred tax assets of the Group:

	Unused tax losses, unabsorbed capital allowances and tax incentives RM	Accruals RM	Receivables RM	Property, plant and equipment expensed out RM	Total RM
At 1 January 2010	(101,000)	21,000	226,000	-	146,000
Recognised in statement of comprehensive income	(321,000)	(81,000)	(226,000)	(27,000)	(655,000)
At 31 December 2010	(422,000)	(60,000)	-	(27,000)	(509,000)
At 1 January 2009	(180,000)	192,000	(107,000)	(106)	(95,106)
Recognised in statement of comprehensive income	79,000	(171,000)	333,000	106	241,106
At 31 December 2009	(101,000)	21,000	226,000	-	146,000

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Unused tax losses	990,000	734,000	-	-
Unabsorbed capital allowances	59,000	55,800	39,000	39,000
	1,049,000	789,800	39,000	39,000

The unused tax losses and unabsorbed capital allowances of the Group amounting to RM990,000 (2009: RM734,000) and RM20,000 (2009: RMnil) respectively 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.

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32. Share capital and share premium

	Number of ordinary shares of RM0.10 each	Amount		
	Share capital (Issued and fully paid)	Share capital (Issued and fully paid) RM	Share premium RM	Total share capital and share premium RM
At 1 January 2010	1,041,509,700	104,150,970	8,837,559	112,988,529
Issue of ordinary shares pursuant to Private Placement	109,540,000	10,954,000	5,534,751	16,488,751
At 31 December 2010	1,151,049,700	115,104,970	14,372,310	129,477,280
At 1 January 2009	872,049,700	87,204,970	826,817	88,031,787
Issue of ordinary shares pursuant to Private Placement	169,460,000	16,946,000	8,010,742	24,956,742
At 31 December 2009	1,041,509,700	104,150,970	8,837,559	112,988,529

	Number of Ordinary Shares of RM0.10 each		Amount	
	2010	2009	2010 RM	2009 RM
Authorised share capital				
At 1 January/31 December	1,500,000,000	1,500,000,000	150,000,000	150,000,000

The holders of 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. During the financial year, the Company issued 109,540,000 ordinary shares of RM0.10 each for cash pursuant to the Company's Private Placement at a weighted average issue price of RM0.16 per ordinary share for additional working capital purposes. The share premium arising from the issuance of ordinary shares has been included in the share premium account. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

33. Reserves

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

(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.

33. Reserves (Continued)

(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 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.

On 25 November 2010, the Company granted options over ordinary shares amounting to 66,580,000 to eligible directors and employees of the Group at an exercise price of RM0.10 per share under the Company' ESOS. The options are vested equally across 4 batches with the following exercisable period:

Batch 1 – 25 November 2010 to 20 October 2014
Batch 2 – 25 November 2011 to 20 October 2014
Batch 3 – 25 November 2012 to 20 October 2014
Batch 4 – 25 November 2013 to 20 October 2014

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

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

   (a) the weighted average market price of the Company's shares for five market days preceding the date of offer, with a discount that does not exceed 10% or such other percentage of discount as may be permitted by Bursa 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.

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34. Employee benefits (Continued)

Employees' share option scheme ("ESOS") (Continued)

The salient features and other terms of the ESOS are below (Continued):

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

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

	Number of share options					
Grant Date	**Outstanding at 1 January ‘000**	**Granted ‘000**	**Forfeited ‘000**	**Terminated ‘000**	**Outstanding at 31 December ‘000**	**Exercisable at 31 December ‘000**
2010						
2010 Options:						
Grant 1	-	66,580	(143)	-	66,437	16,609
WAEP (RM)	-	0.10	0.10	-	0.10	0.10
2009						
2005 Options:						
Grant 1	23,595	-	(5,605)	(17,990)	-	-
2006 Options:						
Grant 2	4,607	-	(645)	(3,962)	-	-
Grant 3	4,180	-	(930)	(3,250)	-	-
2007 Options:						
Grant 4	1,922	-	(430)	(1,492)	-	-
	34,304	-	(7,610)	(26,694)	-	-
WAEP (RM)	0.38	-	0.38	0.38	-	-

	Exercise price RM	**Exercise period**
2010		
2010 Options:		
Grant 1	0.10	25.11.2010 – 20.10.2014

<u>Fair value of share options granted</u>

The fair value of the share options granted under ESOS is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the instruments were granted.

34. Employee benefits (Continued)

Employees' share option scheme ("ESOS") (Continued)

Fair value of share options granted (Continued)

The fair value of share options granted on 25 November 2010 are measured at the grant date and the assumptions are as follows:

	2010 Grant 1			
	Batch 1	**Batch 2**	**Batch 3**	**Batch 4**
Fair value of share options granted (RM)	0.004	0.005	0.005	0.005
Share price (RM)	0.06	0.06	0.06	0.06
Exercise price (RM)	0.10	0.10	0.10	0.10
Dividend yield (%)	10.74	10.74	10.74	10.74
Expected volatility (%)	43.96	43.96	43.96	43.96
Risk-free interest rate (% p.a.)	3.20	3.20	3.20	3.20
Option life (years)	3.91	3.91	3.91	3.91
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.

35. Related parties disclosures

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

	Note	2010 RM	2009 RM
Group			
Related parties*:			
- Sales of products	(i)	16,080	172,600
- Repair and maintenance income	(i)	-	2,400
- Purchase of products	(ii)	5,000	-
- Operating lease expense	(iii)	-	135,000
Associates:			
- Purchase of products	(ii)	2,384,625	3,892,403

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35. Related parties disclosures (Continued)

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

	Note	2010 RM	2009 RM
Company			
Subsidiaries:			
- Interest income	(iv)	7,230,040	6,664,283
- Operating lease expense	(iii)	42,000	60,000

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

(i) The sale of products and rendering of services to related parties were made according to the prices and conditions similar to those offered to the major customers of the Group.

(ii) The purchase of products and rendering of services from related parties were made according to the prices and conditions similar to those offered by these related companies to their major customers.

(iii) The leasing of premises from/to the related parties were made at market rates.

(iv) The interest income arose from the amounts owing by the subsidiaries to the Company.

(b) Compensation of key management personnel

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

	Group		Company	
	2010 RM	2009 RM	2010 RM	2009 RM
Short-term employee benefits	2,259,313	2,657,262	423,040	394,668
Post-employment benefits:				
Defined contribution plan	221,570	219,385	19,572	17,736
Share-based payment	64,652	-	22,231	-
	2,545,535	2,876,647	464,843	412,404

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35. Related parties disclosures (Continued)

(b) Compensation of key management personnel (Continued)

Included in the total remuneration of key management personnel are:

	Group		Company	
	2010 RM	**2009 RM**	**2010 RM**	**2009 RM**
Directors' remuneration (Note 10)	2,470,453	2,353,905	464,843	412,404

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	
	2010	**2009**	**2010**	**2009**
At 1 January	-	18,562,000	-	12,450,000
Granted	52,343,000	-	51,000,000	-
Terminated	-	(18,562,000)	-	(12,450,000)
At 31 December	52,343,000	-	51,000,000	-

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.

36. Capital commitments

	Group	
	2010 RM	**2009 RM**
Capital expenditure		
Approved but not contracted for:		
Property, plant and equipment	29,500,000	35,800,000
Share of capital commitments of jointly controlled entities	-	120,000
	29,500,000	35,920,000

37. Contingent liabilities

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

(b) The Company has given unsecured corporate guarantees to certain financial institutions for banking facilities granted to its subsidiaries for a limit of up to RM73.98 million (2009: RM130.84 million) of which RM29,787,656 (2009: RM46,855,408) was utilised at reporting date.

(c) The Company has given unsecured corporate guarantees to certain trade creditors of its subsidiaries for a limit of up to RM82.39 million (2009: RM92.04 million) of which RM20,831,333 (2009: RM48,488,665) was utilised at reporting date.

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38. Financial instruments

A. Categories of financial instruments

Loans and receivables

		Group		Company	
		2010	2009	2010	2009
	Note	RM	RM	RM	RM
Trade receivables	20	77,630,121	87,259,279	-	-
Other receivables (current and non-current)	22	8,894,312	11,672,789	105,926	98,812
Due from subsidiaries (current and non-current)	23	-	-	165,709,272	168,334,828
Due from jointly controlled entities	24	307,224	168,345	246,718	-
Due from associates	25	4,105,545	11,340,570	-	-
Deposits with licensed bank	27	5,314,446	5,279,746	2,762,659	2,686,127
Cash and bank balances		15,860,867	21,556,437	21,310	1,746,171
		112,112,515	137,277,166	168,845,885	172,865,938

Financial liabilities carried at amortised cost

		Group		Company	
	Note	2010	2009	2010	2009
		RM	RM	RM	RM
Trade payables	29	52,270,101	103,301,333	-	-
Other payables	30	25,457,546	25,572,545	432,983	225,577
Borrowings (current and non-current)	28	128,319,331	147,383,374	96,643,698	98,663,874
Due to jointly controlled entities	24	3,367,855	3,673,527	-	-
Due to associates	25	3,072,980	2,841,054	-	-
Due to minority shareholders of subsidiaries	26	2,302,012	17,529,935	-	-
		214,789,825	300,301,768	97,076,681	98,889,451

38. Financial instruments (Continued)

B Fair value of financial instruments

i. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

		Group	
	Note	**Carrying amount RM**	**Fair value RM**
At 31 December 2010			
Non-current unquoted shares	17	4,000	*
At 31 December 2009			
Non-current unquoted shares	17	4,000	*

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

ii Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Other receivables (current)	22
Due from subsidiaries (current)	23
Due to jointly controlled entities (current)	24
Due to associates (current)	25
Due to minority shareholders of subsidiaries (current)	26
Borrowings (current)	28
Borrowings (non-current)	28
Trade payables (current)	29
Other payables (current)	30

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

The carrying amounts of the borrowings is reasonable approximations of fair values due to the insignificant impact of discounting.

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for the financial year ended 31 December 2010

39. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group Finance Director, Director of Treasury and Credit Control. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above mentioned financial risks and the objectives, policies and processes for the management of these risks.

(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 exposure to credit risk arises primarily from its trade receivables. For other financial assets (including investment securities and cash and bank balances), the Group minimize credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimizing 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.

The Group has a significant concentration of credit risk that may arise from exposures to groups of receivables which contributed approximately 78% (2009: 83%) of the total trade receivables as at reporting date. These customers contributed approximately 49% (2009: 55%) of the total revenue of the Group.

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 reporting date are as follows:

	Group			
	2010 RM	% of total	2009 RM	% of total
By segment:				
Sales and marketing	57,938,412	75%	68,915,878	79%
Technical support and management	16,830,492	22%	16,706,475	19%
Leisure and entertainment	831,317	1%	701,333	1%
Others	2,029,900	2%	935,593	1%
	77,630,121	100%	87,259,279	100%
By country:				
The Philippines	44,628,401	58%	61,087,361	70%
Malaysia	2,543,860	3%	2,716,430	3%
Singapore	693,307	1%	11,838,783	14%
Cambodia	7,242,785	10%	8,283,692	9%
Macau	21,178,784	27%	1,704,346	2%
Vietnam	272,978	0%	858,194	1%
Other countries	1,070,006	1%	770,473	1%
	77,630,121	100%	87,259,279	100%

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

39. Financial risk management objectives and policies (Continued)

(a) Credit risk (Continued)

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 20. 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 20.

(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 reporting date based on contractual undiscounted repayment obligations.

	2010 RM			
	On demand or within one year	One to five years	Over five years	Total
Group				
Financial liabilities:				
Trade and other payables	77,727,647	-	-	77,727,647
Borrowings	116,000,058	12,122,322	196,951	128,319,331
Due to jointly controlled entities	3,367,855	-	-	3,367,855
Due to associates	3,072,980	-	-	3,072,980
Due to minority shareholders of subsidiaries	2,302,012	-	-	2,302,012
Total undiscounted financial liabilities	202,470,552	12,122,322	196,951	214,789,825
Company				
Financial liabilities:				
Trade and other payables	432,983	-	-	432,983
Borrowings	86,643,698	10,000,000	-	96,643,698
Total undiscounted financial liabilities	87,076,681	10,000,000	-	97,076,681

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

39. Financial risk management objectives and policies (Continued)

(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 will 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.

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

	Note	Interest Rate (%)	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	Total RM
At 31 December 2010								
Group								
Fixed rate								
Trade receivables	20	5.3	1,736,469	-	-	-	-	1,736,469
Lease receivables	21	6.7	509,148	-	-	-	-	509,148
Medium term notes	28	8.3	-	-	(10,000,000)	-	-	(10,000,000)
Trade payables	29	5.6	(8,383,550)	-	-	-	-	(8,383,550)
Floating rate								
Deposits with licensed banks	27	2.5	5,314,446	-	-	-	-	5,314,446
Bank overdrafts	28	7.6	(6,280,178)	-	-	-	-	(6,280,178)
Bankers' acceptances	28	4.4	(2,250,000)	-	-	-	-	(2,250,000)
Onshore foreign currency loan	28	1.9	(13,897,272)	-	-	-	-	(13,897,272)
Term loans	28	4.1	(6,928,910)	(1,786,322)	(112,000)	(112,000)	(308,951)	(9,248,183)
Commercial papers	28	8.8	(86,643,698)	-	-	-	-	(86,643,698)
Company								
Fixed rate								
Due from subsidiaries	23	8.7	97,000,000	-	-	-	-	97,000,000
Medium term notes	28	8.3	-	-	(10,000,000)	-	-	(10,000,000)
Floating rate								
Deposits with licensed banks	27	2.5	2,762,659	-	-	-	-	2,762,659
Commercial papers	28	8.8	(86,643,698)	-	-	-	-	(86,643,698)

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for the financial year ended 31 December 2010

39. Financial risk management objectives and policies (Continued)

(c) Interest rate risk (Continued)

	Note	Interest Rate (%)	Within 1 year RM	1 - 2 years RM	2 - 3 years RM	3 - 4 years RM	4 - 5 years RM	Total RM
At 31 December 2009								
Group								
Fixed rate								
Trade receivables	20	8.0	18,276,420	-	-	-	-	18,276,420
Lease receivables	21	6.7	1,921,094	903,171	-	-	-	2,824,265
Trade payables	29	5.3	(44,799,079)	-	-	-	-	(44,799,079)
Floating rate								
Deposits with licensed banks	27	2.9	5,279,746	-	-	-	-	5,279,746
Bank overdrafts	28	6.9	(5,704,842)	-	-	-	-	(5,704,842)
Bankers' acceptances	28	3.6	(1,369,000)	-	-	-	-	(1,369,000)
Onshore foreign currency loan	28	2.3	(17,204,906)	-	-	-	-	(17,204,906)
Term loans	28	3.6	(14,632,781)	(7,317,876)	(1,969,980)	(112,000)	(408,115)	(24,440,752)
Commercial papers	28	7.1	(98,663,874)	-	-	-	-	(98,663,874)
Company								
Fixed rate								
Due from subsidiaries	23	7.1	99,000,000	-	-	-	-	99,000,000
Floating rate								
Deposits with licensed banks	27	3.3	2,686,127	-	-	-	-	2,686,127
Commercial papers	28	7.1	(98,663,874)	-	-	-	-	(98,663,874)

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for the financial year ended 31 December 2010

39. 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 loss net of tax (through the impact on interest income and expense on floating rate deposits with licensed bank, loans and borrowings).

	2010 Effect on loss net of tax RM
Group	
Increase 10 basis points	
Deposits with licensed banks	3,988
Bank overdrafts	(4,708)
Bankers' acceptances	(1,688)
Onshore foreign currency loan	(12,610)
Term loans	(8,228)
Commercial papers	(65,005)
Decrease 10 basis points	
Deposits with licensed banks	(3,988)
Bank overdrafts	4,708
Bankers' acceptances	1,688
Onshore foreign currency loan	12,610
Term loans	8,228
Commercial papers	65,005
Company	
Increase 10 basis points	
Deposits with licensed banks	2,074
Commercial papers	(65,005)
Decrease 10 basis points	
Deposits with licensed banks	(2,074)
Commercial papers	65,005

39. Financial risk management objectives and policies (Continued)

(d) Foreign currency risk

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

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

Functional currency of Group Companies	Net financial assets/(liabilities) held in non-functional currency									
	United States Dollar RM	Australian Dollar RM	Euro RM	Thai Baht RM	Singapore Dollar RM	Ringgit Malaysia RM	Hong Kong Dollar RM	Japanese Yen RM	Philippine Peso RM	Others RM	Total RM
At 31 December 2010											
Ringgit Malaysia	117,301,879	(399,138)	(117,083)	685	1,310,426	-	3,653,564	(26,609)	825	(6,470)	121,718,079
United States Dollar	-	3,808,114	146,295	13,404,543	287,191	347,180	57,400,323	1,521,589	15,358,821	1,860	92,275,916
Hong Kong Dollar	(7,294,609)	(4,585,012)	(29,572)	-	(16,214)	(19,466)	-	(1,063)	-	(172,316)	(12,118,252)
Singapore Dollar	(277,228)	-	(14,369)	-	-	-	-	-	-	-	(291,597)
	109,730,042	(1,176,036)	(14,729)	13,405,228	1,581,403	327,714	61,053,887	1,493,917	15,359,646	(176,926)	201,584,146
At 31 December 2009											
Ringgit Malaysia	147,275,959	1,430,832	(125,770)	682	1,733,033	-	7,931,243	(43,972)	1,118	(17,561)	158,185,564
United States Dollar	-	(7,229,801)	(154,997)	15,998,984	1,151,835	581,356	55,319,480	1,996,367	13,753,198	(10,275)	81,406,147
Hong Kong Dollar	(9,627,717)	(4,466,294)	1,204	-	(12,602)	-	-	(1,038)	-	7,111	(14,099,336)
Singapore Dollar	1,462,125	(564,252)	(34,550)	-	-	-	(1,760)	-	-	-	861,563
	139,110,367	(10,829,515)	(314,113)	15,999,666	2,872,266	581,356	63,248,963	1,951,357	13,754,316	(20,725)	226,353,938

The net unhedged financial assets of the Company that are not denominated in its functional currency as at 31 December 2010 amounted to RM140,653,129 (2009: RM129,568,015). As at reporting date, the Group had not entered into any forward foreign exchange contracts.

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for the financial year ended 31 December 2010

39. Financial risk management objectives and policies (Continued)

(d) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss net of tax to a reasonably possible change in the United States Dollar ("USD"), Hong Kong Dollar ("HKD"), Thai Baht ("THB"), Philippine Peso ("Peso") and Australian Dollar ("AUD") exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	Group 2010 RM Loss net of tax	Company 2010 RM Loss net of tax
Strengthened 5%		
USD/RM	5,864,144	6,854,390
HKD/RM	183,047	154,263
HKD/USD	2,858,848	-
THB/USD	688,449	-
Peso/USD	744,260	-
USD/HKD	(364,758)	-
AUD/HKD	(229,250)	-
Weakened 5%		
USD/RM	(5,864,144)	(6,854,390)
HKD/RM	(183,047)	(154,263)
HKD/USD	(2,858,848)	-
THB/USD	(688,449)	-
Peso/USD	(744,260)	-
USD/HKD	364,758	-
AUD/HKD	229,250	-

40. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. 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 2010 and 31 December 2009.

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 deposits with licensed banks and cash and bank balances. Capital includes equity attributable to the owners of the parent.

40. Capital management (Continued)

		Group		Company	
		2010	2009	2010	2009
	Note	RM	RM	RM	RM
Borrowings	28	128,319,331	147,383,374	96,643,698	98,663,874
Trade payables	29	52,270,101	103,301,333	-	-
Other payables	30	25,457,546	25,572,545	432,983	225,577
Less:					
Deposits with licensed bank	27	(5,314,446)	(5,279,746)	(2,762,659)	(2,686,127)
Cash and bank balances		(15,860,867)	(21,556,437)	(21,310)	(1,746,171)
Net debt		184,871,665	249,421,069	94,292,712	94,457,153
Equity attributable to the owners of the parent, represent total capital		85,846,609	140,198,201	117,903,902	119,054,461
Capital and net debt		270,718,274	389,619,270	212,196,614	213,511,614
Gearing ratio		68%	64%	44%	44%

41. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has four 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)	Leisure and entertainment	Leisure and entertainment activities.
(iv)	Others	Renting of property, manufacturing, research and development.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 December 2010

41. Segment information (Continued)

	Sales and marketing RM	Technical support and management RM	Leisure and entertainment RM	Others RM	Adjustments and eliminations RM	Note	Consolidated RM
2010							
Revenue:							
External customers	69,185,702	70,722,419	15,330,484	3,375,729	-		158,614,334
Inter-segment sales	-	-	-	330,000	(330,000)	A	-
Total revenue	69,185,702	70,722,419	15,330,484	3,705,729	(330,000)		158,614,334
Results:							
Interest income	-	-	-	-	627,599		627,599
Depreciation and amortisation	313,891	68,994,974	1,529,084	1,336,713	165,001		72,339,663
Impairment of non-financial asset	235,589	7,237,325	-	-	(16,117)	B	7,456,797
Other non-cash expenses	1,458,477	1,124,804	267,816	554,850	179,339	C	3,585,286
Segment loss	(919,303)	(30,650,117)	(15,673,529)	(703,973)	(11,522,120)	D	(59,469,042)
Assets:							
Investments in jointly controlled entities	-	-	-	1,263,626	-		1,263,626
Investments in associates	-	-	-	2,237,905	-		2,237,905
Addition to non-current assets	265,586	14,397,508	2,289,380	350,737	417,402	E	17,720,613
Segment assets	72,606,264	160,367,505	42,705,111	24,719,042	7,279,669	F	307,677,591
Segment liabilities	41,533,269	25,449,906	10,732,709	7,738,417	129,343,497	G	214,797,798

41. Segment information (Continued)

	Sales and marketing RM	Technical support and management RM	Leisure and entertainment RM	Others RM	Adjustments and eliminations RM	Note	Consolidated RM
2009							
Revenue:							
External customers	88,957,259	67,329,307	10,638,690	3,276,798	-		170,202,054
Inter-segment sales	-	-	-	360,000	(360,000)	A	-
Total revenue	88,957,259	67,329,307	10,638,690	3,636,798	(360,000)		170,202,054
Results:							
Interest income	-	-	-	-	781,595		781,595
Depreciation and amortisation	398,245	48,704,717	1,866,168	1,315,020	146,572		52,430,722
Impairment of non-financial asset	16,349	21,636,441	4,642,041	-	-	B	26,294,831
Other non-cash expenses	(406,311)	5,828,903	675,414	777,729	(354,291)	C	6,521,444
Segment loss	5,459,500	(38,319,278)	(15,407,840)	(1,103,317)	(15,313,573)	D	(64,684,508)
Assets:							
Investments in jointly controlled entities	-	-	-	1,306,867	-		1,306,867
Investments in associates	-	-	-	2,051,001	-		2,051,001
Addition to non-current assets	151,464	121,125,104	13,968,716	79,994	247,422	E	135,572,700
Segment assets	83,875,044	269,159,092	50,751,496	31,027,088	8,772,885	F	443,585,605
Segment liabilities	68,889,213	53,717,388	23,287,163	6,496,996	148,723,268	G	301,114,028

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

41. Segment information (Continued)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidation financial statements.

A Inter-segment revenues are eliminated on consolidation.

B Impairment of non-financial asset disclosed in Note 8 consist of:

	2010 RM	2009 RM
Impairment of property, plant and equipment	8,129,339	29,853,689
Impairment of property, plant and equipment written back	(908,131)	(3,558,858)
Impairment of lease receivables	235,589	-
	7,456,797	26,294,831

C Other material non-cash expenses disclosed in Note 8 consist of the following items as presented in the respective notes to the financial statements:

	2010 RM	2009 RM
Deposits written off	(937)	796,509
Impairment of amount due from associates	477,417	47,639
Impairment of amount due from associates written back	(31,330)	(24,479)
Impairment of amount due from jointly controlled entities	236,609	235,768
Impairment of amount due from jointly controlled entities written back	(212,774)	-
Impairment of other receivables	4,320	-
Impairment of other receivables written back	(384,972)	-
Impairment of trade receivables	2,297,104	2,754,929
Impairment of trade receivables written back	(116,387)	(1,482,795)
Gain on disposal of property, plant and equipment	(155,194)	(575,438)
Property, plant and equipment written off	811,093	3,301,581
Receivables written off	233,914	424,807
Write-down of inventories	344,216	1,042,923
Share options granted under ESOS	82,207	-
	3,585,286	6,521,444

D The following items are added to/(deducted from) segment loss to arrive at "Loss before tax" presented in the consolidation statement of comprehensive income:

	Note	2010 RM	2009 RM
Share of results of jointly controlled entities		(27,193)	59,244
Share of results of associates		(3,171)	434,529
Finance costs	7	(10,638,798)	(9,230,715)
Unallocated corporate expenses		(852,958)	(6,576,631)
		(11,522,120)	15,313,573

41. Segment information (Continued)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidation financial statements.

E Additions to non-current assets consist of:

	Note	2010 RM	2009 RM
Property, plant and equipment	13	17,512,823	135,572,700
Intangible asset	18	207,790	-
		17,720,613	135,572,700

F The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

	Note	2010 RM	2009 RM
Other investment	17	4,000	4,000
Intangible asset – goodwill	18	271,838	271,838
Tax recoverable		122,769	257,475
Other unallocated assets		6,881,062	8,239,572
		7,279,669	8,772,885

G The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	Note	2010 RM	2009 RM
Borrowings	28	116,000,058	137,575,403
Tax payable		-	25,863
Borrowings (non-current)	28	12,319,273	9,807,971
Deferred tax liabilities	31	7,973	786,397
Other unallocated liabilities		1,016,193	527,634
		129,343,497	148,723,268

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

41. Segment information (Continued)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenues		Non-current assets	
	2010 RM	2009 RM	2010 RM	2009 RM
The Philippines	57,719,131	82,079,393	48,717,025	73,647,081
Cambodia	45,611,710	47,852,254	80,077,665	109,556,342
Singapore	4,769,697	13,697,133	835,518	676,876
Malaysia	7,858,718	13,241,929	23,174,001	32,026,737
Laos	6,287,401	3,707,551	958,951	784,442
Macau	27,159,820	4,923,729	21,815,041	58,549,153
Vietnam	7,842,640	1,042,938	1,621,524	2,761,301
Other countries	1,365,217	3,657,127	(2,152)	3,298,909
	158,614,334	170,202,054	177,197,573	281,300,841

Non-current assets information presented above consist of the following items as presented in the consolidated statement of financial position.

	NOTE	2010 RM	2009 RM
Property, plant and equipment	13	176,161,655	279,852,376
Intangible assets	18	1,035,918	1,448,465
		177,197,573	281,300,841

Information about major customers

Revenue from major customers amounting to RM32,342,174 (2009: RM52,092,091) and RM16,838,615 (2009: RM19,065,131) arose from sales and marketing segment and technical support and management segment respectively.

42. Dividends

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2010

43. Significant events

(a) During the financial year, the Company had issued a total of 10,954,000 ordinary shares of RM0.10 each for cash pursuant to the Company's Private Placement at a weighted average issue price of RM0.16 per ordinary share for additional working capital purposes.

(b) The Company changed its name from Dreamgate Corporation Bhd. to RGB International Bhd. on 27 May 2010.

44. Subsequent events

There were no material subsequent events from the reporting date up till the date the financial statements are authorised for issue except for the issuance of 139,400 ordinary shares of RM0.10 each for cash pursuant to ESOS at an option price of RM0.10 per ordinary share.

45. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 13 April 2011.

46. Supplementary information – breakdown of accumulated losses into realised and unrealised

The breakdown of the accumulated losses of the Group and of the Company as at 31 December 2010 into realised and unrealised losses is presented in accordance with directive issued by Bursa Securities dated 25 March 2010 and 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 Main Market Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group 2010 RM	Company 2010 RM
Total accumulated losses of the Company and subsidiaries:		
- Realised	(49,108,905)	2,071,423
- Unrealised	(7,781,736)	(13,727,008)
Total share of accumulated losses from jointly controlled entities:		
- Realised	(17,424)	-
- Unrealised	(49,938)	-
Total share of accumulated losses from associates:		
- Realised	1,593,108	-
- Unrealised	(755,753)	-
	(56,120,648)	(11,655,585)
Add: Consolidation adjustments	38,642,619	-
Accumulated losses as per financial statements	(17,478,029)	(11,655,585)

LIST OF GROUP PROPERTIES
as at 31 December 2010

	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	28	113	566,310	30 December 2002
2.	No. 2017 Solok Perusahaan 3 Kawasan Perusahaan Perai 13600 Perai, Penang Malaysia	Land & Building	Factory	Leasehold – 99 years Expiring on 12 December 2074	37	1,035.03	1,455,245	31 December 2002
3.	No. 2018 Solok Perusahaan 3 Kawasan Perusahaan Perai 13600 Perai, Penang Malaysia	Land & Building	Factory	Leasehold – 99 years Expiring on 12 December 2074	37	1,109.71	1,305,109	-
	Data Touch Sdn Bhd.							
4.	No. 8 Green Hall 10200 Penang Malaysia	Land & Building	Office	In Perpetuity	32	2,387.16	3,367,640	31 December 2002
	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	2	2,264	32,430,754	-
	Total						**39,125,058**	

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

LIST OF ASSOCIATE'S PROPERTIES
as at 31 December 2010

	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	4	64	328,026	-
2.	No. 1, National Road Bavet Commune Chantrea District Svay Rieng Province Kingdom of Cambodia	Land	Hotel & Casino	Freehold	-	-	3,708,600	-
	Total						**4,036,626**	

ADDITIONAL COMPLIANCE INFORMATION

Utilisation of Proceeds
All proceeds raised from the listing of RGB on the MESDAQ Market (now known as ACE Market) of Bursa Securities have been fully utilised during the year.

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

Options, Warrants or Convertible Securities
During the year, options over a total of 66,580,000 shares were granted pursuant to the Employees' Share Option Scheme and of which 16,645,000 have been vested and hence exercisable by eligible directors and employees.

American Depository Receipt (ADR) or Global Depository Receipt (GDR) Programme
During the financial year, the Company did not sponsor any ADR or GDR programme.

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

Non-audit Fees
There were no non-audit fees paid by the Company and its subsidiaries to the external auditors for the financial year ended 31 December 2010.

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

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

Revaluation of Landed Properties
The Company does not have a revaluation policy on landed properties.

STATISTICS OF SHAREHOLDINGS
as at 13 April 2011

Share Capital

Authorised	:	RM150,000,000
Issued and fully paid up	:	RM115,118,910
Class of Shares	:	Ordinary Shares of RM0.10 each
Voting Rights	:	One Vote per Ordinary Share

Distribution of shareholdings

Size of holdings	No. of Holders	% of Holders	No. of Shares	%
1 - 99	11	0.16%	373	0.00%
100 - 1000	153	2.23%	110,200	0.01%
1,001 - 10,000	2,565	37.35%	15,264,515	1.33%
10,001 -100,000	3,357	48.89%	135,522,617	11.77%
100,001 - 57,559,454 (*)	776	11.30%	457,802,289	39.77%
57,559,454 and above (**)	5	0.07%	542,489,106	47.12%
Total	6,867	100.00%	1,151,189,100	100.00%

Remarks :

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

Substantial Shareholders holding 5% or more in the share capital

	Direct Interest		Indirect Interest	
Name	No. of Shares	%	No. of Shares	%
Datuk Chuah Kim Seah, JP	337,850,290	29.35	1,603,800 [a]	0.14
Gerak Juara Sdn Bhd	159,031,986	13.81	-	-
Mazlan Bin Ismail	1,740,000	0.15	159,031,986 [b]	13.81
Ahmad Anwar Bin Mohd Nor	-	-	159,031,986 [b]	13.81
HSBC Nominees (Asing) Sdn Bhd Exempt an for RBS Coutts Bank Ltd. (HK Branch)	58,700,000	5.10	-	-

[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 13 April 2011

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

Name	Direct Interest No. of Shares	%	Indirect Interest No. of Shares	%	No of unexercised ESOS options ~
The Company					
Ooi Teng Chew	300,000	0.03	-	-	4,000,000
Datuk Chuah Kim Seah, JP	337,850,290	29.35	1,753,800 [a]	0.15	10,000,000
Lim Tow Boon, BKM	5,434,500	0.47	-	-	8,000,000
Mazlan Bin Ismail	1,740,000	0.15	159,031,986 [b]	13.81	6,000,000
Chuah Kim Chiew	26,764,194	2.32	1,603,800 [c]	0.14	6,000,000
Chuah Eng Hun	-	-	-	-	4,000,000
Dato' Mahinder Singh Dulku, DSPN, PKT	140,000	0.01	-	-	4,000,000
RGB (Macau) Limited					
Lim Tow Boon, BKM	1	4.00	-	-	-

(a) Deemed interested by virture 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 virture of holding more than 15% in the shares of Gerak Juara Sdn Bhd.
(c) Deemed interested by virture of holding more than 15% in the shares of Manju Sdn Bhd.
~ The ESOS options were granted on 25 November 2010.

By virtue of his interest in the shares of the Company, Datuk Chuah Kim Seah, JP is also deemed to have an interest in the shares of the subsidiary companies to the extent the Company has an interest.

THIRTY LARGEST SHAREHOLDERS
as at 13 April 2011

No.	Name	No. of Shares	%
1	Gerak Juara Sdn Bhd	145,938,816	12.68
2	Chuah Kim Seah	116,587,830	10.13
3	Chuah Kim Seah	111,355,630	9.67
4	Chuah Kim Seah	109,906,830	9.55
5	HSBC Nominees (Asing) Sdn Bhd Exempt An for RBS Coutts Bank Ltd (HK Branch)	58,700,000	5.10
6	Chuah Kim Chiew	26,764,194	2.32
7	Lee Wei Ming	18,000,000	1.56
8	Lee Wei Tat	16,900,000	1.47
9	Gerak Juara Sdn Bhd	16,093,170	1.40
10	Goh Sin Tien	13,869,000	1.20
11	Yeoh Mei Mei	12,000,000	1.04
12	HSBC Nominees (Asing) Sdn Bhd Exempt an for JPMorgan Chase Bank, National Association (Bermuda)	10,000,000	0.87
13	Verstraeten Eric E M	9,219,500	0.80
14	HDM Nominees (Tempatan) Sdn Bhd HDM Capital Sdn Bhd for Tan Koo Ching	8,000,000	0.69
15	Lim Tow Boon	5,434,500	0.47
16	Ung Chi Fong	5,361,400	0.47
17	Soh Eng Kooi @ Ooi Eng Kooi	4,840,000	0.42
18	Teng Whye Lok	4,073,400	0.35
19	Shankar A/L Sammantha Murthy	3,650,000	0.32
20	Mayban Securities Nominees (Asing) Sdn Bhd Exempt an for UOB Kay Hian Pte Ltd (A/C Clients)	3,417,000	0.30
21	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged securities account for Wong Chee Fai (100579)	3,200,000	0.28
22	Cimsec Nominees (Tempatan) Sdn Bhd Pledged securities account for Lee Wei Tat (Penang-CL)	3,100,000	0.27
23	OSK Nominees (Tempatan) Sdn Berhad Pledged securities account for Wong Tow Fock	3,050,000	0.26
24	Cheah Hong Inn (Sendirian) Berhad	3,000,000	0.26
25	Lim Lay Hong	2,925,000	0.25
26	Ravi Shangar A/L Sinnamuthu	2,901,000	0.25
27	Wong Chee Fai	2,500,000	0.22
28	Kam Chooi Suan	2,345,100	0.20
29	Cimsec Nominees (Tempatan) Sdn Bhd Exempt an for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	2,214,400	0.19
30	Mak Chew Meng	2,156,100	0.19
		727,502,870	63.18

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 8th Annual General Meeting of the Company will be held at The Gurney Resort Hotel & Residences, 18 Persiaran Gurney, 10250 Penang, Malaysia on Wednesday, 25 May 2011 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 2010 and the Reports of Directors and Auditors thereon.

2. To approve the payment of Directors' Fees of RM194,400 for the financial year ended 31 December 2010. — Ordinary Resolution 1

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

   (a) Mr. Chuah Kim Chiew — Ordinary Resolution 2
   (b) Dato' Mahinder Singh Dulku, DSPN, PKT — Ordinary Resolution 3

4. To appoint Messrs. BDO to act as Auditors of the Company in place of the retiring Auditors, Messrs. UHY, to hold office until the conclusion of the next annual general meeting and to authorise the Directors to determine their remuneration. — Ordinary Resolution 4

As Special Business:

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

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

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

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

By Order of the Board

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

Joint Company Secretaries
Penang

30 April 2011

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

Explanatory Note
Resolution 4 - Appointment of BDO as Auditors
The auditors, Messrs. UHY, retire and do not wish to seek re-appointment as their Penang office, which audits the Company, will be merged with BDO.

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

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

As 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 26 May 2010 and which will lapse at the conclusion of the 8th 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.

STATEMENT ACCOMPANYING NOTICE OF 8TH GENERAL MEETING PURSUANT TO PARAGRAPH 8.27(2) OF BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS
No individual is seeking election as a Director at the forthcoming 8th Annual General Meeting of the Company.

NOMINATION OF COMPANY'S AUDITORS

Soh Eng Kooi @ Ooi Eng Kooi
8 Jalan Ahmad Bin Kasa,
11200 Tanjong Bungah,
Penang

6 April 2011

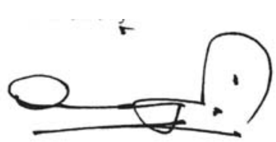
The Board of Directors
RGB International Bhd.
(formerly known as Dreamgate Corporation Bhd.)
Suite 2-1, 2nd Floor
Menara Penang Garden
42-A Jalan Sultan Ahmad Shah
10050 Penang
Malaysia

Dear Sirs

RGB International Bhd. (formerly known as Dreamgate Corporation Bhd.) ["RGB"]
Notice of Nomination of Auditors

In accordance with Section 172 (12) of the Companies' Act, 1965, I, Soh Eng Kooi @ Ooi Eng Kooi, being a shareholder of RGB, hereby give you notice of my intention to nominate for appointment at the forthcoming Annual General Meeting of the Company, Messrs. BDO Chartered Accountants (AF0206) of 12th Floor Menara Uni.Asia, 1008 Jalan Sultan Ismail, 50250 Kuala Lumpur as the Auditors of RGB for the year ending 31 December 2011 in place of Messrs. UHY (formerly known as UHY Diong) who have indicated that they do not wish to seek for re-election as Auditors of the Company at the forthcoming 8th Annual General Meeting.

Yours faithfully



SOH ENG KOOI @ OOI ENG KOOI

FORM OF PROXY

No. of Shares Held
CDS Account No.

RGB International Bhd. (603831-K)

(formerly known as Dreamgate Corporation Bhd.)
(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. (formerly known as Dreamgate Corporation Bhd.) (603831-K) ("the Company"),

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

of..
(FULL ADDRESS)

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

of ....
(FULL ADDRESS)

or failing *him/her, the *CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us and on *my/our behalf at the 8th Annual General Meeting of the Company to be held at The Gurney Resort Hotel & Residences, 18 Persiaran Gurney, 10250 Penang, Malaysia on Wednesday, 25 May 2011 at 10.00 am and at any adjournment thereof.

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

ORDINARY RESOLUTIONS	1	2	3	4	5
FOR					
AGAINST					

Signed this .... day of 2011

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

....
Common Seal/Signature of Member

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

* Strike out whichever is not applicable.

Fold this flap for sealing

2nd Fold here

Affix
Stamp

The Company Secretaries

RGB INTERNATIONAL BHD. (603831-K)
(formerly known as Dreamgate Corporation Bhd.)
Suite 2-1, 2nd Floor, Menara Penang Garden
42-A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia

1st Fold here

RGB International Bhd.
(603831-K)
(formerly known as Dreamgate Corporation Bhd.)

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