RGB International Bhd.
(603831-K)

annual report 2011

CONTENTS

CORPORATE PROFILE

RGB International Bhd. ("RGB" or "the Company" throughout the entire Annual Report) was incorporated on 16 January 2003 under the Malaysian Companies Act, 1965.

It was initially listed on the MESDAQ Market of the Bursa Malaysia Securities Berhad ("Bursa Securities" throughout the entire Annual Report) on 13 January 2004. On 31 January 2008, its listing was successfully transferred to the Main Market of Bursa Securities.

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

- sales & marketing, and manufacturing of electronic gaming machines and equipment ("SSM" throughout the entire Annual Report)
- machine concession programmes & technical support management ("TSM" throughout the entire Annual Report)
- 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 Kingdom of Cambodia, Lao PDR, Vietnam, Singapore, the Philippines, South Korea, Macau SAR and Japan.


满满
MUN MUN
Recommended Games:
财神
CHAI SHEN
五福临门
FORTUNE LION
龙王
DRAGON KING

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. Our 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
Chief Operating Officer &
Group Executive Director

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

Mr. Ng Eng Tong
Independent Non-Executive Director

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

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

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

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

Credit Review & Risk Assessment Committee
Mr. Mazlan Ismail, *Chairman*
Ms. Maxine Lee Yap Kuan
Ms. Teh Mun Hui

Company Secretaries
Ms. Woon Mei Ling
(MAICSA 7047736)
Ms. Maxine 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

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

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

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

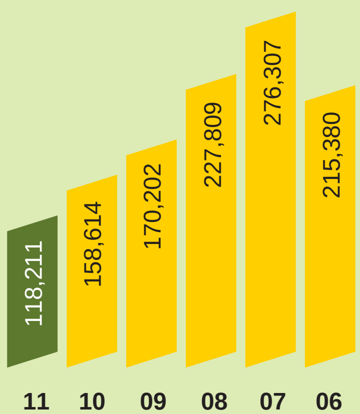
Auditors
BDO (AF 0206)
Chartered Accountants
51-21-F Menara BHL Bank
Jalan Sultan Ahmad Shah
10050 Penang, Malaysia

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

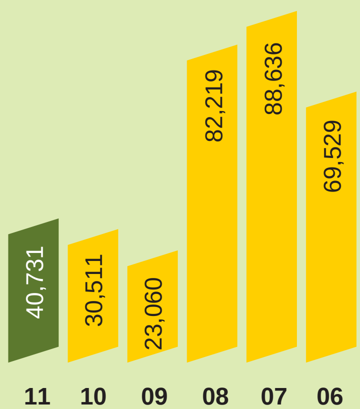
GROUP FINANCIAL HIGHLIGHTS

	2011 RM'000	2010 RM'000	2009 RM'000 Restated	2008 RM'000	2007 RM'000	2006 RM'000
Revenue	118,211	158,614	170,202	227,809	276,307	215,380
(Loss)/Profit Before Tax	(32,870)	(59,469)	(64,684)	(3,294)	40,412	33,279
EBITDA*	40,731	30,511	23,060	82,219	88,636	69,529
Net (Loss)/Profit	(32,965)	(58,906)	(64,752)	(3,613)	39,435	31,470
Cash and Bank Balances	26,735	15,861	21,556	31,062	35,000	16,782
Property, Plant and Equipment	120,301	176,162	279,852	236,600	203,608	136,383
Total Assets	249,932	307,678	443,586	410,075	403,733	283,965
Shareholders' Equity	58,278	85,847	140,198	178,392	177,066	138,699

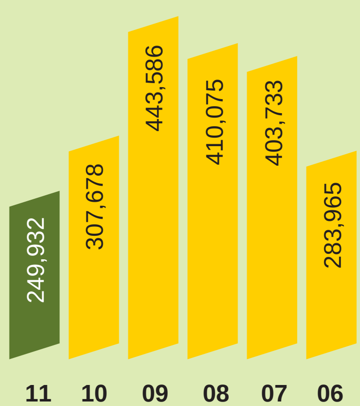
* Earnings before interest, taxation, depreciation, amortisation, impairment of property, plant & equipment, intangible assets and investments.



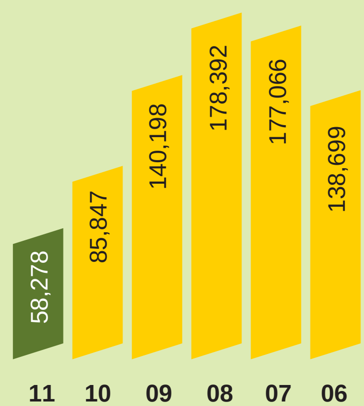
REVENUE
RM'000



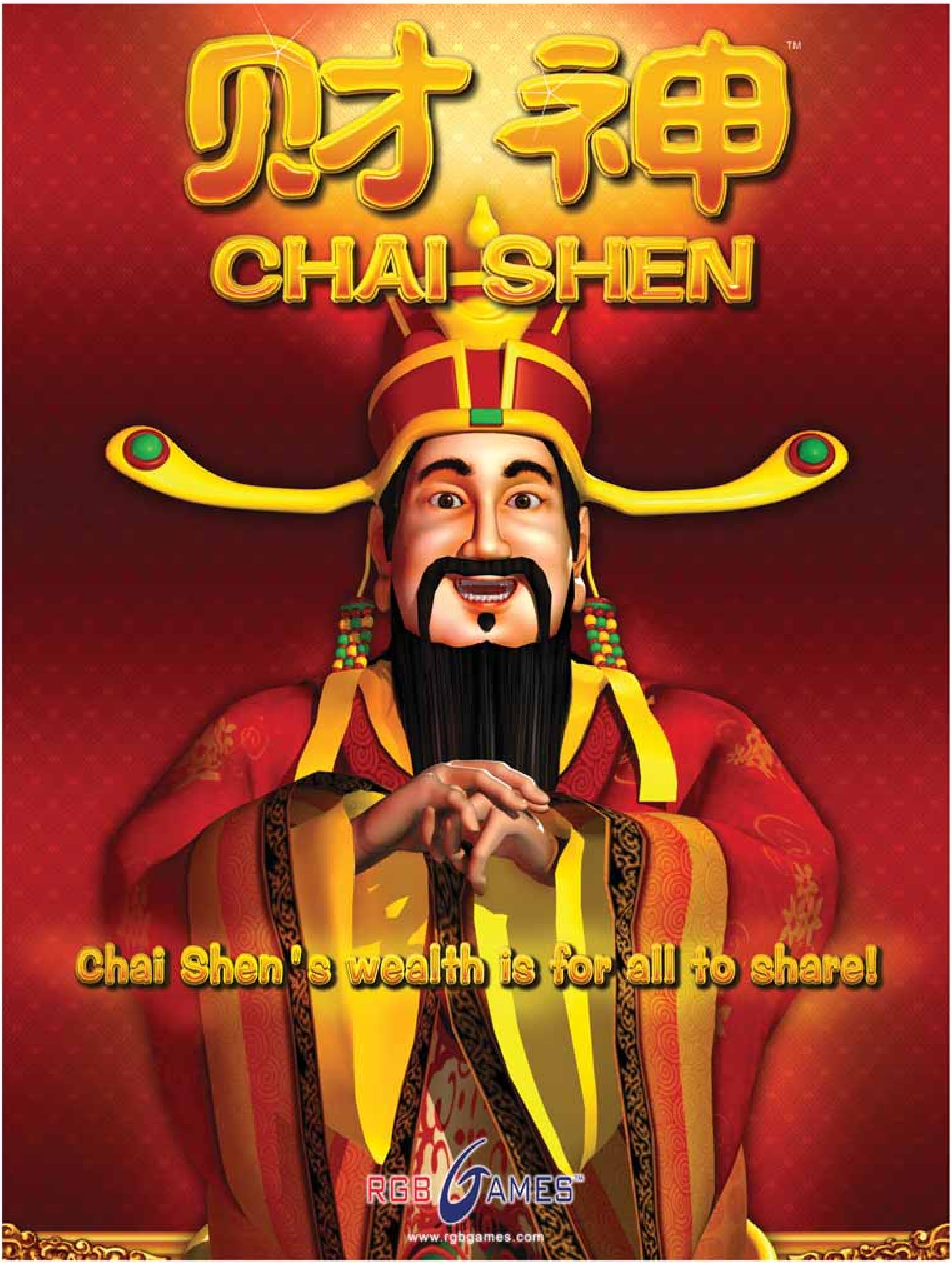
EBITDA *
RM'000



TOTAL ASSETS
RM'000



SHAREHOLDERS' EQUITY
RM'000


财神™
CHAI SHEN
Chai Shen's wealth is for all to share!
RGB GAMES™
www.rgbgames.com

GROUP CORPORATE STRUCTURE

as at 13 April 2012

RGB International Bhd. (603831-K)
(Incorporated in Malaysia)

PROFILE OF DIRECTORS

MR. OOI TENG CHEW

Independent Non-Executive Chairman

Malaysian, 66 years of age
Fellow, Institute of Chartered Accountants of England & Wales
Member, Malaysian Institute of Certified Public Accountants

A Board member since 30 October 2003, Mr. Ooi assumed the Chairmanship of the Board on 17 March 2004. In addition, he also chairs the Audit Committee and serves as member of the Remuneration, Nomination and Employees' Share Option Scheme ("ESOS") Committees.

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

Mr. Ooi is also an Independent Non-Executive Director of Johan Holdings Berhad and a director of Wawasan Open University Sdn. Bhd. and its related company, Disted Pulau Pinang Sdn. Bhd.

He had attended all 7 Board meetings convened in the financial year.

DATUK CHUAH KIM SEAH, JP

Group Managing Director

Malaysian, 59 years of age
Fellow, Association of Chartered Certified Accountants
Member, Malaysian Institute of Accountants

A member of the Board since 30 October 2003, Datuk Chuah also serves as member of Remuneration and ESOS Committees.

Dutuk Chuah has been involved in the gaming and amusement industry for more than 25 years and has extensive experience in strategic, financial as well as sales and marketing management. He set up RGBSB together with his brother, Mr. Chuah Kim Chiew, which marked their beginning in the gaming and amusement industry.

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

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

He had attended all 7 Board meetings held during the financial year.

MR. STEVEN LIM TOW BOON, BKM

Chief Operating Officer & Group Executive Director

Malaysian, 51 years of age
Bachelor of Arts, Brock University, Canada

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

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

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

Mr. Lim is a member of Planning Committee of Philippine Amusement Gaming Corporation ("PAGCOR") which reports directly to the office of Chairman and Chief Executive Officer of PAGCOR. He is responsible for the review and approval for proposals of casinos to be developed in Manila Bay, Philippines.

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

He had attended 6 out of 7 Board meetings convened in the financial year.

MR. MAZLAN ISMAIL

Group Executive Director

Malaysian, 49 years of age
Diploma in Management, Malaysian Institute of Management

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

He chairs the Credit Review & Risk Assessment ("CRRA") Committee and serves as member of ESOS Committee.

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

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

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

He had attended all 7 Board meetings held in the financial year.

MR. CHUAH KIM CHIEW

Group Executive Director

Malaysian, 49 years of age

Bachelor of Business Administration, University of Waseda, Japan

Mr. Chuah joined the Board on 30 October 2003. He heads the Research & Development ("R&D") division and leads the team on the creation and development of the Group's own proprietary gaming machines "RGBGames". In April 2010, Mr. Chuah's responsibilities were expanded to encompass the complete life cycle of the machines from idea inception in R&D through Sales and Services.

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

He had attended all 7 Board meetings convened during the year.

MR. CHUAH ENG HUN

Group Executive Director

Malaysian, 28 years of age

Bachelor of Commerce (Accounting), Deakin University, Australia
Member, CPA Australia

Mr. Chuah joined the Board as Non-Independent Non-Executive Director on 18 February 2009. He was re-designated as Group Executive Director on 01 March 2011.

He also serves as member of the ESOS Committee.

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

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

He had attended 6 out of 7 Board meetings held during the year.

DATO' MAHINDER SINGH DULKU,

DSPN, PKT

Senior Independent Non-Executive Director

Malaysian, 69 years of age

Utter Barrister, Lincoln's Inn, UK

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

Dato' Mahinder chairs the Remuneration, Nomination and ESOS Committees and serves as member of the Audit Committee.

Admitted as an Advocate & Solicitor, Malaya in 1973, Dato' Mahinder has been practising law specialising in land, contract and corporate laws. He has more than 39 years of legal practice experience.

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

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

He had attended all 7 Board meetings convened during the financial year.

MR. NG ENG TONG

Independent Non-Executive Director

Malaysian, 67 years of age

Bachelor of Science (Honours) in Chemical Engineering, University of Wales

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

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

He had attended all 2 Board meetings held during the financial year after his appointment to the Board.

Notes:

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.

Other Directorships

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

KEY MANAGEMENT TEAM

From left to right

MS. MAXINE LEE YAP KUAN	**Group Corporate Compliance Director**
MS. TEH MUN HUI	**Group Finance Director**
MR. CHUAH KEE YONG	**Group Operations Director – Lao PDR & Myanmar**
MR. GANASER KALIAPPEN	**Group Regulatory Compliance Director**

MS. MAXINE LEE YAP KUAN

Group Corporate Compliance Director

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

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

She was with Farlim Group (M) Bhd. and several other well known corporate secretarial services provider before joining the Group. She has more than 20 years of experience in corporate secretarial and general management.

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

Ms. Lee serves as member of CRRA Committee and also a Board member of several associate and subsidiary companies of the Group.

MR. CHUAH KEE YONG

Group Operations Director – Lao PDR & Myanmar

Mr. Chuah is the Group Operations Director effective from 26 April 2010. He is primarily responsible for TSM services for Lao PDR and Myanmar markets.

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

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

He is also a Board member of several subsidiary and associate companies of the Group.

MS. TEH MUN HUI

Group Finance Director

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

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

A graduate of University Malaya with a Bachelor in Accounting degree (1st class honors) in 1997, Ms. Teh obtained the Malaysian Institute of Certified Public Accountants ("MICPA") qualifications in 1998. She is currently a member of the Malaysian Institute of Accountants and MICPA.

Ms. Teh serves as member of CRRA Committee and sits on the Board of several subsidiary and associate companies of the Group.

MR. GANASER KALIAPPEN

Group Regulatory Compliance Director

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

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

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

He sits on the Board of a subsidiary company.

CHAIRMAN'S STATEMENT

TO OUR VALUED SHAREHOLDERS, ON BEHALF OF THE BOARD OF DIRECTORS, I PRESENT TO YOU THE ANNUAL REPORT OF RGB INTERNATIONAL BHD. FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011.

FINANCIAL PERFORMANCE REVIEW

The Group's efforts to improve the profitability of the Group is beginning to show positive results even though it still recorded a decrease in revenue and a loss for the year as can be seen in the following snapshot of the Group's performance for 2011:

- Revenue decreased 25% to RM118 million from RM159 million in 2010.
- EBITDA improved by 33% to RM41 million as compared to RM31 million in 2010.
- Operating cash flow improved significantly to RM54 million from RM3 million in 2010.
- Loss before tax reduced by 45% to RM33 million from RM59 million in 2010 after accounting for impairment of RM14 million.
- Net Loss Per Share fell by 40% to 2.68 sen from 4.44 sen in 2010.

GROUP BORROWINGS

Due to strong cash flow, the Group managed to reduce its total borrowings to RM107 million as at 31 December 2011 as compared to RM128 million in previous year.

The Group also obtained the noteholders' agreement to reschedule the repayment of RM74 million of Commercial Papers on a quarterly basis from 2012 till 2014. Accordingly, RM60 million has been reclassified as a long term liability.

OUTLOOK

The Group has suffered losses over the past few years but the outlook for a turnaround in 2012 is now promising as almost all of the machines affected by the government's closure of clubs in Cambodia in 2009 and which were still not placed into operations at the end of last year, have been fully impaired. Furthermore, no further losses are anticipated at Chateau De Bavet Club Co., Ltd. this year as the casino is now operated by a third party in return for a rental. As a result, the Group is now free to channel more time and resources to its main operating units.

The strategy for 2012 is for SSM to work hard to regain market share and enhance its product line with better performing RGBGames machines and the introduction of electronic bingo machines to bingo halls and casinos for sale or for placement under concession agreements. TSM will focus mainly on growing revenue at its existing concessions. It will be very selective in entering into new concession agreements and will be cautious in incurring capital expenditure so as to conserve funds to enable earlier repayment of high-cost borrowings.

The Group should continue to enjoy strong operating cash flow and expects to further reduce borrowings in 2012.

In view of the foregoing and barring unforeseen circumstances, the Group is cautiously optimistic it can return a small profit in the 2012.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express our sincere gratitude and appreciation to all the employees, particularly the loyal staff who have stayed with the Group through the past few years, for their sacrifice and belief in the Group's ability to turnaround.

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

I wish to welcome Mr. Ng Eng Tong, who joined the Company as an Independent Non-Executive Director in May 2011.

Last but not least, I would like to thank my fellow Directors for their sustained efforts and hard work, as well as their invaluable advice, guidance and support.

OOI TENG CHEW
Chairman
13 April 2012

REVIEW OF OPERATIONS

Dear Valued Shareholders,

AN OVERVIEW

The Group has placed great effort in the past few years to turnaround the Company and as a result we are seeing improvement in our operations as reflected in our financial results for year ended 31 December 2011 as mentioned in Chairman's Statement.

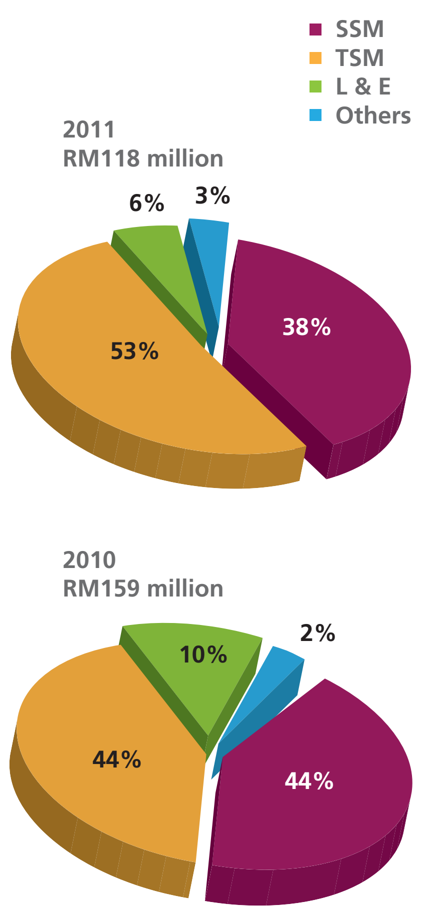
The effort to improve the performance of the Group is beginning to show positive results. Below is the Group's 2011 performance snapshot:

- EBITDA improved by 33% to RM41 million compared to RM31 million in 2010.
- Operating cash flow improved significantly by 1,689% to RM54 million compared to RM3 million in 2010.
- Depreciation reduced by 31% to RM50 million compared to RM72 million in 2010.

The improved cash flow was due to positive EBITDA derived from the operations. Whilst, the high depreciation cost was mainly contributable to the used machines currently located in the warehouse. The Group has endeavour to utilise the refurbished machines in our new concessions in Cambodia, the Philippines and Myanmar for the year. Some new machines were bought in end of 2011 to prepare for the new concessions in 2012 and the provision for depreciation was pro-rated accordingly.

However, total revenue fell by 25%. In the case of SSM, it was due to competition and trend of casino operators buying gaming machines directly from manufacturers and initial teething problems of certain RGBGames machines. For TSM, it was due to the termination of loss making concessions, higher management fees charged by Philippine Amusement and Gaming Corporation ("PAGCOR") and 1,500 idle machines which were to be installed under a concession agreement in the Philippines were not installed.

Group Revenue by Business Segments



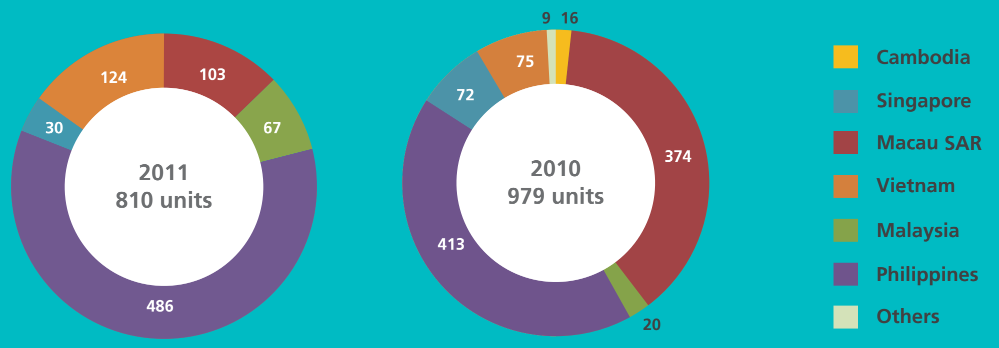
SSM

The Philippines remained the main market for the Group in financial year ("FY") 2011, contributing about 60% of the total machines sales due to the expansion program of Resorts World Manila and continuing upgrading of machines by PAGCOR. Sales were below budget in other regions because the brands which we are representing and our own RGBGames were under performing as compared with other brands.

During the year, we have entered into a new distribution agreement with Shuffle Master Asia Limited, a leading manufacturer of table games equipment and slot machines.

SSM division has reported a profit before tax of RM2.3 million (loss before tax of RM2.2 million in FY 2010).

SSM - Sales of Machines by Geographical Exposure



TSM

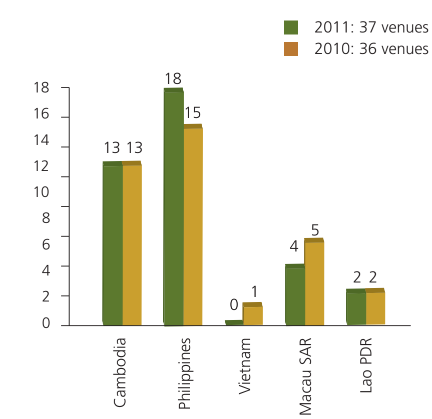
The Management has taken steps to improve daily win of machine by:

- replacement of older machines;
- conversion of under-performing games;
- installation of player tracking system in 4 concessions;
- extensive marketing and promotion activities; and
- regular review on structure of floor mix and adjustment of floor plan to maximise revenue.

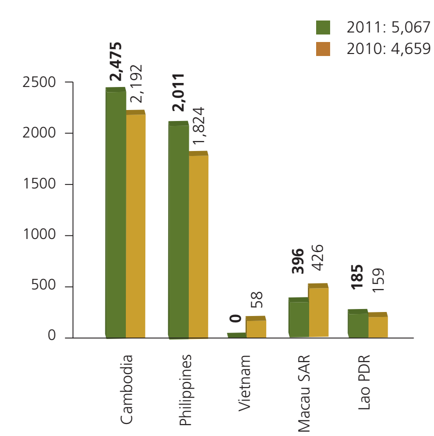
EBITDA for TSM operations decreased by 8% to RM42.1 million as a result of additional management fees imposed by PAGCOR, closure of 4 under-performing concessions and competitions in Cambodia.

5 new concessions located in the Philippines, Cambodia and Myanmar commenced operation during the year.

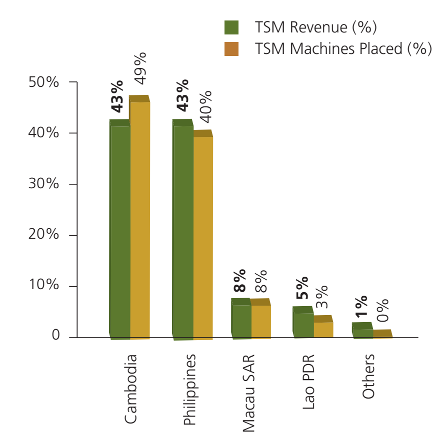
TSM: Number of concession venues



TSM: Number of machines



TSM: 2011 Revenue and Machines Placement by Geographical Exposure



LEISURE & ENTERTAINMENT

Chateau De Bavet Club Co., Ltd. ("Chateau") has signed a 2-year lease agreement with a third party to lease the ground floor, meeting room and two offices on the 4th floor and all hotel rooms on the 5th, 6th and 7th floor at an annual rental of USD720,000 with effect from January 2012.

With regard to the disposal of 32% equity interest by the Group in Chateau for a total consideration of USD3.2 million, the Group has received as at to-date, USD960,000 from the Buyer which has been utilised to repay Commercial Papers.

The Group is actively looking for potential buyers to acquire the remaining equity interest in Chateau or the license and assets of Chateau.

TECHNOLOGY CENTRE

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

In 2011, the R&D division successfully launched a total of 10 games (slots and poker games included), as well as 3 progressive links.

The highlight of the year was the launching of 4 base poker games linked with the exciting Pac-Man Wide Area Progressive Poker. This Wide Area Progressive ("WAP") link was exclusively developed for PAGCOR's Casino Filipino and was deployed on a total of 132 machines located in 11 participating venues throughout the Philippines. However, the daily win was below expectation and appropriate measures have been taken to address this issue.

(b) Manufacturing activities

During the year, we have purchased a new printing machine to produce Synthetic Polyester Layout ("SPL"). As a result, we have increased sales of SPL by 143% in 2011 (2011: 1,720 pieces, 2010: 715 pieces).

SPL is preferable as compared with Wool Layout with its features:

- Crystal clear digital printing
- Quality durable
- Ease of layout design customisation
- Unique variety of layout colour option
- Additional backing layer

(c) Technical support

Our technical support team is motivated in providing the best support to both TSM and SSM. Besides responding to customer's call for technical support, the team was also involved in installation and commissioning of player tracking system, refurbishment of machines, in-house conversion of games and installation of PACMAN WAP Link in PAGCOR.

PROSPECTS

For 2012, the Group intends to channel its effort into increasing sales of machines to generate immediate revenue.

The Philippines continues to play an important role with 44% of the total machines sales budgeted for this region. We have obtained certain manufacturer's support to sell to PAGCOR under its new lease to own model whereby payment is made progressively over a 2-year periods. The Group is actively recruiting additional sales personnel to capture additional sales.

We have engaged a games developer to co-develop games for our brand as to strengthen our product and gain market share.

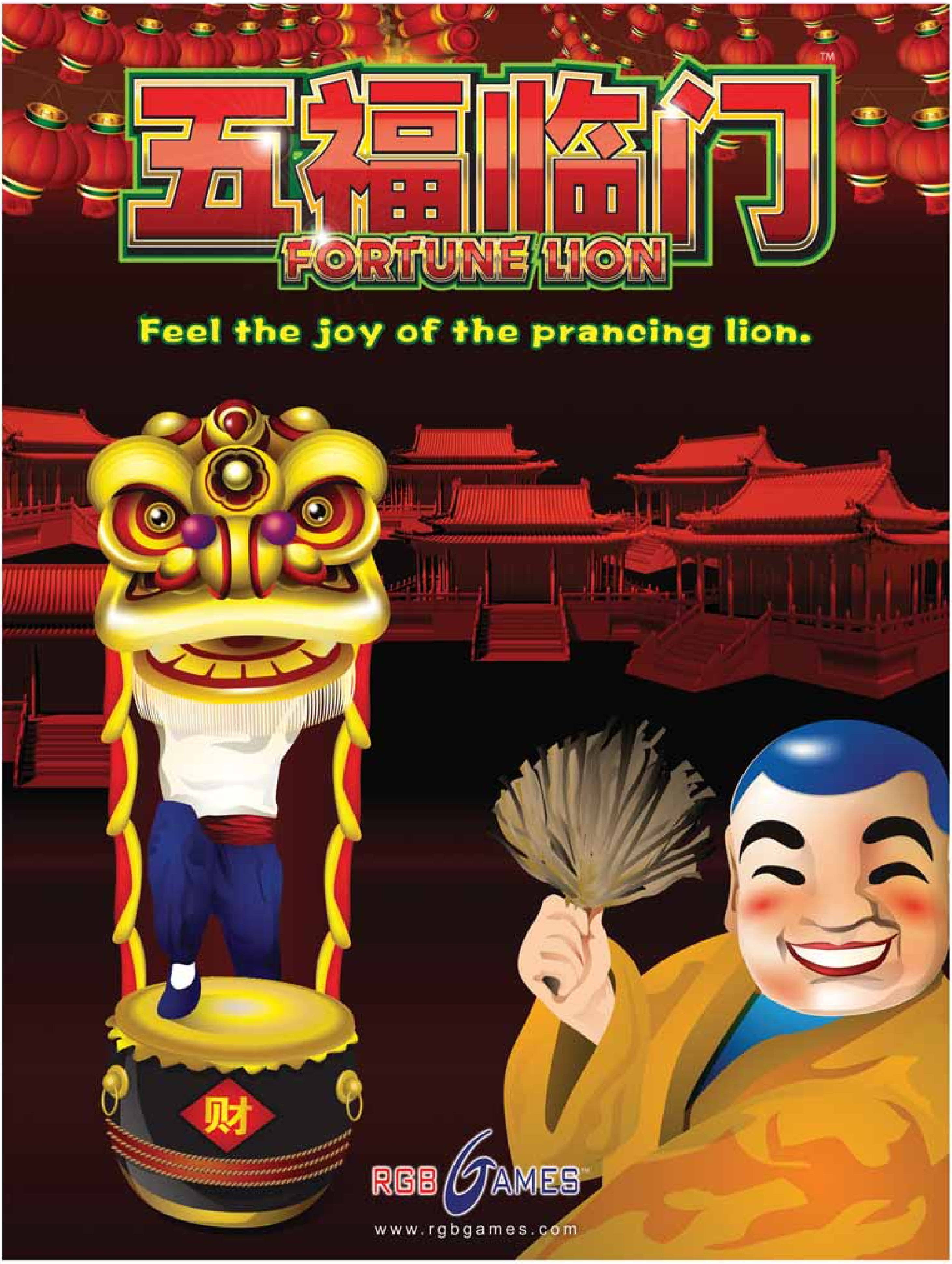
For TSM, the Group expects to have 5,300 machines in operations at 37 concession venues by end of 2012. As at 31 December 2011, 5,100 machines were placed out in operations. Even though we have approved capital expenditure of RM48 million, we will only purchase new machines when replacement is absolutely necessary and we will constantly upgrade machines to improve the daily win at minimal cost. Any saving on capital expenditure will be channeled towards repayment of borrowings.

We are happy to announce the addition of electronic bingo games into our product line. We have entered into a concession agreement to supply Bingo machines in the Philippines whereby the Bingo machines will be sourced from a manufacturer willing to place their machines in this concession on a profit sharing basis. As such, no capital expenditure will be incurred under this arrangement. We expect to sell this product not only to bingo halls but also to casinos and clubs across the regions.

With the above developments and continuous improvement in cost savings, the Group expects to generate stronger operating cash flow which will enable us to repay borrowings.

The year ahead will be challenging but we are grateful for the continued dedication, commitment and hard work from all levels of management and staff and we look forward to a better financial result.

DATUK CHUAH KIM SEAH, JP
Group Managing Director
13 April 2012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25 May

8th Annual General Meeting, Penang

8th Annual General Meeting held at The Gurney Resort Hotel & Residences, Penang. All resolutions proposed at the meeting were duly approved by the shareholders.

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02 March & 24 August

Analyst Briefings, Kuala Lumpur

Two Analyst Briefings were held at Hotel Equatorial, Kuala Lumpur to update on RGB's full year 2010 and half year 2011 performance and business activities respectively.

08-10 June

G2E Asia Conference & Exhibition 2011, Macau SAR

Participated and showcased our latest range of electronic gaming machines and products at G2E Asia Conference & Exhibition 2011, a major exposition for casino industry held at The Venetian Macao, Macau SAR.

CORPORATE RESPONSIBILITY STATEMENT

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

We recognise the importance of both financial and non-financial strategies in our continuous efforts to maintain long-term and sustainable performance 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.

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

MARKETPLACE

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

- Practising transparency, accuracy, consistency, fair and timely dissemination of our fundamentals;
- Abiding by our Investor Relations' Policy which guides management and employees on the communication process with marketplace communities in accordance with best practices set out in 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 and our commitment as an environmentally responsible organisation.

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

In line with the Group's commitment to reduce carbon footprints, document printing is done on need basis, energy efficient bulbs are used throughout and all computer peripherals, air-conditioning and lighting are switched off when not in use.

WORKPLACE

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

We continue to engage in open 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.

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

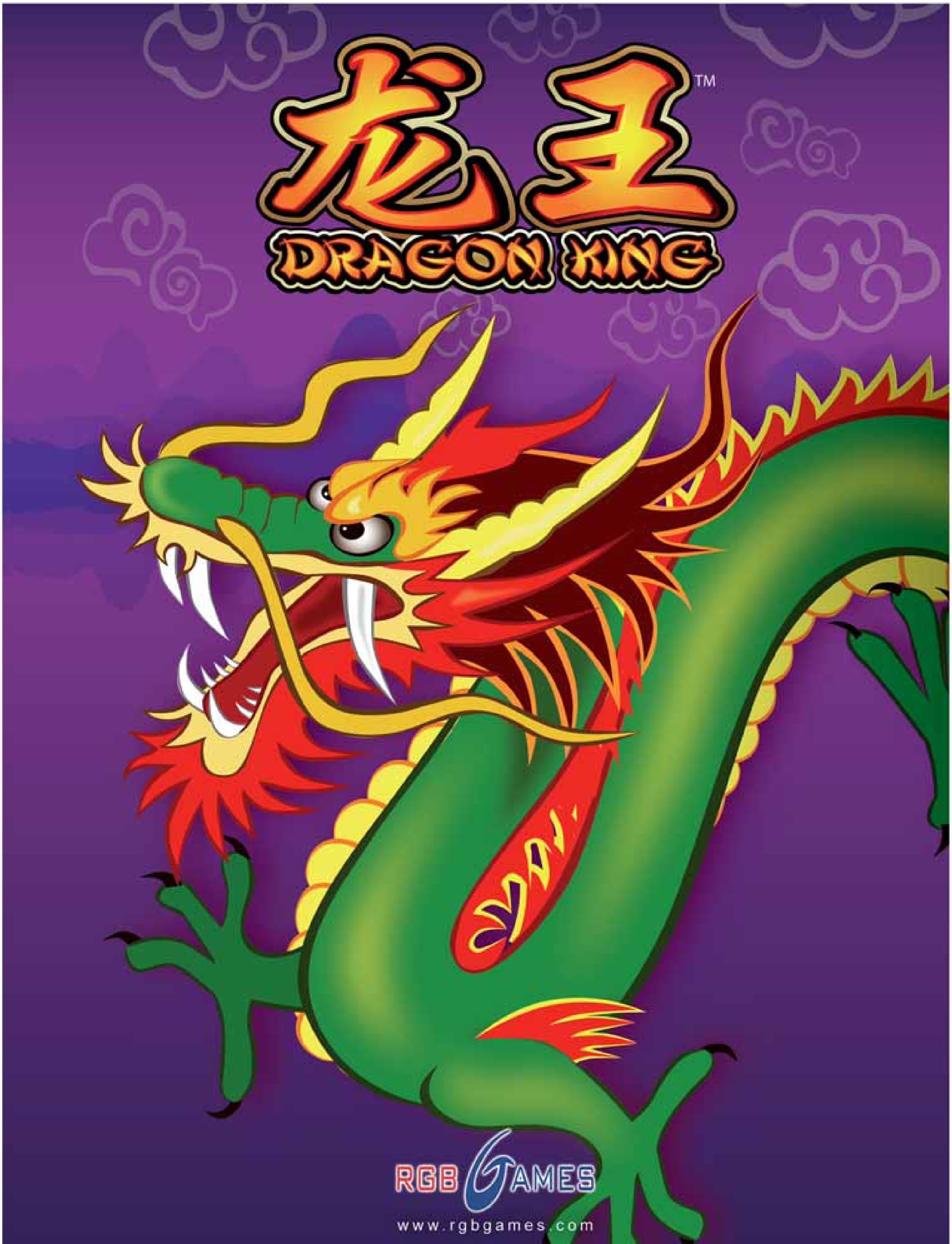
We adhere to stringent recruitment policy and ensure hiring is in compliance with job requirements and demands which in line with our business industry. New recruits are required to attend full day induction course aimed at introducing our new recruits to the Group's policies and procedures.

COMMUNITY

'RGB Gives Back' is the Group's philanthropic effort and is driven by our commitment to add value to the communities where we operate. Throughout 2011, the Group has made cash donations to various charitable bodies in the countries where we have operations as part of our efforts to benefit the communities that have been supporting.

RGB donated and participated in the recently concluded "Thailand Flood Charity Golf & Dinner" organised by Penang Cares Association headed by Group Managing Director.

The spirit of giving at RGB has been going on for years and we intend to continue giving as and when the need arise.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The Board believes in updating the investing community by regular meetings and communication while maintaining transparency and accountability. The Board has established framework and strategy for investor relations as set out in its Investor Relations Policy.

COMMUNICATION CHANNELS

Effective communication is paramount importance 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 2011, the Company held 2 analysts' briefings to present the results for the financial year ended ("FYE") 31 December 2010 and first half results for FYE 2011. These briefings collectively attracted more than 30 participants from the financial community. The Company will continue with these briefings at least twice annually as part of its effort to encourage more direct engagement and open discussions with the financial investing community.

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

During the year, the Company has initiated familiarisation visits to its operations sites in Macau SAR. In 2011, institutional and private investors as well as various financial communities also participated in the 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

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

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

Shareholders and financial communities 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 expects to make more progressive enhancements to the corporate website in the future to improve on its information accessibility and site friendliness.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("Board") of RGB Group is committed to maintaining high standards of corporate governance within the Group for long term sustainable business growth, protection and enhancement of shareholders' value. The Group operates within a governance framework designed based on the recommendation of the Malaysian Code 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 extent of the Group's compliance with the Best Practices set out in Part 2 of the Code is as stated in the Compliance Statement.

BOARD OF DIRECTORS

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

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

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

The Board currently comprised five executive directors and three independent non-executive directors. The composition complied with the Code and Main Market Listing Requirements ("MMLR") of Bursa Securities in respect of board composition.

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

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

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

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

Board Meetings

The Board meets at least four times a year, with additional meetings convened as necessary. Seven meetings were convened during the financial year ended 31 December 2011. Details of the attendance of the Directors at the meetings are as follows:

Directors	**Attendance**
Ooi Teng Chew	7/7
Datuk Chuah Kim Seah, JP	7/7
Steven Lim Tow Boon, BKM	6/7
Mazlan Ismail	7/7
Chuah Kim Chiew	7/7
Chuah Eng Hun	6/7
Dato' Mahinder Singh Dulku, DSPN, PKT	7/7
Ng Eng Tong *(appointed on 27 May 2011)*	2/2

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

Supply of information

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

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

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

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

Appointment to the Board

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

Re-election of Directors

In accordance with the Company's Articles of Association, all newly appointed Directors shall retire and be re-elected by the shareholders at the Company's Annual General Meeting ("AGM").

An election of Directors takes place subsequent to their appointment each year where 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 maximise 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 2011 encompassed various topics as outlined below:

Board & Corporate Governance	• Mandatory Accreditation Programme ("MAP") for Directors of Public Listed Companies • Amendments to Bursa Securities MMLR in relation to disclosure and other obligations; and Corporate Disclosure Guide
Financial Management	• IFRS Convergence in 2012 • 2011 Tax Updates
Management & Leadership	• Fraud Detection and Prevention • Economic & Market Update
Industry related	• Global Gaming Expo Asia ("G2E Asia") 2011 • Global Gaming Expo ("G2E") 2011

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.

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
Ng Eng Tong *(appointed on 27 May 2011)*
Chuah Eng Hun *(resigned on 01 March 2011)*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) Renewal of service contract and employment contract.

(f) Re-designation of Director.

(g) Candidates for appointment to the Board.

c) Remuneration Committee

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

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 meeting held in 2011, the Committee met and deliberated on remuneration package of the Executive Directors for year 2011.

d) ESOS Committee

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

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

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

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

Mazlan Ismail, Chairman
Teh Mun Hui
Maxine Lee Yap Kuan *(appointed on 13 October 2011)*
Ooi Teng Chew *(resigned on 13 October 2011)*
Dato' Mahinder Singh Dulku, DSPN, PKT *(resigned on 13 October 2011)*

The CRRA Committee is tasked to:

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

During the year, the Committee met, deliberated and recommended to the Board of Directors on the following matters:

(a) Adoption of new Group Investment Policy for investment in new ventures and capital expenditures.
(b) Reviewing of risks from proposed new investments and ventures prior to implementation.
(c) Reviewing of risks vis a vis continuing non-performance investments and ventures in various regions.
(d) Evaluating the feasibility of proposed new capital expenditures prior to acquisition in all regions.
(e) Reviewing of aging and overdue balances on trade receivables for the Group and proposed actions to be taken.
(f) Regular updates of the Group Net Assets/Capital Rationing by geographical segments to the Management.
(g) Reviewing of new leasing and Technical Support and Management Agreements.
(h) Evaluating the proposed disposal of 32% equity stake in Chateau De Bavet Club Co., Ltd.
(i) Received and reviewed the ERM report from internal auditors.

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 2011 is as follows:

Directors	Salaries/Other Emoluments (RM)	Fees (RM)	Share Options granted under ESOS (RM)	Total (RM)
Executive	1,124,702	-	72,054	1,196,756
Non-Executive	32,000	194,000	16,956	242,956

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

	No. of Directors	
Remuneration bands	**Executive**	**Non-Executive**
RM1 – RM49,999	-	1
RM50,000 – RM100,000	1	1
RM100,001 – RM150,000	-	1
RM200,001 – RM250,000	2	-
RM300,001 – RM350,000	2	-

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.

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.

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 of the Company are responsible for the preparation of 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.

In the preparation of the financial statements for the year ended 31 December 2011, the Directors are satisfied that the Group had used appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgment and estimates.

Internal Control

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

Relationship with the Auditors

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

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

COMPLIANCE STATEMENT

For the financial year ended 31 December 2011 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 opinion that transparency and accountability aspects of corporate governance as applicable to Directors' remuneration is sufficiently served by the disclosure of remuneration band above.

This statement is issued in accordance with a resolution of the directors dated 13 April 2012.

AUDIT COMMITTEE REPORT

MEMBERS

Ooi Teng Chew, Chairman
Independent Non-Executive Chairman
Dato' Mahinder Singh Dulku, DSPN, PKT
Senior Independent Non-Executive Director
Ng Eng Tong
Independent Non-Executive Director (appointed on 27 May 2011)
Chuah Eng Hun
Non-Independent Non-Executive Director (resigned on 01 March 2011)

Secretaries of the Audit Committee

Maxine Lee Yap Kuan *(MAICSA 7003842)*
Woon Mei Ling *(MAICSA 7047736) (appointed on 28 February 2012)*
Lam Voon Kean *(MIA 4793) (resigned on 28 February 2012)*

SUMMARY OF THE TERMS OF REFERENCE

The Committee is governed by the following terms of reference:

Membership

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

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

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

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

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

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

Authority

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

Responsibilities

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

Duties

The duties of the Committee are:

(a) to review with the external and internal auditors whether the employees of the Group and the Company have given them the appropriate assistance in discharging their duties;
(b) to review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
(c) to review the 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 interests situation that may arise within the Group or the Company including any transaction, procedure or course of conduct that raises questions of management integrity;
(h) to review with the external auditors, the audit report, the nature and scope of their audit plan and their evaluation of the system of internal controls;
(i) to recommend to the Board on the appointment and the annual re-appointment of external auditors, their audit fees and any questions on resignation and dismissal;

(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 auditors' management letter and management's response;
(m) to consider the major findings of internal investigations and management's response;
(n) to review and verify the allocation of share options to employees under the ESOS; and
(o) to perform any other functions as authorised by the Board.

Meetings

The Committee is to meet at least 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 five meetings were held during the financial year ended 31 December 2011. Details of the attendance of the members at the meetings are as follows:

Directors	Attendance
Ooi Teng Chew	5/5
Dato' Mahinder Singh Dulku, DSPN, PKT	5/5
Ng Eng Tong	2/2
Chuah Eng Hun	1/1

SUMMARY OF ACTIVITIES

The main activities undertaken by the Committee for the financial year ended 31 December 2011 were as follows:

(a) Reviewed quarterly unaudited financial statements of the Group and recommended them to the Board of Directors for approval and for announcement to Bursa Securities.
(b) Reviewed the internal audit reports, which highlighted the audit issues, recommendations and management's response. Discussed with management the corrective actions taken to improve the system of internal control based on improvement opportunities identified in the internal audit reports.
(c) Reviewed the annual report and the audited financial statement of the Company prior to the submission to the Board for their consideration and approval. The review is, inter-alia, to ensure compliance with the provisions of the Companies Act, 1965, MMLR, applicable approved accounting standards in Malaysia and other legal and regulatory requirements.
(d) Reviewed the internal audit plan, its scope of work, functions, competency and resources and that it has the necessary authority to carry out its work.
(e) Discussed with external auditors on their audit plan and scope of work for the year as well as the audit procedures to be utilised.
(f) Considered the appointment of external auditors.
(g) Reviewed the recurrent related party transactions of a revenue or trading nature and other related party transactions entered into by the Group.
(h) Verified the allocation of options under ESOS.
(i) Convened two meetings with external auditors in the absence of executive directors and the management staff.
(j) Reviewed the group risk management prepared by internal auditors.

INTERNAL AUDIT FUNCTION

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

The costs incurred for the internal audit function of the Company and the Group for 2011 is RM103,000.

STATEMENT ON EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The Audit Committee has reviewed and verified that the allocation of share options pursuant to the ESOS to eligible directors and employees of RGB Group granted on 13 February 2012 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.

This report is made in accordance with a resolution of the Board of Directors dated 13 April 2012.

STATEMENT ON INTERNAL CONTROL

Introduction

Pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board of RGB International 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, the 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. 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.

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.

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 the 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 Main Market Listing Requirements. 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 2012.

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

FINANCIAL CALENDAR

/2011

28 February	Announcement of the consolidated results for the 4th quarter and financial year ended 31 December 2010
29 April	Announcement of the audited consolidated results for the financial year ended 31 December 2010
25 May	8th Annual General Meeting
25 May	Announcement of the consolidated results for the 1st quarter ended 31 March 2011
23 August	Announcement of the consolidated results for the 2nd quarter ended 30 June 2011
22 November	Announcement of the consolidated results for the 3rd quarter ended 30 September 2011

/2012

28 February	Announcement of the consolidated results for the 4th quarter and financial year ended 31 December 2011

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are set out in Note 15 to the financial statements. There have been no significant changes in the nature of these activities during the financial year other than as disclosed in Note 15 to the financial statements.

RESULTS

	Group RM	Company RM
Loss for the financial year	(32,964,704)	(15,067,774)
Loss for the financial year attributable to:		
Owners of the parent	(30,815,790)	(15,067,774)
Non-controlling interests	(2,148,914)	-
	(32,964,704)	(15,067,774)

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.

RESERVES AND PROVISIONS

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

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
Ng Eng Tong (appointed on 27 May 2011)

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 11 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 38 to the financial statements.

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 2011	Acquired	Sold	31 December 2011
The Company				
Direct interest:				
Ooi Teng Chew	300,000	-	-	300,000
Datuk Chuah Kim Seah, JP	337,850,290	-	-	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

DIRECTORS' INTERESTS (Continued)

	Number of ordinary shares of RM0.10 each			
	1 January 2011	Acquired	Sold	31 December 2011
The Company				
Indirect interest:				
Datuk Chuah Kim Seah, JP	1,753,800	-	-	1,753,800
Mazlan Ismail	162,031,986	-	(13,000,000)	149,031,986
Chuah Kim Chiew	1,603,800	-	-	1,603,800

	Number of ordinary shares of MOP1,000 each			
	1 January 2011	Acquired	Sold	31 December 2011
Subsidiary - RGB (Macau) Limited				
Direct interest:				
Lim Tow Boon, BKM	1	-	(1)	-

	Number of options over ordinary shares of RM0.10 each			
	1 January 2011	Exercised	Lapsed	31 December 2011
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 RM115,104,970 to RM115,118,910 by way of issuance of 139,400 ordinary shares of RM0.10 each for cash pursuant to the Company's ESOS at a weighted average issue price of RM0.10 per ordinary share.

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 32 to the financial statements.

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; and

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

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.

SIGNIFICANT EVENTS DURING THE YEAR

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

SUBSEQUENT EVENTS

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

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 13 April 2012.

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.**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 50 to 140 are drawn up in accordance with applicable approved Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at **31 December 2011** and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 13 April 2012.

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.**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 50 to 140 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 Penang
on 13 April 2012

Teh Mun Hui

Before me,

GOH SUAN BEE
No. P125
Commissioner for Oaths

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

(Company No. 603831-K)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of RGB International Bhd., which comprise the statements of financial position as at 31 December 2011 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 50 to 139.

The financial statements of the Group and of the Company for the financial year ended 31 December 2010 were audited by another firm of chartered accountants whose report dated 13 April 2011 expressed an unqualified opinion on those statements.

Directors' Responsibility for the Financial Statements

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable approved Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2011 and of their financial performance and cash flows of the Group and of the Company for the financial year then ended.

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

(Company No. 603831-K)
(Incorporated in Malaysia)

Report on Other Legal and Regulatory Requirements

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

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

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

c) We are satisfied that the financial statements 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 financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 49 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

BDO
AF: 0206
Chartered Accountants

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

Penang
13 April 2012

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

		Group		Company	
	Note	2011 RM	2010 RM	2011 RM	2010 RM
Revenue	5	118,210,665	158,614,334	-	-
Cost of sales	6	(95,678,132)	(153,228,787)	-	-
Gross profit		22,532,533	5,385,547	-	-
Other income	7	863,225	1,914,427	8,313,223	7,286,816
Administrative expenses		(30,659,701)	(47,371,047)	(27,620,152)	(2,466,180)
Selling and marketing expenses		(1,962,531)	(2,114,925)	-	-
Other (expenses)/gain, net		(13,600,408)	(6,613,882)	12,489,449	(15,266,773)
Finance costs	8	(9,569,537)	(10,638,798)	(8,250,294)	(7,269,287)
Share of results of jointly controlled entities		9,784	(27,193)	-	-
Share of results of associates		(483,252)	(3,171)	-	-
Loss before tax	9	(32,869,887)	(59,469,042)	(15,067,774)	(17,715,424)
Taxation	12	(94,817)	562,644	-	-
Loss for the financial year		(32,964,704)	(58,906,398)	(15,067,774)	(17,715,424)
Other comprehensive income/(loss):					
- Foreign currency translation, representing other comprehensive income/(loss) for the financial year		3,277,707	(19,109,535)	-	-
Total comprehensive loss for the financial year		(29,686,997)	(78,015,933)	(15,067,774)	(17,715,424)
Loss attributable to:					
Owners of the parent		(30,815,790)	(50,884,249)	(15,067,774)	(17,715,424)
Non-controlling interests		(2,148,914)	(8,022,149)	-	-
		(32,964,704)	(58,906,398)	(15,067,774)	(17,715,424)
Total comprehensive loss attributable to:					
Owners of the parent		(27,713,742)	(70,793,153)	(15,067,774)	(17,715,424)
Non-controlling interests		(1,973,255)	(7,222,780)	-	-
		(29,686,997)	(78,015,933)	(15,067,774)	(17,715,424)

Loss per share attributable to owners of the parent:		**Sen**	**Sen**
Basic	13(a)	(2.68)	(4.44)
Diluted	13(b)	(2.67)	(4.41)

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Assets					
Non-current assets					
Property, plant and equipment	14	120,300,979	176,161,655	12,290	20,102
Investments in subsidiaries	15	-	-	171,183,509	44,572,756
Investments in jointly controlled entities	16	238,873	1,263,626	50,000	282,650
Investments in associates	17	1,707,260	2,237,905	-	-
Other investment	18	4,000	4,000	-	-
Intangible assets	19	818,281	1,035,918	-	-
Other receivables	23	395,981	1,565,538	-	-
Due from subsidiaries	24	-	-	-	113,982,745
		123,465,374	182,268,642	171,245,799	158,858,253
Current assets					
Inventories	20	14,965,524	11,883,618	-	-
Trade receivables	21	48,978,374	77,630,121	-	-
Lease receivables	22	-	509,148	-	-
Other receivables	23	13,483,699	9,675,211	171,329	1,255,926
Tax recoverable		180,094	122,769	109,190	109,190
Due from subsidiaries	24	-	-	14,351,637	51,726,527
Due from jointly controlled entities	25	-	307,224	-	246,718
Due from associates	26	3,056,955	4,105,545	-	-
Cash and cash equivalents	28	32,504,477	21,175,313	2,204,501	2,783,969
		113,169,123	125,408,949	16,836,657	56,122,330
Assets of disposal group classified as held for sale	29	13,297,815	-	-	-
		126,466,938	125,408,949	16,836,657	56,122,330
Total assets		249,932,312	307,677,591	188,082,456	214,980,583

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Equity and liabilities					
Equity attributable to owners of the parent					
Share capital	30	115,118,910	115,104,970	115,118,910	115,104,970
Share premium	30	14,372,872	14,372,310	14,372,872	14,372,310
Foreign currency translation reserve	31	(23,132,791)	(26,234,839)	-	-
Share option reserve	31	213,313	82,197	213,629	82,207
Accumulated losses		(48,293,819)	(17,478,029)	(26,723,359)	(11,655,585)
		58,278,485	85,846,609	102,982,052	117,903,902
Non-controlling interests		6,321,818	7,033,184	-	-
Total equity		64,600,303	92,879,793	102,982,052	117,903,902
Non-current liabilities					
Borrowings	33	70,803,739	12,319,273	70,000,000	10,000,000
Deferred tax liabilities	35	14,059	7,973	-	-
		70,817,798	12,327,246	70,000,000	10,000,000
Current liabilities					
Borrowings	33	35,781,327	116,000,058	13,614,794	86,643,698
Trade payables	36	50,912,384	52,270,101	-	-
Other payables	37	24,341,498	25,457,546	428,183	432,983
Due to a subsidiary	24	-	-	846,633	-
Due to jointly controlled entities	25	212,805	3,367,855	210,794	-
Due to associates	26	1,094,631	3,072,980	-	-
Due to minority shareholders of subsidiaries	27	998,420	2,302,012	-	-
Tax payable		20,000	-	-	-
		113,361,065	202,470,552	15,100,404	87,076,681
Liabilities of disposal group classified as held for sale	29	1,153,146	-	-	-
		114,514,211	202,470,552	15,100,404	87,076,681
Total liabilities		185,332,009	214,797,798	85,100,404	97,076,681
Total equity and liabilities		249,932,312	307,677,591	188,082,456	214,980,583

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 2011

		Attributable to owners of the parent							
			Non-distributable						
Group	**Note**	**Share capital RM**	**Share premium RM**	**Foreign currency translation reserve RM**	**Share option reserve RM**	**(Accumulated losses)/ Retained earnings RM**	**Total RM**	**Non-controlling interests RM**	**Total equity RM**
At 1 January 2011		115,104,970	14,372,310	(26,234,839)	82,197	(17,478,029)	85,846,609	7,033,184	92,879,793
Total comprehensive income/ (loss) for the financial year		-	-	3,102,048	-	(30,815,790)	(27,713,742)	(1,973,255)	(29,686,997)
Transactions with owners:									
Issue of ordinary shares pursuant to ESOS	30	13,940	562	-	(562)	-	13,940	-	13,940
Share option granted under ESOS		-	-	-	131,678	-	131,678	306	131,984
Subscription of ordinary shares by the non-controlling interests in a subsidiary		-	-	-	-	-	-	1,261,583	1,261,583
Total transactions with owners		13,940	562	-	131,116	-	145,618	1,261,889	1,407,507
At 31 December 2011		115,118,910	14,372,872	(23,132,791)	213,313	(48,293,819)	58,278,485	6,321,818	64,600,303
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		-	-	-	-	(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 loss 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	30	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 non-controlling interests in subsidiaries		-	-	-	-	2,943,649	2,943,649	-	2,943,649
Subscription of share application monies by the non-controlling 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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

		← Non-distributable	→			
Company	**Note**	**Share capital RM**	**Share premium RM**	**Share option reserve RM**	**(Accumulated losses)/ Retained earnings RM**	**Total equity RM**
At 1 January 2011		115,104,970	14,372,310	82,207	(11,655,585)	117,903,902
Total comprehensive loss for the financial year		-	-	-	(15,067,774)	(15,067,774)
Transactions with owners:						
Issue of ordinary shares pursuant to ESOS	30	13,940	562	(562)	-	13,940
Share options granted under ESOS		-	-	131,984	-	131,984
Total transactions with owners		13,940	562	131,422	-	145,924
At 31 December 2011		115,118,910	14,372,872	213,629	(26,723,359)	102,982,052
At 1 January 2010		104,150,970	8,837,559	-	6,065,932	119,054,461
Effects of adopting FRS 139		-	-	-	(6,093)	(6,093)
At 1 January 2010 (Restated)		104,150,970	8,837,559	-	6,059,839	119,048,368
Total comprehensive loss for the financial year		-	-	-	(17,715,424)	(17,715,424)
Transactions with owners:						
Issue of ordinary shares pursuant to Private Placement	30	10,954,000	5,534,751	-	-	16,488,751
Share options granted under ESOS		-	-	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

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 2011

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Cash flows from operating activities					
Loss before tax		(32,869,887)	(59,469,042)	(15,067,774)	(17,715,424)
Adjustments for:					
Interest income	7	(106,199)	(627,599)	(8,313,183)	(7,286,852)
Interest expense	8	9,427,803	10,419,217	8,248,903	7,266,592
Amortisation of intangible assets	19	-	559,317	-	-
Bad debts written off		5,165,060	29,595	-	29,595
Deposits written off		-	(937)	-	-
Depreciation of property, plant and equipment	14	49,802,277	71,780,347	7,812	10,894
Impairment of amount due from a subsidiary written back	24	-	-	-	(412)
Impairment of amount due from associates	26	37,658	477,417	-	-
Impairment of amount due from associates written back	26	(52,597)	(31,330)	-	-
Impairment of amount due from jointly controlled entities	25	61,261	236,609	61,261	238,675
Impairment of amount due from jointly controlled entities written back	25	(10,019)	(212,774)	(2,378)	-
Impairment of amount due from subsidiaries	24	-	-	24,208,815	-
Impairment of intangible assets	19	271,839	-	-	-
Impairment of investment in a jointly controlled entity	16	-	-	232,650	-
Impairment of lease receivables		23,025	235,589	-	-
Impairment of lease receivables written off		(258,614)	-	-	-
Impairment of other receivables	23	136,654	4,320	-	-
Impairment of other receivables written back	23	(432,753)	(384,972)	-	-
Impairment of property, plant and equipment	14	14,686,983	8,129,339	-	-
Impairment of property, plant and equipment written back	14	(588,038)	(908,131)	-	-
Impairment of trade receivables	21	790,017	2,297,104	-	-
Impairment of trade receivables written back	21	(6,639,762)	(116,387)	-	-
Lease receivables written off		258,614	-	-	-
Loss on winding up of a jointly controlled entity		179	-	-	-
(Gain)/Loss on disposal and deconsolidation of subsidiaries	15	(1,608,165)	35,382	-	34,705
Gain on disposal of property, plant and equipment		(357,922)	(155,194)	-	-
Property, plant and equipment written off		815,644	811,093	-	1,925
Receivables written off		(2,214)	233,914	-	-
Write-down of inventories		594,387	344,216	-	-
Share options granted under ESOS	10	131,984	82,207	28,690	22,606
Share of results of jointly controlled entities		(9,784)	27,193	-	-
Share of results of associates		483,252	3,171	-	-
Operating profit/(loss) before working capital changes		39,750,683	33,799,664	9,404,796	(17,397,696)
(Increase)/Decrease in inventories		(3,036,890)	19,940,155	-	-
Decrease/(Increase) in short term receivables		25,584,238	8,573,486	1,084,597	(1,186,709)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Cash flows from operating activities (Continued)					
Decrease in lease receivables		486,123	2,079,528	-	-
Decrease in long term receivables		1,361,109	42,678	-	-
Decrease in amount due from subsidiaries		-	-	8,890,263	9,849,915
Decrease/(Increase) in amount due from jointly controlled entities		255,982	(168,209)	187,835	(485,393)
Decrease in amount due from associates		156,213	5,583,255	-	-
(Decrease)/Increase in payables		(3,629,189)	(51,076,782)	(4,800)	207,406
(Decrease)/Increase in amount due to jointly controlled entities		(2,165,792)	(305,672)	210,794	-
(Decrease)/Increase in amount due to associates		(1,978,349)	231,926	-	-
Decrease in amount due to minority shareholders of subsidiaries		(1,303,592)	(12,284,274)	-	-
Increase in amount due to a subsidiary		-	-	846,633	-
Cash generated from/(used in) operations		55,480,536	6,415,755	20,620,118	(9,012,477)
Interest paid		(1,178,900)	(3,257,228)	-	(104,603)
Taxes paid		(126,056)	(106,937)	-	-
Net cash generated from/(used in) operating activities		54,175,580	3,051,590	20,620,118	(9,117,080)
Cash flows from investing activities					
Purchase of property, plant and equipment		(24,550,429)	(17,512,823)	-	(7,392)
Proceeds from disposal of property, plant and equipment		6,397,940	1,110,658	-	-
Changes in fixed deposits pledged to licensed banks		1,000,613	(144,536)	1,057,105	(76,532)
Acquisition of intangible assets	19	(222,177)	(207,790)	-	-
Net cash (outflow)/inflow from disposal and deconsolidation of subsidiaries	15	(5,897)	(66,535)	-	112,745
Partial consideration from disposal of disposal group classified as held for sale	29	2,308,570	-	-	-
Interest received		106,199	627,599	64,281	56,812
Net cash (used in)/generated from investing activities		(14,965,181)	(16,193,427)	1,121,386	85,633

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Cash flows from financing activities					
Proceeds from issuance of ordinary shares		13,940	16,488,751	13,940	16,488,751
Repayment of term loans		(7,077,545)	(15,192,569)	-	-
Proceeds from onshore foreign currency loan		18,397,475	27,243,005	-	-
Repayment of onshore foreign currency loan		(17,869,772)	(30,550,639)	-	-
Proceeds from bankers' acceptances		1,608,000	7,691,000	-	-
Repayment of bankers' acceptances		(3,858,000)	(6,810,000)	-	-
Net repayment of commercial papers		(21,277,807)	(19,182,165)	(21,277,807)	(19,182,165)
Drawdown of medium term notes		-	10,000,000	-	10,000,000
Repayment of finance lease liability		(47,226)	-	-	-
Proceeds from subscription of ordinary shares by non-controlling interests in subsidiaries		1,261,583	11,982,578	-	-
Net cash (used in)/generated from financing activities		(28,849,352)	1,669,961	(21,263,867)	7,306,586
Net increase/(decrease) in cash and cash equivalents		10,361,047	(11,471,876)	477,637	(1,724,861)
Effects of foreign exchange rate changes		2,582,642	5,091,134	-	-
Cash and cash equivalents at beginning of financial year		9,580,689	15,961,431	21,310	1,746,171
Cash and cash equivalents at end of financial year	28	22,524,378	9,580,689	498,947	21,310

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

1. CORPORATE INFORMATION

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

The registered office of the Company is located at Suite 2-1 2nd Floor, Menara Penang Garden, 42-A Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia.

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

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 15. There have been no significant changes in the nature of these activities during the financial year other than as disclosed in Note 15.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 13 April 2012.

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 applicable approved Financial Reporting Standards ("FRSs") and the provisions of the Companies Act, 1965 in Malaysia. However, Note 49 to the financial statements has been prepared 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 Securities Listing Requirements, issued by the Malaysian Institute of Accountants and the directive of Bursa Securities.

At the beginning of the current financial year, the Group and the Company adopted new and revised FRSs and Issue Committee ("IC") Interpretations which are mandatory for financial periods beginning on or after 1 January 2011 as described fully in Note 3.1.

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 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Subsidiaries are entities (including special purposes entities) over which the Company has the power to govern the financial operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights, as to obtain benefits from their activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

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

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

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

The Group has applied the revised FRS 3 Business Combinations in accounting for business combinations from 1 January 2011 onwards. The change in accounting policy has been applied prospectively in accordance with the transitional provisions provided by the Standard.

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations

Business combinations from 1 January 2011 onwards

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

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

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

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

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

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

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

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

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

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

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 2.7(a). In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations (Continued)

Business combinations before 1 January 2011

Under the purchase method of accounting, the cost of business combination is measured at the aggregate of fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued plus any costs directly attributable to the business combination.

At the acquisition date, the cost of business combination is allocated to identifiable assets acquired, liabilities assumed and contingent liabilities in the business combination which are measured initially at their fair values at the acquisition date. The excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill (see Note 2.7(a) to the financial statements on goodwill). If the cost of business combination is less than the interest in the net fair value of the identifiable assets, liabilities and contingent liabilities, the Group will:

(a) reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination; and

(b) recognise immediately in profit or loss any excess remaining after that reassessment.

When a business combination includes more than one exchange transaction, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

2.4 Property, plant and equipment and depreciation

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

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

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

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 recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Property, plant and equipment and depreciation (Continued)

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

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

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 2.8 to the financial statements on impairment of non-financial assets).

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

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss and the revaluation surplus related to those assets, if any, is transferred directly to retained earnings.

2.5 Leases

(a) Finance leases

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Leases (Continued)

(b) Operating leases

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

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

2.6 Investments

(a) Subsidiaries

A subsidiary is an entity in which the Group and the Company have power to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

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

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

(b) Associates

An associate is an entity over which the Group and the Company have significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Investments (Continued)

(b) Associates (Continued)

Unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

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

The most recent available financial statements of the associate are used by the Group in applying the equity method. When the end of the reporting periods of the financial statements are not coterminous, the share of results is arrived at using the latest audited financial statements for which the difference in end of the reporting periods is no more than three (3) months. Adjustments are made for the effects of any significant transactions or events that occur between the intervening periods.

Upon disposal of an investment in associate, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

(c) Jointly controlled entities

A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entities over which there is contractually agreed sharing of joint control over the economic activity of the entity. Joint control exists when the strategic financial and operational decisions relating to the activity require the unanimous consent of all the parties sharing control.

In the Company's separate financial statements, an investment in jointly controlled entities is stated at cost less impairment losses.

The investment in jointly controlled entity is accounted for in the consolidated financial statements using the equity method of accounting. The Group's share of the profit or loss of the jointly controlled entity during the financial year is included in the consolidated financial statements, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. When necessary, in applying the equity method, adjustments are made to the financial statements of the jointly controlled entity to ensure consistency of accounting policies with those of the Group.

Unrealised gains on transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of the jointly controlled entity to ensure consistency of accounting policies with those of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Investments (Continued)

(c) Jointly controlled entities (Continued)

Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the jointly controlled entity arising from changes in the jointly controlled entity's equity that have not been recognised in the jointly controlled entity's profit or loss. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The Group's share of those changes is recognised directly in equity of the Group.

Upon disposal of such investment, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

2.7 Intangible assets

(a) Goodwill

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

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

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

(b) Research and development costs

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Intangible assets (Continued)

(b) Research and development costs (Continued)

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

Development assets are tested for impairment annually.

(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.

2.8 Impairment of non-financial assets

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Impairment of non-financial assets (Continued)

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

The impairment loss is recognised in profit or loss immediately except for the impairment on a revalued asset where the impairment loss is recognised directly against the revaluation reserve to the extent of the surplus credited from the previous revaluation for the same asset with the excess of the impairment loss charged to profit or loss.

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

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

Such reversals are recognised as income immediately in profit or loss except for the reversal of an impairment loss on a revalued asset where the reversal of the impairment loss is treated as a revaluation increase and credited to the revaluation reserve account of the same asset. However, to the extent that an impairment loss in the same revalued asset was previously recognised in profit or loss, a reversal of that impairment loss is also recognised in profit or loss.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

Gaming and amusement machines, coin and notes counting machines and binding machines	- specific identification
Spare parts, gaming and amusement accessories, table game equipment and accessories	- weighted average basis
Food, beverage and other hotel supplies	- weighted average basis

Net 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.

2.10 Financial instruments

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial instruments (Continued)

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

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

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

(a) Financial assets

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.

(i) Loans and receivables

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

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

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.

(ii) Available-for-sale financial assets

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) Available-for-sale financial assets (Continued)

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.

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

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

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

(b) 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.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial instruments (Continued)

(b) Financial liabilities (Continued)

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

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

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

(c) Equity

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial instruments (Continued)

(c) Equity (Continued)

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

2.11 Impairment of financial assets

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

(a) Loans and receivables

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

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

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

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

(b) Available-for-sale financial assets

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Borrowing costs

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

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

All other borrowing cost is recognised in profit or loss in the period in which they are incurred.

2.13 Income taxes

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes, which are payable by a foreign subsidiary, associate or jointly controlled entity on distributions to the Group and Company, and real property gains taxes payable on disposal of properties.

Taxes in the income statement comprise current tax and deferred tax.

(a) Current tax

Current tax is the amount of income taxes payable or receivable in respect of the taxable profit or loss for a period.

Current tax for the current and prior periods is 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 have been enacted or substantively enacted by the end of the reporting period.

(b) Deferred tax

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Income taxes (Continued)

(b) Deferred tax (Continued)

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

(i) the same taxable entity; or

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

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

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

2.14 Provisions

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

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

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

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

2.15 Contingent liabilities and contingent assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Contingent liabilities and contingent assets (Continued)

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

In the acquisition of subsidiaries by the Group and the Company under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any non-controlling interest.

2.16 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services to the Group and the Company.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

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

(b) Defined contribution plans

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

(c) Employee share option plans

The Group operates an equity-settled share-based compensation plan, allowing the employees of the Group to acquire ordinary shares of the Company at predetermined prices. The total fair value of share options granted to employees is recognised as an expense with a corresponding increase in the share options reserve within equity over the vesting period and taking into account the probability that the options will vest.

The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on the vesting date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share options reserve until the options are exercised, upon which it will be transferred to share premium, or until the options expires, upon which it will be transferred directly to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Foreign currency

(a) Functional and presentation currency

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

(b) Foreign currency translations and balances

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

(c) Foreign operations

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Revenue recognition

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

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

(a) Sale of goods

Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods has been transferred to the customer and where the Group retains neither continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

(b) Revenue from technical support and management

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

(c) Interest income

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

(d) Rental Income

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

(e) Operation of casino

Casino revenue represents net housing takings.

2.19 Non-current assets (or disposal groups) held for sale

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Non-current assets (or disposal groups) held for sale (Continued)

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

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

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

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

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

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

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

2.20 Operating segments

Operating segments are defined as components of the Group that:

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

(b) whose operating results are regularly reviewed by the Group's chief operating decision maker (i.e. the Group's Chief Executive Officer) in making decisions about resources to be allocated to the segment and assessing its performance; and

(c) for which discrete financial information is available.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Operating segments (Continued)

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

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

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

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

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

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

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

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

2.21 Earnings per share

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit/(loss) for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted

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

3. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs

3.1 New FRSs and amendment to FRSs adopted during the financial year

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2011, the Group and the Company adopted the following FRSs, Amendments to FRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2011.

FRSs, amendments to FRSs and IC Interpretations

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (Revised)
FRS 127	Consolidated and Separate Financial Statements
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	Share-based Payment
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 138	Intangible Assets
IC Interpretation 4	Determining Whether an Arrangement contains a Lease
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
IC Interpretation 18	Transfers of Assets from Customers
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

Adoption of the above FRSs, Amendments to FRSs and Interpretations, and "Improvements to FRSs issued in 2010" did not have any effect on the financial performance, position or presentation of financials of the Group and of the Company 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 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 non-controlling interest.

3. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (Continued)

3.2 New Malaysian Financial Reporting Standards that have been issued, but not yet effective and not yet adopted, for annual periods beginning on or after 1 January 2012

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") announced the issuance of the new MFRS framework that is applicable to entities other than private entities.

The Group is expected to apply the MFRS framework for the financial year ending 31 December 2012.

This would result in the Group preparing an opening MFRS statement of financial position as at 1 January 2011 which adjusts for differences between the classification and measurement bases in the existing FRS framework versus that in the new MFRS framework. This would also result in a restatement of the annual and quarterly financial performance for the financial year ending 31 December 2011 in accordance with MFRS which would form the MFRS comparatives for the quarter ending 31 March 2012 and financial year ending 31 December 2012 respectively.

The MFRSs and IC Interpretations expected to be adopted are as follows:

	Effective Date
MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards	1 January 2012
MFRS 2 Share-based Payment	1 January 2012
MFRS 3 Business Combination	1 January 2012
MFRS 4 Insurance Contracts	1 January 2012
MFRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2012
MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2012
MFRS 7 Financial Instruments: Disclosures	1 January 2012
MFRS 8 Operating Segments	1 January 2012
MFRS 9 Financial Instruments	1 January 2015
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRs 12 Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 101 Presentation of Financial Statements	1 January 2012
Amendments to MFRS 101 Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 102 Inventories	1 January 2012
MFRS 107 Statement of Cash Flows	1 January 2012
MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2012
MFRS 110 Events After the Reporting Period	1 January 2012
MFRS 111 Construction Contacts	1 January 2012
MFRS 112 Income Taxes	1 January 2012
MFRS 116 Property, Plant and Equipment	1 January 2012
MFRS 117 Leases	1 January 2012
MFRS 118 Revenue	1 January 2012
MFRS 119 Employee Benefits	1 January 2012
MFRS 119 Employee Benefits (revised)	1 January 2013
MFRS 120 Accounting for Government Grants and Disclosure of Government Assistance	1 January 2012
MFRS 121 The Effects of Changes in Foreign Exchange Rates	1 January 2012
MFRS 123 Borrowing Costs	1 January 2012

3. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (Continued)

3.2 New Malaysian Financial Reporting Standards that have been issued, but not yet effective and not yet adopted, for annual periods beginning on or after 1 January 2012 (Continued)

	Effective Date
MFRS 124 Related Party Dislcosures	1 January 2012
MFRS 126 Accounting and Reporting by Retirement Benefit Plans	1 January 2012
MFRS 127 Consolidated and Separate Financial Statements	1 January 2012
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investments in Associates	1 January 2012
MFRS 128 Investments in Associates and Joint Ventures	1 January 2013
MFRS 129 Financial Reporting in Hyperinflationary Economies	1 January 2012
MFRS 131 Interests in Joint Ventures	1 January 2012
MFRS 132 Financial Instruments: Presentation	1 January 2012
MFRS 133 Earnings Per Share	1 January 2012
MFRS 134 Interim Financial Reporting	1 January 2012
MFRS 136 Impairment of Assets	1 January 2012
MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2012
MFRS 138 Intangible Assets	1 January 2012
MFRS 139 Financial Instruments: Recognition and Measurement	1 January 2012
MFRS 140 Investment Property	1 January 2012
MFRS 141 Agriculture	1 January 2012
Improvements to MFRSs	1 January 2012
Amendments to MFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities	1 January 2014
Mandatory Effective Date of MFRS 9 and Transition Disclosures	1 March 2012
IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2012
IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments	1 January 2012
IC Interpretation 4 Determining Whether an Arrangement Contains a Lease	1 January 2012
IC Interpretation 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2012
IC Interpretation 6 Liabilities Arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment	1 January 2012
IC Interpretation 7 Applying the Restatement Approach under MFRS 129 Financial Reporting in Hyper inflationary Economies	1 January 2012
IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2012
IC Interpretation 10 Interim Financial Reporting and Impairment	1 January 2012
IC Interpretation 12 Service Concession Arrangements	1 January 2012
IC Interpretation 13 Customer Loyalty Programmes	1 January 2012
IC Interpretation 14 MFRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2012
IC Interpretation 15 Agreements for the Construction of Real Estate	1 January 2012
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 January 2012
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 January 2012
IC Interpretation 18 Transfers of Assets from Customers	1 January 2012
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 January 2012
IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

3. ADOPTION OF NEW FRSs AND AMENDMENT TO FRSs (Continued)

3.2 New Malaysian Financial Reporting Standards that have been issued, but not yet effective and not yet adopted, for annual periods beginning on or after 1 January 2012 (Continued)

	Effective Date
IC Interpretation 107 Introduction of the Euro	1 January 2012
IC Interpretation 110 Government Assistance – No Specific Relation to Operating Activities	1 January 2012
IC Interpretation 112 Consolidation – Special Purpose Entities	1 January 2012
IC Interpretation 113 Jointly Controlled Entities – Non-Monetary Contributions by Venturers	1 January 2012
IC Interpretation 115 Operating Leases – Incentives	1 January 2012
IC Interpretation 125 Income Taxes – Changes in the Tax Status of an Entity or its Shareholders	1 January 2012
IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2012
IC Interpretation 129 Service Concession Arrangements: Disclosures	1 January 2012
IC Interpretation 131 Revenue – Barter Transactions Involving Advertising Services	1 January 2012
IC Interpretation 132 Intangible Assets – Web Site Costs	1 January 2012

Technical Release 3 Guidance on Disclosures of Transition to IFRSs ("TR 3") provides voluntary disclosure requirements on the potential impact of adoption of MFRSs. The Group and the Company have started a preliminary assessment of the differences between FRS and accounting standards under the MFRS Framework and are in the process of assessing the financial effects of the differences.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

4.1 Changes in estimates

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

The directors are of the opinion that there are no changes in estimates during the financial year and at the end of the financial year.

4.2 Judgements made in applying accounting policies

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

(a) Disposal group held for sale

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

4.3 Key sources of estimation uncertainty

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

(a) Depreciation of gaming machines

The cost of gaming machines for technical support and management division is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these 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 statement of financial position.

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

Further details of the impairment losses recognised on the property, plant and equipment are disclosed in Note 14. Further details of the investments in subsidiaries, goodwill and gaming licenses are disclosed in Notes 15 and 19 respectively.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

4.3 Key sources of estimation uncertainty (Continued)

(c) Impairment of loans and receivables

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

(d) Deferred tax assets

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

5. REVENUE

	Group	
	2011	2010
	RM	RM
Sales and marketing	45,114,346	69,185,702
Technical support and management	63,018,333	70,722,419
Leisure and entertainment	6,858,610	15,330,484
Others	3,219,376	3,375,729
	118,210,665	158,614,334

6. COST OF SALES

	Group	
	2011	2010
	RM	RM
Sales and marketing	38,273,109	63,647,797
Technical support and management	53,339,734	77,039,622
Leisure and entertainment	2,711,149	11,894,147
Others	1,354,140	647,221
	95,678,132	153,228,787

7. OTHER INCOME

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Interest income	106,199	627,599	8,313,183	7,286,852
Rental income	-	13,981	-	-
Sundry income	757,026	1,272,847	40	(36)
	863,225	1,914,427	8,313,223	7,286,816

8. FINANCE COSTS

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Interest on:				
- Bank overdrafts	438,453	352,565	-	-
- Bankers' acceptances	9,271	109,662	-	-
- Finance lease	17,988	-	-	-
- Term loans	34,879	742,352	-	-
- Commercial papers	7,418,903	7,161,989	7,418,903	7,161,989
- Medium term notes	830,000	104,603	830,000	104,603
- Onshore foreign currency loan	345,572	277,416	-	-
- Payables	332,737	1,670,630	-	-
Total interest expense	9,427,803	10,419,217	8,248,903	7,266,592
Bank and other charges	141,734	219,581	1,391	2,695
	9,569,537	10,638,798	8,250,294	7,269,287

9. LOSS BEFORE TAX

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

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Amortisation of intangible assets (Note 19)	-	559,317	-	-
Auditors' remuneration:	227,984	173,450	26,500	22,000
- statutory audits:				
- current year	127,664	106,033	26,500	22,000
- underprovision in prior year	356	3,849	-	-
- other services	99,964	63,568	-	-

9. LOSS BEFORE TAX (Continued)

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Bad debts written off	5,165,060	29,595	-	29,595
Deposits written off	-	(937)	-	-
Depreciation of property, plant and equipment (Note 14)	49,802,277	71,780,347	7,812	10,894
Employee benefits expense (Note 10)	12,259,829	15,740,468	612,557	914,680
Impairment of amount due from a subsidiary written back (Note 24)	-	-	-	(412)
Impairment of amount due from associates (Note 26)	37,658	477,417	-	-
Impairment of amount due from associates written back (Note 26)	(52,597)	(31,330)	-	-
Impairment of amount due from jointly controlled entities (Note 25)	61,261	236,60	61,261	238,675
Impairment of amount due from jointly controlled entities written back (Note 25)	(10,019)	(212,774)	(2,378)	-
Impairment of amount due from subsidiaries (Note 24)	-	-	24,208,815	-
Impairment of intangible assets (Note 19)	271,839	-	-	-
Impairment of investment in a jointly controlled entity (Note 16)	-	-	232,650	-
Impairment of lease receivables	23,025	235,589	-	-
Impairment of lease receivables written back	(258,614)	-	-	-
Impairment of other receivables (Note 23)	136,654	4,320	-	-
Impairment of other receivables written back (Note 23)	(432,753)	(384,972)	-	-
Impairment of property, plant and equipment (Note 14)	14,686,983	8,129,339	-	-
Impairment of property, plant and equipment written back (Note 14)	(588,038)	(908,131)	-	-
Impairment of trade receivables (Note 21)	790,017	2,297,104	-	-
Impairment of trade receivables written back (Note 21)	(6,639,762)	(116,387)	-	-
Lease receivables written off	258,614	-	-	-
Loss on winding up of a jointly controlled entity	179	-	-	-
(Gain)/Loss on disposal and deconsolidation of subsidiaries (Note 15)	(1,608,165)	35,382	-	34,705
Gain on disposal of property, plant and equipment	(357,922)	(155,194)	-	-
Net foreign exchange losses/(gain)	379,890	(1,298,605)	(12,489,449)	15,230,143
Non-executive directors' remuneration (Note 11)	247,956	280,620	242,956	275,620
Operating leases:				
- minimum lease payments for land and buildings	950,427	1,816,138	87,435	108,650
Property, plant and equipment written off	815,644	811,093	-	1,925
Receivables written off	(2,214)	233,914	-	-
Write-down of inventories	594,387	344,216	-	-

10. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Wages and salaries	11,378,534	14,621,257	520,883	788,455
Social security contributions	89,795	105,587	3,904	6,954
Contributions to defined contribution plan	954,380	1,063,581	62,608	94,415
Short term accumulating compensated absence	(158,449)	(6,782)	(3,528)	2,250
Share options granted under ESOS	131,984	82,207	28,690	22,606
	12,396,244	15,865,850	612,557	914,680
Less:				
Capitalised in development costs (Note 19)	(136,415)	(125,382)	-	-
	12,259,829	15,740,468	612,557	914,680

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM2,548,649 (2010: RM2,189,833) and RM211,563 (2010: RM189,223) respectively as further disclosed in Note 11.

11. DIRECTORS' REMUNERATION

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Directors of the Company:				
Executive:				
Salaries and bonus	1,124,702	952,595	198,848	181,812
Share options granted under ESOS	72,054	37,055	12,715	7,411
	1,196,756	989,650	211,563	189,223
Non-executive:				
Fees	194,000	194,400	194,000	194,400
Share options granted under ESOS	16,956	14,820	16,956	14,820
Other emoluments	32,000	66,400	32,000	66,400
	242,956	275,620	242,956	275,620

11. DIRECTORS' REMUNERATION (Continued)

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Directors of the Subsidiaries:				
Executive:				
Salaries and bonus	1,309,972	1,162,406	-	-
Share options granted under ESOS	21,921	12,777	-	-
Fees	20,000	25,000	-	-
	1,351,893	1,200,183	-	-
Non-executive:				
Fees	5,000	5,000	-	-
Total directors' remuneration	2,796,605	2,470,453	454,519	464,843
Analysis:				
Total executive directors' remuneration (Note 10)	2,548,649	2,189,833	211,563	189,223
Total non-executive directors' remuneration (Note 9)	247,956	280,620	242,956	275,620
	2,796,605	2,470,453	454,519	464,843

12. TAXATION

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Income tax:				
Malaysian current income tax	114,311	182,824	-	-
(Over)/Underprovision in prior year	(25,580)	32,956	-	-
	88,731	215,780	-	-
Deferred tax (Note 35):				
Relating to origination and reversal of temporary differences	5,361	1,762	-	-
Under/(Over)provision in prior year	725	(780,186)	-	-
	6,086	(778,424)	-	-
Taxation	94,817	(562,644)	-	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the financial year.

12. TAXATION (Continued)

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.

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	
	2011 RM	2010 RM	2011 RM	2010 RM
Loss before tax	(32,869,887)	(59,469,042)	(15,067,774)	(17,715,424)
Taxation at Malaysian statutory tax rate of 25% (2010: 25%)	(8,217,472)	(14,867,261)	(3,766,944)	(4,428,856)
Effect of different tax rates in other countries and for Labuan trading activities	3,309,046	6,135,135	-	-
Effect of share of results of jointly controlled entities	(2,446)	6,797	-	-
Effect of share of results of associates	120,813	793	-	-
Income not subject to tax	(3,656,999)	(645,066)	(5,008,127)	(1,534,400)
Expenses not deductible for tax purposes	8,480,454	9,464,951	8,773,510	5,961,088
Deferred tax asset not recognised in respect of current year's tax losses and unabsorbed capital allowances	86,276	89,237	1,561	2,168
(Over)/Underprovision of income tax in prior year	(25,580)	32,956	-	-
Under/(Over)provision of deferred tax in prior year	725	(780,186)	-	-
Taxation	94,817	(562,644)	-	-

13. LOSS PER SHARE

(a) Basic

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

	2011	2010
Loss for the financial year attributable to owners of the parent (RM)	(30,815,790)	(50,884,249)
Weighted average number of ordinary shares in issue	1,151,171,000	1,146,692,000
Basic loss per share (sen)	(2.68)	(4.44)

13. LOSS PER SHARE (Continued)

(b) Diluted

Diluted earnings per share amounts are calculated by dividing loss for the financial year 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.

	2011	2010
Loss for the financial year attributable to owners of the parent (RM)	(30,815,790)	(50,884,249)
Weighted average number of ordinary shares in issue	1,152,895,000	1,152,566,000
Diluted loss per share (sen)	(2.67)	(4.41)

14. 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 2011										
Cost										
At 1 January 2011	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
Additions	-	-	142,069	-	168,881	24,455,991	25,870	227,480	(13,426)	25,006,865
Disposals/written off	-	-	(514,912)	(20,068)	(146,303)	(10,505,414)	(658,506)	(564,298)	-	(12,409,501)
Deconsolidation of a subsidiary	-	-	(4,435,246)	-	(34,756)	-	-	(296,251)	-	(4,766,253)
Reclassification	-	-	-	-	-	(27,270)	-	27,270	-	-
Transfer to assets held for sale (Note 29)	(10,963,412)	-	-	-	(18,003)	-	-	(2,466,920)	-	(13,448,335)
Transfer to inventories	-	-	-	-	-	(856,655)	-	(5,430)	-	(862,085)
Exchange differences	885,540	-	62,663	401	44,929	9,851,228	-	421,280	111,572	11,377,613
At 31 December 2011	27,691,650	3,083,930	2,342,752	832,283	2,976,362	404,549,485	787,409	18,984,247	4,303,209	465,551,327
Accumulated depreciation and impairment losses										
At 1 January 2011	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
Depreciation charge for the financial year (Note 9)	723,381	51,322	259,746	1,948	406,632	46,365,447	105,905	1,887,896	-	49,802,277
Disposals/written off	-	-	(197,036)	(7,359)	(92,659)	(4,750,632)	(373,279)	(132,874)	-	(5,553,839)
Deconsolidation of a subsidiary	-	-	(4,435,246)	-	(24,466)	-	-	(296,251)	-	(4,755,963)
Reclassification	-	-	-	-	-	(10,126)	-	10,126	-	-
Transfer to assets held for sale (Note 29)	(656,273)	-	-	-	(5,401)	-	-	(928,548)	-	(1,590,222)
Transfer to inventories	-	-	-	-	-	(220,762)	-	(1,920)	-	(222,682)
Impairment loss recognised in statement of comprehensive income (Note 9)	392,590	-	210,972	-	-	11,610,638	-	1,884,745	-	14,098,945
Exchange differences	51,607	-	58,848	167	39,864	8,483,858	-	234,895	111,225	8,980,464
At 31 December 2011	1,916,123	374,898	1,084,802	416,417	2,357,463	320,639,724	484,301	13,673,411	4,303,209	345,250,348

14. 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	1,647,494	372,356	869,864	416,417	2,354,141	274,679,892	484,301	10,019,810	-	290,844,275
Accumulated impairment losses	268,629	2,542	214,938	-	3,322	45,959,832	-	3,653,601	4,303,209	54,406,073
At 31 December 2011	1,916,123	374,898	1,084,802	416,417	2,357,463	320,639,724	484,301	13,673,411	4,303,209	345,250,348
Net carrying amount										
At 31 December 2011	25,775,527	2,709,032	1,257,950	415,866	618,899	83,909,761	303,108	5,310,836	-	120,300,979
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 FRS117	-	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

14. 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 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 9)	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)
Reclassification	-	-	-	-	-	45,003	2,226	(47,229)	-	-
Transfer to inventories	-	-	-	-	-	(5,439,598)	-	(89,674)	-	(5,529,272)
Impairment loss recognised in statement of comprehensive income (Note 9)	-	-	(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
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

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Furniture, fittings and office equipment RM
At 31 December 2011	
Cost	
At 1 January 2011/ 31 December 2011	100,578
Accumulated depreciation	
At 1 January 2011	80,476
Depreciation charge for the financial year (Note 9)	7,812
At 31 December 2011	88,288
Net carrying amount	
At 31 December 2011	12,290
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 9)	10,894
Written off	(3,575)
At 31 December 2010	80,476
Net carrying amount	
At 31 December 2010	20,102

14. 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	
	2011	**2010**
	RM	**RM**
Freehold land and buildings	3,326,095	3,367,640
Leasehold land and buildings	2,709,032	2,760,354
	6,035,127	6,127,994

(b) A motor vehicle of the Group with a net carrying amount of RM2 (2010: RM2) is held in trust for a subsidiary in the name of a director.

(c) During the financial year, the Group acquired property, plant and equipment at aggregate costs of RM25,006,865 (2010: RM17,512,823) of which RM456,436 (2010: RM nil) was acquired under finance lease. The gaming machines of the Group with net carrying amounts of RM418,400 (2010: RM nil) are held under finance lease agreement.

(d) The Group has carried out a review of the recoverable amount of its property, plant and equipment during the financial year. The review has led to the recognition of an impairment loss of RM14,098,945 (2010: RM7,221,208). 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.

15. INVESTMENTS IN SUBSIDIARIES

	Company 2011 RM	Company 2010 RM
Unquoted shares at cost	40,497,201	40,497,201
Share option paid to employees of subsidiaries	4,178,849	4,075,555
Equity loan to a subsidiary	126,507,459	-
	171,183,509	44,572,756

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

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Proportion of ownership interest 2011 %	Proportion of ownership interest 2010 %	Principal activities
Held by the Company:				
RGB Sdn. Bhd.	Malaysia	100	100	Manufacturing, refurbishment, technical support, and maintenance, sales and marketing of gaming and amusement machines and equipment, sales and marketing of security surveillance products and systems for local and overseas markets.
RGB Ltd.	Malaysia	100	100	Investment holding, sales and marketing, technical support and management of gaming and amusement machines and equipment solely for the overseas markets.
Data Touch Sdn. Bhd.	Malaysia	100	100	Renting of property.
Dreamgate (Singapore) Pte. Ltd. *	Singapore	100	100	Trading, maintenance and management of gaming and amusement machine and equipment.
Macrocept Sdn. Bhd.	Malaysia	100	100	Investment holding.

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Country of incorporation	Proportion of ownership interest 2011 %	2010 %	Principal activities
Held through subsidiaries:				
RGB (Macau) Limited @	Macau	100	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	De-registered on 6 March 2012.
Chateau de Bavet Club Co., Ltd. *	Cambodia	70.74	60	Operating casino operations, and all other business activities related to the gaming and leisure industry, international standard hotel, restaurant, modern night club, fun club, spa centre and such other business activities.
Club 88 Co., Ltd. # @	Cambodia	-	100	Disposed during the year.
RGB OMMCO Ltd.	Malaysia	65	65	Technical support and management of gaming and amusement machines and equipment solely for the overseas markets.
Diamond House (Nipo) Co., Ltd. # @	Cambodia	51	51	Dormant since 2009.
Movieland Entertainment Co., Ltd. # @	Cambodia	55	55	Dormant since 2009.

* Audited by BDO member firms.
\# Consolidated using management financial statements up to 31 December 2011.
@ The financial statements of these subsidiaries are not required to be audited in its country of incorporation.

(a) On 7 June 2011, RGB Ltd. ("RGBL") acquired the remaining 4% stake in RGB (Macau) Limited ("RGBML"), a company incorporated in Macau from Mr. Lim Tow Boon for a nominal consideration of RM1. As a result, RGBML became a wholly owned subsidiary of RGBL.

(b) Macrocept Sdn. Bhd. increased its equity interest in Chateau de Bavet Club Co., Ltd. from 60% to 70.74% via subscription of rights issue amounting to USD12,730,503 (RM42,231,659).

(c) On 26 August 2011, Club 88 Co., Ltd. was disposed for a nominal consideration of USD1 (RM3).

15. INVESTMENTS IN SUBSIDIARIES (Continued)

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:

	2011 RM	2010 RM
Property, plant and equipment	10,290	-
Other receivables	239,268	-
Cash and bank balances	5,900	179,280
Other payables	(837,078)	(28,479)
Net liabilities disposed and deconsolidated	(581,620)	150,801
Transfer from foreign currency translation reserve	(1,026,542)	(2,674)
	(1,608,162)	148,127
Total proceeds from disposal and deconsolidation	(3)	(112,745)
(Gain)/Loss on disposal and deconsolidation to the Group (Note 9)	(1,608,165)	35,382

	2011 RM	2010 RM
Disposal and deconsolidation settled by:		
Cash	3	112,745
Cash outflow arising on disposal and deconsolidation:		
Cash consideration	3	112,745
Cash and cash equivalents of subsidiaries disposed and deconsolidated	(5,900)	(179,280)
Net cash outflow on disposal and deconsolidation	(5,897)	(66,535)

16. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Unquoted shares at cost	291,341	1,280,777	282,650	282,650
Share of post-acquisition reserves	(58,431)	(17,730)	-	-
	232,910	1,263,047	282,650	282,650
Exchange differences	5,963	579	-	-
	238,873	1,263,626	282,650	282,650
Less: Impairment loss (Note 9)	-	-	(232,650)	-
	238,873	1,263,626	50,000	282,650

16. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (Continued)

Details of the jointly controlled entities are as follows:

Name of jointly controlled entities	Country of incorporation	Proportion of ownership interest 2011 %	2010 %	Principal activities
Held by the Company:				
RGB Abbiati Pte. Ltd.	Singapore	50	50	Dormant.
RGB Xtale Sdn. Bhd.	Malaysia	50	50	Dormant.
Rasa Perpaduan Malaysia Sdn. Bhd.	Malaysia	50	50	Dormant.
Held through subsidiaries:				
RGB Sibel International Sdn. Bhd.^	Malaysia	50	50	Dormant.
Star Legend Import Export Co., Ltd.	Cambodia	50	50	Dormant.

^ On 21 June 2011, RGB Sibel International Sdn. Bhd. ("RSISB") had applied to Companies Commission of Malaysia ("CCM") to be struck off from the register of company.

On 6 April 2012, RSISB received a notice from CCM that at the expiration of three months from the date of the notice, the name of the company will unless cause is shown to the contrary, be struck off the register and the company will be dissolved.

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

	2011 RM	2010 RM
Assets and liabilities		
Current assets	256,378	2,052,830
Non-current assets	6,082	10,710
Total assets	262,460	2,063,540
Current liabilities	(23,587)	(799,914)
Total liabilities	(23,587)	(799,914)
Results		
Revenue and other income	78,821	2,346,327
Expenses, including financial costs and taxation	(69,037)	(2,373,520)

17. INVESTMENTS IN ASSOCIATES

	Group 2011 RM	Group 2010 RM
Unquoted shares at cost	761,347	761,347
Share of post-acquisition reserves	531,402	1,202,173
	1,292,749	1,963,520
Exchange differences	414,511	274,385
	1,707,260	2,237,905

Details of the associates are as follows:

Name of associates	Country of incorporation	Proportion of ownership interest 2011 %	Proportion of ownership interest 2010 %	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.
Rainbow World Club Ltd.	Cambodia	20	20	Dormant.
Goldenmac., Ltd.	Cambodia	25	25	Dormant.
Cash Box Entertainment Co., Ltd.	Cambodia	20	20	Dormant.
Olympic Entertainment Co., Ltd.	Cambodia	20	20	Dormant.
Golden Beach Club Ltd.	Cambodia	50	50	Dormant.
Rasa Sayang Restaurant Co., Ltd.	Cambodia	56	56	Dormant.

17. INVESTMENTS IN ASSOCIATES (Continued)

The summarised financial information of the associates are as follows:

	2011 RM	2010 RM
Assets and liabilities		
Current assets	5,921,573	6,477,054
Non-current assets	3,523,140	5,081,570
Total assets	9,444,713	11,558,624
Current liabilities	(9,260,688)	(9,051,957)
Non-current liabilities	(2,184,922)	(2,379,712)
Total liabilities	(11,445,610)	(11,431,669)
Results		
Revenue	4,049,511	5,612,687
(Loss)/Profit for the financial year	(2,293,963)	140,718

18. OTHER INVESTMENT

	Group	
	2011 RM	2010 RM
Available-for-sale financial assets		
- Unquoted shares at cost	4,000	4,000

Information on the fair value is disclosed in Note 41B(i).

19. INTANGIBLE ASSETS

Group	Goodwill RM	Development cost RM	Gaming licenses RM	Total RM
At 31 December 2011				
Cost				
At 1 January 2011	271,838	2,459,848	2,398,808	5,130,494
Additions	-	222,177	-	222,177
Acquisition of a subsidiary	1	-	-	1
Transfer to assets held for sale (Note 29)	-	-	(182,736)	(182,736)
Exchange differences	-	-	53,710	53,710
At 31 December 2011	271,839	2,682,025	2,269,782	5,223,646
Accumulated amortisation and impairment				
At 1 January 2011	-	2,252,058	1,842,518	4,094,576
Impairment (Note 9)	271,839	-	-	271,839
Exchange differences	-	-	38,950	38,950
At 31 December 2011	271,839	2,252,058	1,881,468	4,405,365
Net carrying amount				
At 31 December 2011	-	429,967	388,314	818,281
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 9)	-	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

19. INTANGIBLE ASSETS (Continued)

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

	Group	
	2011	**2010**
	RM	**RM**
Employee benefits expense (Note 10)	136,415	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 44.

Key assumptions used in value-in-use calculations

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

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

(i) Net revenue

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

(ii) Exchange rate

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

(iii) Discount rate

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

Sensitivity to changes in assumptions

The Group believes that no reasonable change in any of the above key assumptions.

20. INVENTORIES

	Group 2011 RM	Group 2010 RM
Cost		
Gaming and amusement machines, coin and notes counting machines and binding machines	499,820	1,087,354
Spare parts, gaming and amusement accessories, table game equipment and accessories	2,777,284	4,865,926
Food, beverage and other hotel supplies	-	34,681
Goods at third party premises	11,688,420	5,895,657
	14,965,524	11,883,618

21. TRADE RECEIVABLES

	Group 2011 RM	Group 2010 RM
Trade receivables		
Third parties	52,510,281	87,143,465
Related parties	164,770	47,441
	52,675,051	87,190,906
Less: Impairment loss		
Third parties	(3,696,677)	(9,560,785)
Trade receivables, net	48,978,374	77,630,121

Included in trade receivables - third parties is RM nil (2010: RM1,736,469) which is being paid by monthly instalments and interest is charged at nil (2010: 5.3%) per annum.

Normal trade credit terms granted to the customers range from one month to three months.

Credit terms granted to related parties range from six months to twelve months.

21. TRADE RECEIVABLES (Continued)

Ageing analysis of trade receivables

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

	Group 2011 RM	Group 2010 RM
Neither past due nor impaired	35,406,916	53,045,271
1 to 30 days past due not impaired	4,481,047	6,868,844
31 to 60 days past due not impaired	2,052,284	7,611,493
61 to 90 days past due not impaired	593,655	1,362,381
91 to 120 days past due not impaired	178,588	1,874,693
More than 121 days past due not impaired	3,730,418	4,322,146
	11,035,992	22,039,557
Impaired	6,232,143	12,106,078
	52,675,051	87,190,906

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 RM11,035,992 (2010: RM22,039,557) 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 2011 RM	Group Individually impaired 2010 RM
Trade receivables-nominal amounts	6,232,143	12,106,078
Less: Impairment loss	(3,696,677)	(9,560,785)
	2,535,466	2,545,293

21. TRADE RECEIVABLES (Continued)

Movement in impairment accounts:

	Group	
	2011 RM	2010 RM
At 1 January	9,560,785	7,999,592
Effects of adopting FRS 139	-	119,346
As restated	9,560,785	8,118,938
Charge for the financial year (Note 9)	790,017	2,297,104
Reversal of impairment losses (Note 9)	(6,639,762)	(116,387)
Exchange differences	(14,363)	(738,870)
At 31 December	3,696,677	9,560,785

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.

22. LEASE RECEIVABLES [2010 ONLY]

	Group 2010 RM
Future minimum lease receivables:	
Not later than 1 year	753,336
Less: Unearned finance income	(8,599)
Less: Impairment loss (Note 9)	(235,589)
Present value of finance lease receivables	509,148
Analysis of present value of finance lease receivables:	
Not later than 1 year	509,148
Less: Amount due within 12 months	(509,148)
Amount due after 12 months	-

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 42.

23. OTHER RECEIVABLES

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Deposits	11,557,513	8,922,454	129,159	45,630
Interest receivables	120,944	204,356	39,570	60,296
Sundry receivables	1,129,696	971,068	2,600	-
	12,808,153	10,097,878	171,329	105,926
Less: Impairment loss	(130,735)	(1,203,566)	-	-
	12,677,418	8,894,312	171,329	105,926
Prepayments	1,202,262	2,346,437	-	1,150,000
	13,879,680	11,240,749	171,329	1,255,926
Representing receivables:				
- Current	13,483,699	9,675,211	171,329	1,255,926
- Non-current	395,981	1,565,538	-	-
	13,879,680	11,240,749	171,329	1,255,926

Movement in impairment accounts:

	Group 2011 RM	Group 2010 RM
At 1 January	1,203,566	-
Effects of adopting FRS 139	-	1,742,512
As restated	1,203,566	1,742,512
Charge for the financial year (Note 9)	136,654	4,320
Reversal of impairment losses (Note 9)	(432,753)	(384,972)
Deconsolidation of a subsidiary	(778,806)	-
Exchange differences	2,074	(158,294)
At 31 December	130,735	1,203,566

Included in non-current receivables are:

(a) an amount of RM395,981 (2010: RM359,143) 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 RM nil (2010: RM1,206,395) which is unsecured, non-interest bearing and not receivable within the next one year.

24. DUE FROM/TO SUBSIDIARIES

	Company	
	2011	2010
	RM	RM
Due from subsidiaries	38,566,133	165,714,953
Less: Impairment loss	(24,214,496)	(5,681)
	14,351,637	165,709,272
Representing:		
- Current	14,351,637	51,726,527
- Non-current	-	113,982,745
	14,351,637	165,709,272

Movement in impairment accounts:

	Company	
	2011	2010
	RM	RM
At 1 January	5,681	-
Effects of adopting FRS 139	-	6,093
As restated	5,681	6,093
Charge for the financial year (Note 9)	24,208,815	-
Reversal of impairment losses (Note 9)	-	(412)
At 31 December	24,214,496	5,681

The amounts due from/to subsidiaries are non-trade in nature, non-interest bearing, unsecured, repayable on demand and to be settled in cash except for amounts due from subsidiaries amounting to RM11,840,000 (2010: RM87,000,000) and RM1,600,000 (2010: RM10,000,000) on which interest is charged at 10% (2010: 8.8%) and 8.3% (2010: 8.3%) per annum respectively.

25. DUE FROM/TO JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Due from jointly controlled entities	983,437	1,239,289	978,423	1,166,258
Less: Impairment loss	(983,437)	(932,065)	(978,423)	(919,540)
	-	307,224	-	246,718

25. DUE FROM/TO JOINTLY CONTROLLED ENTITIES (Continued)

Movement in impairment accounts:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
At 1 January	932,065	903,130	919,540	680,865
Effects of adopting FRS 139	-	5,495	-	-
As restated	932,065	908,625	919,540	680,865
Charge for the financial year (Note 9)	61,261	236,609	61,261	238,675
Reversal of impairment losses (Note 9)	(10,019)	(212,774)	(2,378)	-
Exchange differences	130	(395)	-	-
At 31 December	983,437	932,065	978,423	919,540

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

26. DUE FROM/TO ASSOCIATES

	Group	
	2011 RM	2010 RM
Due from associates	5,340,007	6,361,549
Less: Impairment loss	(2,283,052)	(2,256,004)
	3,056,955	4,105,545

Movement in impairment accounts:

	Group	
	2011 RM	2010 RM
At 1 January	2,256,004	732,119
Effects of adopting FRS 139	-	1,205,683
As restated	2,256,004	1,937,802
Charge for the financial year (Note 9)	37,658	477,417
Reversal of impairment losses (Note 9)	(52,597)	(31,330)
Exchange differences	41,987	(127,885)
At 31 December	2,283,052	2,256,004

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

27. DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

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

28. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Deposits with licensed banks	5,769,629	5,314,446	1,705,554	2,762,659
Cash and bank balances	26,734,848	15,860,867	498,947	21,310
	32,504,477	21,175,313	2,204,501	2,783,969

For the purpose of the statements of cash flows, cash and cash equivalents comprise of the followings as at the end of the financial year:

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Deposits with licensed banks	5,769,629	5,314,446	1,705,554	2,762,659
Cash and bank balances	26,734,848	15,860,867	498,947	21,310
Bank overdrafts (Note 33)	(5,965,449)	(6,280,178)	-	-
	26,539,028	14,895,135	2,204,501	2,783,969
Cash and bank balances for disposal group classified as held for sale (Note 29)	299,183	-	-	-
Less:				
Fixed deposit pledged to licensed banks	(4,313,833)	(5,314,446)	(1,705,554)	(2,762,659)
	22,524,378	9,580,689	498,947	21,310

Other information on financial risks of cash and cash equivalents are disclosed in Note 42.

29. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 22 June 2011, Macrocept Sdn. Bhd. ("MCSB") has entered into an agreement to dispose of 32% equity interest in Chateau de Bavet Club Co., Ltd. ("CDBC") over a period of 36 months. As at 31 December 2011, the Group had received RM2,308,570 as partial consideration from the disposal.

29. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (Continued)

As at 31 December 2011, the assets and liabilities of CDBC classified as held for sale are as below:

	2011 RM
Assets of disposal group classified as held for sale	
Property, plant and equipment	11,858,113
Intangible assets	182,736
Other receivables	50,467
Due from associates	907,316
Cash and bank balances	299,183
	13,297,815
Liabilities of disposal group classified as held for sale	
Trade payables	25,585
Other payables	1,127,561
	1,153,146

30. SHARE CAPITAL AND SHARE PREMIUM

	Group and Company			
	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 2011	1,151,049,700	115,104,970	14,372,310	129,477,280
Issue of ordinary shares pursuant to ESOS	139,400	13,940	562	14,502
At 31 December 2011	1,151,189,100	115,118,910	14,372,872	129,491,782
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

30. SHARE CAPITAL AND SHARE PREMIUM (Continued)

	Number of Ordinary Shares of RM0.10 each		Amount	
	2011	2010	2011 RM	2010 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 139,400 ordinary shares of RM0.10 each for cash pursuant to the Company's ESOS at a weighted average issue price of RM0.10 per ordinary share. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

31. 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.

(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.

32. 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's 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

32. EMPLOYEE BENEFITS (Continued)

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

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.

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.

32. EMPLOYEE BENEFITS (Continued)

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

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

	Number of share options					
Grant Date	Outstanding at 1 January '000	Granted '000	Exercised '000	Forfeited '000	Outstandingt at 31 December '000	Exercisable at 31 December '000
2011						
2010 Options:						
Grant 1	66,437	-	(139)	(3,766)	62,532	31,241
WAEP (RM)	0.10	-	0.10	0.10	0.10	0.10
2010						
2010 Options:						
Grant 1	-	66,580	-	(143)	66,437	16,609
WAEP (RM)	-	0.10	-	0.10	0.10	0.10

	Exercise price RM	Exercise period
2011		
2010 Options:		
Grant 1	0.10	25.11.2010 – 20.10.2014
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.

32. 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.

33. BORROWINGS

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Short term borrowings (secured):				
Bank overdrafts (Note 28)	5,965,449	6,280,178	-	-
Bankers' acceptances	-	2,250,000	-	-
Onshore foreign currency loan	14,424,975	13,897,272	-	-
Commercial papers	13,614,794	-	13,614,794	-
Finance lease liability (Note 34)	151,399	-	-	-
Term loans	1,624,710	6,928,910	-	-
	35,781,327	29,356,360	13,614,794	-

33. BORROWINGS (Continued)

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Short term borrowings (unsecured):				
Commercial papers	-	86,643,698	-	86,643,698
	35,781,327	116,000,058	13,614,794	86,643,698
Long term borrowings (secured):				
Commercial papers (modified term) #	60,000,000	-	60,000,000	-
Finance lease liability (Note 34)	257,811	-	-	-
Term loans	545,928	2,319,273	-	-
	60,803,739	2,319,273	60,000,000	-
Long term borrowings (unsecured):				
Medium term notes	10,000,000	10,000,000	10,000,000	10,000,000
	70,803,739	12,319,273	70,000,000	10,000,000
Total borrowings:				
Bank overdrafts	5,965,449	6,280,178	-	-
Bankers' acceptances	-	2,250,000	-	-
Onshore foreign currency loan	14,424,975	13,897,272	-	-
Commercial papers	73,614,794	86,643,698	73,614,794	86,643,698
Finance lease liability (Note 34)	409,210	-	-	-
Medium term notes	10,000,000	10,000,000	10,000,000	10,000,000
Term loans	2,170,638	9,248,183	-	-
	106,585,066	128,319,331	83,614,794	96,643,698

The Group has entered into repayment schedule on the commercial papers with carrying amount of RM74 million with the noteholders where the repayment will be made on a quarterly basis and is expected to complete by year 2014.

Commercial papers with repayment terms after the next 12 months was reclassified to non-current liabilities.

The secured borrowings, other than finance lease liability, are secured by the following:

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

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

33. BORROWINGS (Continued)

(c) corporate guarantees of RM55.81 million (2010: RM73.98 million) by the Company;

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

(e) a third party debenture covering fixed and floating assets on present and future assets of a subsidiary.

Other information on financial risks of borrowings are disclosed in Note 42.

34. FINANCE LEASE LIABILITIES [2011 ONLY]

	Group 2011 RM
Minimum lease payments:	
Not later than 1 year	185,048
Later than 1 year and not later than 5 years	279,830
Total minimum lease payments	464,878
Less: Future interest charges	(55,668)
Present value of minimum lease payments	409,210
Present value of payments:	
Not later than 1 year	151,399
Later than 1 year and not later than 5 years	257,811
Present value of minimum lease payments	409,210
Less: Amount due within 12 months (Note 33)	(151,399)
Amount due after 12 months (Note 33)	257,811

35. DEFERRED TAX LIABILITIES

	Group	
	2011 RM	2010 RM
At 1 January	7,973	786,397
Recognised in statement of comprehensive income (Note 12)	6,086	(778,424)
At 31 December	14,059	7,973

35. DEFERRED TAX LIABILITIES (Continued)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Development costs RM	Property, plant and equipment RM	Total RM
At 1 January 2011	52,000	464,973	516,973
Recognised in statement of comprehensive income	54,500	(79,414)	(24,914)
At 31 December 2011	106,500	385,559	492,059
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

Deferred tax assets of the Group:

	Unused tax losses, unabsorbed capital allowances and tax incentives RM	Accruals RM	Lease receivables, trade and other receivables RM	Property, plant and equipment expensed out RM	Total RM
At 1 January 2011	(422,000)	(60,000)	-	(27,000)	(509,000)
Recognised in statement of comprehensive income	33,250	38,000	(44,000)	3,750	31,000
At 31 December 2011	(388,750)	(22,000)	(44,000)	(23,250)	(478,000)
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)

35. DEFERRED TAX LIABILITIES (Continued)

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

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Unused tax losses	1,534,000	990,000	-	-
Unabsorbed capital allowances	55,000	59,000	39,000	39,000
	1,589,000	1,049,000	39,000	39,000

The unused tax losses and unabsorbed capital allowances of the Group amounting to RM1,534,000 (2010: RM990,000) and RM16,000 (2010: RM20,000) respectively which derived from Singapore operations are available for offsetting against future taxable profits of a subsidiary in Singapore, subject to the agreement with the tax authority.

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

36. TRADE PAYABLES

	Group	
	2011 RM	2010 RM
Trade payables		
Third parties	50,230,805	50,786,539
Related parties	681,579	1,483,562
	50,912,384	52,270,101

Included in trade payables - third parties is RM19,714,500 (2010: RM8,383,550) which is being paid by monthly instalments and interest is charged at 5.3% (2010: 5.6%) 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.

Amount owing to related parties are unsecured, interest-free and payable upon demand in cash and cash equivalents.

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

Other information on financial risk of trade payables are disclosed in Note 42.

37. OTHER PAYABLES

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Amounts due to related parties	-	56,804	-	-
Advances received from customers	4,389,555	2,018,878	-	-
Accruals	6,186,002	9,744,057	382,083	371,351
Deposits received	6,707,237	2,683,002	1,034	1,034
Sundry payables	7,058,704	10,954,805	45,066	60,598
	24,341,498	25,457,546	428,183	432,983

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

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

38. RELATED PARTIES DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other parties.

The Company has controlling related party relationship with its direct and indirect subsidiaries and its immediate and ultimate holding company.

(b) 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	2011 RM	2010 RM
Group			
Related parties*:			
- Sales of products	(i)	372,250	16,080
- Repair and maintenance income	(i)	320	-
- Purchase of products	(ii)	-	5,000
Associates:			
- Purchase of products	(ii)	1,522,441	2,384,625

38. RELATED PARTIES DISCLOSURES (Continued)

(b) 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	2011 RM	2010 RM
Company			
Subsidiaries:			
- Interest income	(iv)	8,248,902	7,230,040
- Operating lease expense	(iii)	60,000	42,000

* 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.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of the Group.

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

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Short-term employee benefits	2,485,920	2,259,313	403,500	423,040
Post-employment benefits:				
Defined contribution plan	248,278	221,570	21,348	19,572
Share-based payment	110,931	64,652	29,671	22,231
	2,845,129	2,545,535	454,519	464,843

38. RELATED PARTIES DISCLOSURES (Continued)

(c) Compensation of key management personnel (Continued)

Included in the total remuneration of key management personnel are:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Directors' remuneration (Note 11)	2,796,605	2,470,453	454,519	464,843

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	
	2011 RM	2010 RM	2011 RM	2010 RM
At 1 January	52,343,000	-	51,000,000	-
Granted	-	52,343,000	-	51,000,000
At 31 December	52,343,000	52,343,000	51,000,000	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 32.

39. CAPITAL COMMITMENTS

	Group	
	2011 RM	2010 RM
Capital expenditure		
Approved but not contracted for:		
Property, plant and equipment	48,000,000	29,500,000

40. CONTINGENT LIABILITIES

(a) The Company has given unsecured corporate guarantees to certain financial institutions for banking facilities granted to its subsidiaries for a limit of up to RM55.81 million (2010: RM73.98 million) of which RM21,095,782 (2010: RM29,787,656) was utilised at reporting date.

(b) The Company has given unsecured corporate guarantees to certain trade payables of its subsidiaries for a limit of up to RM52.74 million (2010: RM82.39 million) of which RM14,762,479 (2010: RM20,831,333) was utilised at reporting date.

The directors are of the view that the chances of the financial institutions and trade payables to call upon the corporate guarantees are not probable.

41. FINANCIAL INSTRUMENTS

A. Categories of financial instruments

Loans and receivables

		Group		Company	
		2011	2010	2011	2010
	Note	RM	RM	RM	RM
Trade receivables	21	48,978,374	77,630,121	-	-
Other receivables (current and non-current)	23	12,677,418	8,894,312	171,329	105,926
Due from subsidiaries (current and non-current)	24	-	-	14,351,637	165,709,272
Due from jointly controlled entities	25	-	307,224	-	246,718
Due from associates	26	3,056,955	4,105,545	-	-
Cash and cash equivalents	28	32,504,477	21,175,313	2,204,501	2,783,969
		97,217,224	112,112,515	16,727,467	168,845,885

Financial liabilities carried at amortised cost

		Group		Company	
		2011	2010	2011	2010
	Note	RM	RM	RM	RM
Trade payables	36	50,912,384	52,270,101	-	-
Other payables	37	24,341,498	25,457,546	428,183	432,983
Borrowings (current and non-current)	33	106,585,066	128,319,331	83,614,794	96,643,698
Due to a subsidiary	24	-	-	846,633	-
Due to jointly controlled entities	25	212,805	3,367,855	210,794	-
Due to associates	26	1,094,631	3,072,980	-	-
Due to minority shareholders of subsidiaries	27	998,420	2,302,012	-	-
		184,144,804	214,789,825	85,100,404	97,076,681

41. 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

	Note	Group Carrying amount RM	Group Fair value RM
At 31 December 2011			
Non-current unquoted shares	18	4,000	*
At 31 December 2010			
Non-current unquoted shares	18	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)	23
Due from/(to) subsidiaries (current)	24
Due from/(to) jointly controlled entities (current)	25
Due from/(to) associates (current)	26
Due to minority shareholders of subsidiaries (current)	27
Borrowings (current)	33
Borrowings (non-current)	33
Trade payables (current)	36
Other payables (current)	37

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

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

42. 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 80% (2010: 78%) of the total trade receivables as at reporting date. These customers contributed approximately 55% (2010: 49%) 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			
	2011 RM	% of total	2010 RM	% of total
By segment:				
Sales and marketing	25,776,159	53%	57,938,412	75%
Technical support and management	13,190,298	27%	16,830,492	22%
Leisure and entertainment	-	0%	831,317	1%
Others	10,011,917	20%	2,029,900	2%
	48,978,374	100%	77,630,121	100%

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

	Group			
	2011 RM	% of total	2010 RM	% of total
By country:				
The Philippines	33,301,135	68%	44,628,401	58%
Malaysia	3,760,623	8%	2,543,860	3%
Singapore	649,301	1%	693,307	1%
Cambodia	6,654,272	14%	7,242,785	10%
Macau	3,024,707	6%	21,178,784	27%
Vietnam	1,443,824	3%	272,978	0%
Other countries	144,512	0%	1,070,006	1%
	48,978,374	100%	77,630,121	100%

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 21. 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 21.

(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.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	2011 RM			
	On demand or within one year	One to five years	Over five years	Total
Group				
Financial liabilities:				
Trade and other payables	75,789,384	-	-	75,789,384
Borrowings	44,017,170	77,190,507	-	121,207,677
Due to jointly controlled entities	212,805	-	-	212,805
Due to associates	1,094,631	-	-	1,094,631
Due to minority shareholders of subsidiaries	998,420	-	-	998,420
Total undiscounted financial liabilities	122,112,410	77,190,507	-	199,302,917
Company				
Financial liabilities:				
Trade and other payables	428,183	-	-	428,183
Borrowings	21,755,000	76,280,000	-	98,035,000
Due to a subsidiary	846,633	-	-	846,633
Due to jointly controlled entities	210,794	-	-	210,794
Total undiscounted financial liabilities	23,240,610	76,280,000	-	99,520,610

	2010 RM			
Group				
Financial liabilities:				
Trade and other payables	77,813,827	-	-	77,813,827
Borrowings	125,061,758	13,997,920	119,566	139,179,244
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	211,618,432	13,997,920	119,566	225,735,918

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	2010 RM			
	On demand or within one year	One to five years	Over five years	Total
Company				
Financial liabilities:				
Trade and other payables	432,983	-	-	432,983
Borrowings	95,477,300	11,660,000	-	107,137,300
Total undiscounted financial liabilities	95,910,283	11,660,000	-	107,570,283

(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 2011								
Group								
Fixed rate								
Medium term notes	33	8.3	-	-	(10,000,000)	-	-	(10,000,000)
Finance lease liabilities	33	10.0	(151,399)	(158,068)	(99,743)	-	-	(409,210)
Trade payables	36	5.3	(19,714,500)	-	-	-	-	(19,714,500)
Floating rate								
Deposits with licensed banks	28	2.7	5,769,629	-	-	-	-	5,769,629
Bank overdrafts	33	7.9	(5,965,449)	-	-	-	-	(5,965,449)
Onshore foreign currency loan	33	2.7	(14,424,975)	-	-	-	-	(14,424,975)
Term loans	33	3.9	(1,624,710)	(112,000)	(112,000)	(112,000)	(209,928)	(2,170,638)
Commercial papers	33	10.0	(13,614,794)	(36,000,000)	(24,000,000)	-	-	(73,614,794)

42. 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 2011								
Company								
Fixed rate								
Due from subsidiaries	24	9.8	13,440,000	-	-	-	-	13,440,000
Medium term notes	33	8.3	-	(10,000,000)	-	-	-	(10,000,000)
Floating rate								
Deposits with licensed banks	28	2.3	1,705,554	-	-	-	-	1,705,554
Commercial papers	33	10.0	(13,614,794)	(36,000,000)	(24,000,000)	-	-	(73,614,794)
At 31 December 2010								
Group								
Fixed rate								
Trade receivables	21	5.3	1,736,469	-	-	-	-	1,736,469
Lease receivables	22	6.7	509,148	-	-	-	-	509,148
Medium term notes	33	8.3	-	-	(10,000,000)	-	-	(10,000,000)
Trade payables	36	5.6	(8,383,550)	-	-	-	-	(8,383,550)
Floating rate								
Deposits with licensed banks	28	2.5	5,314,446	-	-	-	-	5,314,446
Bank overdrafts	33	7.6	(6,280,178)	-	-	-	-	(6,280,178)
Bankers' acceptances	33	4.4	(2,250,000)	-	-	-	-	(2,250,000)
Onshore foreign currency loan	33	1.9	(13,897,272)	-	-	-	-	(13,897,272)
Term loans	33	4.1	(6,928,910)	(1,786,322)	(112,000)	(112,000)	(308,951)	(9,248,183)
Commercial papers	33	8.8	(86,643,698)	-	-	-	-	(86,643,698)
Company								
Fixed rate								
Due from subsidiaries	24	8.7	97,000,000	-	-	-	-	97,000,000
Medium term notes	33	8.3	-	-	(10,000,000)	-	-	(10,000,000)
Floating rate								
Deposits with licensed banks	28	2.5	2,762,659	-	-	-	-	2,762,659
Commercial papers	33	8.8	(86,643,698)	-	-	-	-	(86,643,698)

42. 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).

	2011 Effect on loss net of tax RM	2010 Effect on loss net of tax RM
Group		
Increase 10 basis points		
Deposits with licensed banks	4,691	3,988
Bank overdrafts	(4,473)	(4,708)
Bankers' acceptances	-	(1,688)
Onshore foreign currency loan	(13,712)	(12,610)
Term loans	(2,005)	(8,228)
Commercial papers	(55,211)	(65,005)
Decrease 10 basis points		
Deposits with licensed banks	(4,691)	(3,988)
Bank overdrafts	4,473	4,708
Bankers' acceptances	-	1,688
Onshore foreign currency loan	13,712	12,610
Term loans	2,005	8,228
Commercial papers	55,211	65,005
Company		
Increase 10 basis points		
Deposits with licensed banks	1,279	2,074
Commercial papers	(55,211)	(65,005)
Decrease 10 basis points		
Deposits with licensed banks	(1,279)	(2,074)
Commercial papers	55,211	65,005

42. 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 State Dollar RM	Australians 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 2011											
Ringgit Malaysia	111,232,259	9,666	(32,693)	778	1,858,490	-	641,075	(37,610)	850	(9,322)	113,663,493
United States Dollar	-	4,755,041	(1,171,850)	12,525,112	273,923	(1,557,259)	51,513,111	1,228,903	9,769,216	1,872	77,338,069
Hong Kong Dollar	(10,715,057)	(4,682,013)	40,932	-	(16,558)	(9,733)	-	(1,144)	-	55,774	(15,327,799)
Singapore Dollar	(964,494)	-	(14,429)	-	-	-	-	-	-	-	(978,923)
	99,552,708	82,694	(1,178,040)	12,525,890	2,115,855	(1,566,992)	52,154,186	1,190,149	9,770,066	48,324	174,694,840
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

The net unhedged financial assets of the Company that are not denominated in its functional currency as at 31 December 2011 amounted to RM138,372,206 (2010: RM140,653,129). As at reporting date, the Group had not entered into any forward foreign exchange contracts.

42. 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.

	Loss net of tax			
	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Strengthened 5%				
USD/RM	5,560,735	5,864,144	6,894,227	6,854,390
HKD/RM	32,037	183,047	8,815	154,263
HKD/USD	2,563,641	2,858,848	-	-
THB/USD	636,197	688,449	-	-
Peso/USD	471,326	744,260	-	-
USD/HKD	(535,787)	(364,758)	-	-
AUD/HKD	(234,101)	(229,250)	-	-
Weakened 5%				
USD/RM	(5,560,735)	(5,864,144)	(6,894,227)	(6,854,390)
HKD/RM	(32,037)	(183,047)	(8,815)	(154,263)
HKD/USD	(2,563,641)	(2,858,848)	-	-
THB/USD	(636,197)	(688,449)	-	-
Peso/USD	(471,326)	(744,260)	-	-
USD/HKD	535,787	364,758	-	-
AUD/HKD	234,101	229,250	-	-

43. 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 2011 and 31 December 2010.

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.

43. CAPITAL MANAGEMENT (Continued)

		Group		Company	
		2011	2010	2011	2010
	Note	RM	RM	RM	RM
Borrowings	33	106,585,066	128,319,331	83,614,794	96,643,698
Trade payables	36	50,912,384	52,270,101	-	-
Other payables	37	24,341,498	25,457,546	428,183	432,983
Liabilities of disposal group classified as held for sale, net of cash and bank balances	29	853,963	-	-	-
Less:					
Cash and cash equivalents	28	(32,504,477)	(21,175,313)	(2,204,501)	(2,783,969)
Net debt		150,188,434	184,871,665	81,838,476	94,292,712
Equity attributable to the owners of the parent, represent total capital		58,278,485	85,846,609	102,982,052	117,903,902
Capital and net debt		208,466,919	270,718,274	184,820,528	212,196,614
Gearing ratio		72%	68%	44%	44%

44. 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.

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring losses, such as goodwill impairment and the effects of share-based payments

44. SEGMENT INFORMATION (Continued)

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

Segment assets exclude tax assets and assets used primarily for corporate purposes.

Segment liabilities exclude tax liabilities and unallocated liabilities. Even though loans and borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors (e.g. funding requirements).

	Sales and marketing RM	Technical support and management RM	Leisure and entertainment RM	Others RM	Consolidated RM
2011					
Revenue:					
Total revenue	45,114,346	63,018,333	6,858,610	3,555,376	118,546,665
Inter-segment sales	-	-	-	(336,000)	(336,000)
Revenue from external customers	45,114,346	63,018,333	6,858,610	3,219,376	118,210,665
Results					
Segment results	3,172,945	(17,854,352)	(4,226,283)	(440,020)	(19,347,710)
Unallocated expenses					(3,479,172)
Finance costs					
- Reportable segments	(380,749)	(2,744,077)	-	(376,997)	(3,501,823)
- Unallocated					(6,067,714)
Share of results of jointly controlled entities	-	-	-	9,784	9,784
Share of results of associates	(478,740)	-	-	(4,512)	(483,252)
Loss before tax					(32,869,887)
Taxation					(94,817)
Loss for the financial year					(32,964,704)
Assets					
Segment assets	56,298,367	121,421,610	38,713,949	25,585,250	242,019,176
Investments in jointly controlled entities	-	-	-	238,873	238,873
Investments in associates	1,583,868	-	-	123,392	1,707,260
Unallocated assets					5,967,003
Total assets					249,932,312

44. SEGMENT INFORMATION (Continued)

	Sales and marketing RM	Technical support and management RM	Leisure and entertainment RM	Others RM	Consolidated RM
Liabilities					
Segment liabilities	56,100,459	54,083,781	4,680,183	6,526,468	121,390,891
Unallocated liabilities					63,941,118
Total liabilities					185,332,009
Other information					
Addition to non-current assets					
- Reportable segment	16,676	24,790,459	17,013	364,199	25,188,347
- Unallocated					40,695
					25,229,042
Interest income					
- Reportable segment	18	41,455	-	-	41,473
- Unallocated					64,726
					106,199
Depreciation and amortisation					
- Reportable segment	219,196	47,331,816	1,391,609	712,659	49,655,280
- Unallocated					146,997
					49,802,277
Impairment of non-financial asset					
- Reportable segment	23,025	12,605,342	1,493,603	-	14,121,970
- Unallocated					271,839
					14,393,809
Other non-cash items:					
- Reportable segment	(683,778)	741,849	453,560	84,589	596,220
- Unallocated					(1,966,808)
					1,370,588

44. SEGMENT INFORMATION (Continued)

	Sales and marketing RM	Technical support and management RM	Leisure and entertainment RM	Others RM	Consolidated RM
2010					
Revenue:					
Total revenue	69,185,702	70,722,419	15,330,484	3,705,729	158,944,334
Inter-segment sales	-	-	-	(330,000)	(330,000)
Revenue from external customers	69,185,702	70,722,419	15,330,484	3,375,729	158,614,334
Results					
Segment results	(919,303)	(30,650,117)	(15,673,529)	(703,973)	(47,946,922)
Unallocated expenses					(852,958)
Finance costs					
- Reportable segments	(1,283,312)	(4,720,595)	-	(180,717)	(6,184,624)
- Unallocated					(4,454,174)
Share of results of jointly controlled entities	-	-	-	(27,193)	(27,193)
Share of results of associates	(6,868)	-	-	3,697	(3,171)
Loss before tax					(59,469,042)
Taxation					562,644
Loss for the financial year					(58,906,398)
Assets					
Segment assets	73,908,937	160,367,505	42,705,111	19,914,838	296,896,391
Investments in jointly controlled entities	-	-	-	1,263,626	1,263,626
Investments in associates	2,108,583	-	-	129,322	2,237,905
Unallocated assets					7,279,669
Total assets					307,677,591
Liabilities					
Segment liabilities	65,406,485	73,542,790	10,732,709	7,565,074	157,247,058
Unallocated liabilities					57,550,740
Total liabilities					214,797,798

44. SEGMENT INFORMATION (Continued)

	Sales and marketing RM	Technical support and management RM	Leisure and entertainment RM	Others RM	Consolidated RM
Other information					
Addition to non-current assets					
- Reportable segment	265,586	14,397,508	2,289,380	350,737	17,303,211
- Unallocated					417,402
					17,720,613
Interest income					
- Unallocated					627,599
Depreciation and amortisation					
- Reportable segment	313,891	68,994,974	1,529,084	1,336,713	72,174,662
- Unallocated					165,002
					72,339,664
Impairment of non-financial asset					
- Reportable segment	235,589	7,237,325	-	-	7,472,914
- Unallocated					(16,117)
					7,456,797
Other non-cash items:					
- Reportable segment	1,458,477	1,124,804	267,816	554,850	3,405,947
- Unallocated					244,316
					3,650,263

44. 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	
	2011	2010	2011	2010
	RM	RM	RM	RM
The Philippines	47,447,530	57,719,131	34,170,811	48,717,025
Cambodia	35,252,660	45,611,710	54,752,104	80,077,665
Singapore	1,820,527	4,769,697	767,009	835,518
Malaysia	9,267,384	7,858,718	11,252,075	23,174,001
Laos	3,407,873	6,287,401	924,419	958,951
Macau	8,175,971	27,159,820	18,686,740	21,815,041
Vietnam	12,694,988	7,842,640	24,646	1,621,524
Other countries	143,732	1,365,217	541,456	(2,152)
	118,210,665	158,614,334	121,119,260	177,197,573

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

	Note	2011	2010
		RM	RM
Property, plant and equipment	14	120,300,979	176,161,655
Intangible assets	19	818,281	1,035,918
		121,119,260	177,197,573

Information about major customers

Revenue from major customers amounting to RM16,189,508 (2010: RM32,342,174) and RM11,724,434 (2010: RM16,838,615) arose from sales and marketing segment and technical support and management segment respectively.

45. DIVIDENDS

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

46. SIGNIFICANT EVENTS DURING THE YEAR

(a) During the financial year, the Company had issued a total of 139,400 ordinary shares of RM0.10 each for cash pursuant to the Company's ESOS at a weighted average issue price of RM0.10 per ordinary share.

(b) Macrocept Sdn. Bhd. increased its equity interest in Chateau de Bavet Club Co., Ltd. from 60% to 70.74% via subscription of rights issue amounting to USD12,730,503 (RM42,231,659). On 22 June 2011, MCSB has entered into an agreement to dispose of 32% equity interest in CDBC over a period of 36 months.

(c) Mekong Recreation Club Ltd. was de-registered from the Commercial Registrar of the Ministry of Commerce on 6 March 2012.

(d) On 21 June 2011, RGB Sibel International Sdn. Bhd. ("RSISB") had applied to Companies Commission of Malaysia to be struck off from the register of company.

47. 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 followings:

(a) The Company granted options over the ordinary shares amounting to 3,290,100 to eligible employees of the Group at an exercise price of RM0.10 per share under the Company's ESOS on 13 February 2012.

(b) On 6 April 2012, RSISB received a notice from CCM that at the expiration of three months from the date of the notice, the name of the company will unless cause is shown to the contrary, be struck off the register and the company will be dissolved.

48. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 13 April 2012.

49. 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 2011 into realised and unrealised losses is presented in accordance with directive issued by Bursa Securities dated 25 March 2011 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 2011 RM	Company 2011 RM
Total accumulated losses of the Company and subsidiaries:		
- Realised	(126,035,079)	(26,099,743)
- Unrealised	4,238,564	(623,616)
Total share of accumulated losses from jointly controlled entities:		
- Realised	(58,125)	-
- Unrealised	547	-
Total share of retained profits from associates:		
- Realised	922,337	-
- Unrealised	(568,234)	-
	(121,499,990)	(26,723,359)
Add: Consolidation adjustments	73,206,171	-
Accumulated losses as per financial statements	(48,293,819)	(26,723,359)

LIST OF GROUP PROPERTIES
AS AT 31 DECEMBER 2011

	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	29	113	546,761	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	38	1,035.03	1,428,150	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	38	1,109.71	1,280,882	-
	Data Touch Sdn. Bhd.							
4.	No. 8 Green Hall 10200 Penang Malaysia	Land & Building	Office	In Perpetuity	33	2,387.16	3,326,095	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	3	23,727	32,209,810	-
	Total						**38,791,698**	

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

LIST OF ASSOCIATE'S PROPERTIES
AS AT 31 DECEMBER 2011

	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	5	128	329,370	-
2.	No. 1, National Road Bavet Commune Chantrea District Svay Rieng Province Kingdom of Cambodia	Land	Hotel & Casino	Freehold	-	-	3,807,000	-
	Total						**4,136,370**	

Utilisation of Proceeds
There were no proceeds raised from any corporate proposals during the financial year.

Share Buy-backs
During the financial year, the Company has not conducted any share buy-backs.

Options, Warrants or Convertible Securities
During the financial year ended 31 December 2011, a total of 139,400 options over ordinary shares were exercised pursuant to the ESOS.

The aggregate options granted to, exercised by and outstanding to directors and chief executive during the financial year 2011 and since the commencement of the ESOS are as follows:

Directors and Chief Executive	Aggregate options granted	Aggregate options exercised	Aggregate options outstanding
During the financial year 2011	-	-	-
Since the commencement of the ESOS	42,000,000	-	42,000,000

The aggregate maximum and actual allocation of the ESOS to directors and senior management during the financial year 2011 and since the commencement of the ESOS are as follows:

Directors and senior management	Aggregate maximum allocation (%)	Actual allocation (%)
During the financial year 2011	-	-
Since the commencement of the ESOS	47.78	45.17

A breakdown of the options granted to and vested in non-executive directors for the financial year 2011 is as follows:

Non-Executive Directors	Amount of options granted (RM)	Amount of options vested (RM)
Ooi Teng Chew	-	100,000
Dato' Mahinder Singh Dulku, DSPN, PKT	-	100,000
Ng Eng Tong	-	-
Total	-	200,000

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

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

Non-audit Fees
During the year non-audit fees amounting to RM8,086 were paid by the Company and its subsidiaries to the Company's external auditors and its affliates as professional fees.

Variation in Results
There was no significant variance between the results for the financial year and the unaudited results previously announced.

ADDITIONAL COMPLIANCE INFORMATION

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.

STATISTICS OF SHAREHOLDINGS
AS AT 13 APRIL 2012

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	% of Shares
1 - 99	10	0.15	373	0.00
100 - 1,000	154	2.30	110,200	0.01
1,001 - 10,000	2,342	34.96	13,928,415	1.21
10,001 -100,000	3,241	48.39	137,294,917	11.93
100,001 - 57,559,454 (*)	949	14.17	512,972,919	44.56
57,559,455 and above (**)	2	0.03	486,882,276	42.29
Total	6,698	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**	**% of Shares**	**No. of Shares**	**% of Shares**
Datuk Chuah Kim Seah, JP	337,850,290	29.35	1,603,800 [a]	0.14
Gerak Juara Sdn Bhd	149,031,986	12.95	-	-
Mazlan Ismail	1,740,000	0.15	149,031,986 [b]	12.95
Ahmad Anwar Bin Mohd Nor	-	-	149,031,986 [b]	12.95

[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.

Directors' interests in the ordinary shares of the Company

Name	Direct Interest No. of Shares	Direct Interest % of Shares	Indirect Interest No. of Shares	Indirect Interest % of Shares	No of unexercised ESOS options ~
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 Ismail	1,740,000	0.15	149,031,986 [b]	12.95	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
Ng Eng Tong	-	-	-	-	-

[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 2012

No.	Name	No. of Shares	%
1	GERAK JUARA SDN BHD	132,938,816	11.55
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	CHUAH KIM CHIEW	26,764,194	2.33
6	LEE WEI MING	18,000,000	1.56
7	LEE WEI TAT	16,900,000	1.47
8	GERAK JUARA SDN BHD	16,093,170	1.40
9	GOH SIN TIEN	13,869,000	1.21
10	YEOH MEI MEI	12,000,000	1.04
11	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MOHAMMED AZLAN BIN HASHIM	10,000,000	0.87
12	VERSTRAETEN ERIC E.M.	9,219,500	0.80
13	HDM NOMINEES (TEMPATAN) SDN BHD HDM CAPITAL SDN BHD FOR TAN KOO CHING	8,000,000	0.70
14	LIM TOW BOON	5,434,500	0.47
15	UNG CHI FONG	5,361,400	0.47
16	ALLIANCE GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SHANMUGAM A/L THOPPALAN (8069535)	5,000,000	0.43
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	OSK NOMINEES (TEMPATAN) SDN BERHAD PLEDGED SECURITIES ACCOUNT FOR WONG TOW FOCK	3,276,000	0.29
21	ALLIANCE GROUP 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	RAVI SHANGAR A/L SINNAMUTHU	3,001,000	0.26
24	TEH SIN ENG	3,000,000	0.26
25	CHEAH HONG INN (SENDIRIAN) BERHAD	3,000,000	0.26
26	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	2,967,000	0.26
27	LIM LAY HONG	2,925,000	0.25
28	AFFIN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KWEE ENG (TAN1125C)	2,800,000	0.24
29	TEO SOON HENG	2,630,000	0.23
30	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	2,550,000	0.22
	TOTAL:	662,443,270	57.55

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 9th Annual General Meeting of the Company will be held at The Gurney Resort Hotel & Residences, 18 Persiaran Gurney, 10250 Penang, Malaysia on Monday, 28 May 2012 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 2011 and the Reports of Directors and Auditors thereon.

2. To approve the payment of Directors' Fees of RM194,000 for the financial year ended 31 December 2011. Resolution 1

3. To re-elect the following directors retiring in accordance with the Company's Articles of Association:
   - Article 100(1)
     - (a) Mr. Mazlan Ismail Resolution 2
     - (b) Mr. Lim Tow Boon Resolution 3
     - (c) Mr. Chuah Eng Hun Resolution 4
   - Article 107
     - (d) Mr. Ng Eng Tong Resolution 5

4. To re-appoint Messrs. BDO as Auditors of the Company and to authorise the Directors to fix their remuneration. Resolution 6

As Special Business:

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

5. **Ordinary Resolution 1** Resolution 7
   Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares

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

6. **Ordinary Resolution 2** Resolution 8
   Proposed grant of options to Mr. Ng Eng Tong, the Independent Non-Executive Director

   "THAT the Board of Directors of the Company be and is hereby authorised, at any time and from time to time, to offer and grant to Mr. Ng Eng Tong, the Independent Non-Executive Director, options to subscribe for up to a maximum entitlement of new shares of the Company subject to such terms and conditions as stipulated in the Bye-Laws governing and constituting the Employees' Share Option Scheme launched on 21 October 2009 as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the said Bye-Laws."

7. **Ordinary Resolution 3** Resolution 9
Proposed Amendments to the Bye-Laws of the Employees' Share Option Scheme

"THAT the Bye-Laws of the Employees' Share Option Scheme be amended in the manner as set out in the Appendix 1 to this Annual Report be and are hereby approved and adopted AND THAT the Directors and/ or Secretary be and are hereby authorised to take all such steps as are necessary and expedient in order to implement, finalise and give full effect to the said proposed amendments."

8. **Special Resolution** Resolution 10
Proposed Amendments to the Company's Articles of Association

"THAT the alterations, modifications, additions and deletions to the Company's Articles of Association as set out in Appendix 2 to this Annual Report be and are hereby approved and adopted AND THAT the Directors and/ or Secretary be and are hereby authorised to take all such steps as are necessary and expedient in order to implement, finalise and give full effect to the said proposed amendments."

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

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this 9th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd., in accordance with Article 65(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 to issue a General Meeting Record of Depositors as at 21 May 2012. Only a depositor whose name appears on the Record of Depositors as at 21 May 2012 shall be entitled to attend the said meeting or appoint proxy/proxies to attend and/or vote on his/her behalf.

By Order of the Board

WOON MEI LING (MAICSA 7047736)
MAXINE LEE YAP KUAN (MAICSA 7003482)
Joint Company Secretaries

Penang
30 April 2012

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 authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account its holds.

Explanatory Note on Special Business

Resolution 7 – Authority to Issue Shares

The proposed Resolution 7, 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 AGM.

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 AGM held on 25 May 2011 and which will lapse at the conclusion of the 9th AGM.

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

Resolution 8 – Proposed grant of options to Mr. Ng Eng Tong, the Independent Non-Executive Director

The proposed Resolution 8, if passed, will empower the Board of Directors to offer and grant to Mr. Ng Eng Tong options to subscribe for up to a defined maximum entitlement of new shares of the Company subject to such terms and conditions as stipulated in the Bye-Laws of the Employees' Share Option Scheme.

Resolution 9 – Proposed Amendments to the Bye-Laws of the Employees' Share Option Scheme

The proposed Resolution 9, if passed, will allow change to the aggregate allocation of options to the Executive Directors and Non-Executive Directors of the Company and senior management of the Group from 50% to 60%. The increase in percentage of allocation will allow the Company to reward the directors and senior management for their contribution.

Resolution 10 – Proposed Amendments to the Company's Articles of Association

The proposed Resolution 10, if passed, will allow the Company's Articles of Association to reflect the recent amendments made to Chapter 7 of the Main Market Listing Requirements of Bursa Securities.

STATEMENT ACCOMPANYING NOTICE OF 9TH ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.27(2) OF BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

No individual is seeking election as a Director at the forthcoming 9th AGM of the Company.

Appendix 1

Proposed Amendments to the Bye-Laws of the Employees' Share Option Scheme

The details of the proposed amendments to the Bye-Laws of the Employees' Share Option Scheme of the Company are as follows:

Reference	Existing Articles	Proposed Amendments
Bye-law 1	Name of New Scheme This Scheme shall be called the "Dreamgate Corporation Bhd.'s Employees' Share Option Scheme".	Name of New Scheme This Scheme shall be called the "**RGB International Bhd.'s** Employees' Share Option Scheme".
Bye-Law 3.1	Dreamgate or the Company: Dreamgate Corporation Bhd. (603831-K), a company incorporated in Malaysia.	**RGB** or the Company: **RGB International Bhd.** (603831-K), a company incorporated in Malaysia.
Bye-Law 6.1(b)	that the aggregate allocation to the Executive Directors and Non-Executive Directors of Dreamgate and senior management of the Dreamgate Group must not exceed fifty percent (50%) of the total number of new Dreamgate Shares available under the Scheme; and	that the aggregate allocation to the Executive Directors and Non-Executive Directors of **RGB** and senior management of the **RGB** Group must not exceed **sixty percent (60%)** of the total number of new **RGB** Shares available under the Scheme; and

Appendix 2

Proposed Amendments to the Company's Articles of Association

The details of the proposed amendments to the Articles of Association of the Company are as follows:

Reference	Existing Articles	Proposed Amendments
New Article 2(ii)	No provision.	**Exempt authorised nominee means an exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.**
New Article 2(jj)	No provision.	**Omnibus Account means Securities Account in which ordinary shares are held in the Company for multiple beneficial owners in one securities account.**
New Article 2(kk)	No provision.	**Share Issuance Scheme means a scheme involving a new issuance of shares to the employees.**

Reference	Existing Articles	Proposed Amendments
Article 4(d)	Subject always to the provisions of the Listing Requirements, every issue of shares or options to employee and/or Directors of the Company and its subsidiaries under an employee share option scheme shall be approved by the members in a general meeting, provided always that no Director shall participate in such scheme unless the members in general meeting have approved the specific allotment made to such Director. For the purpose of this Article, Directors shall include executive and non-executive directors.	Subject always to the provisions of the Listing Requirements, every issue of shares or options to employee and/or Directors of the Company and its subsidiaries under an employee share option scheme shall be approved by the members in a general meeting, provided always that no Director shall participate in **an issue of shares to employees and any participation in Share Issuance Scheme** unless the members in general meeting have approved the specific allotment made to such Director. For the purpose of this Article, Directors shall include executive and non-executive directors.
Article 92	**Article 92** The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised. The Directors may, but shall not be bound to require evidence of the authority of any such attorney or officer. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) & (c) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.	**Article 92** The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised. The Directors may, but shall not be bound to require evidence of the authority of any such attorney or officer. A proxy may but need not be a member of the Company. **There shall be no restriction as to the qualification of the proxy** and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) & (c) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. **A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.**
New Article 94 Notes: 7	No provision.	**Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.**

FORM OF PROXY

No. of Shares
CDS Account No.

RGB International Bhd. (603831-K)
(Incorporated in Malaysia)

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

of ....
(FULL ADDRESS)

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

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

of..
(FULL ADDRESS)

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

of ....
(FULL ADDRESS)

or failing *him/her, the *CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us and on *my/our behalf at the 9th Annual General Meeting of the Company to be held at The Gurney Resort Hotel & Residences, 18 Persiaran Gurney, 10250 Penang, Malaysia on Monday, 28 May 2012 at 10.00 am and at any adjournment thereof.

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

RESOLUTIONS	1	2	3	4	5	6	7	8	9	10
FOR										
AGAINST										

Signed this .... day of 2012

	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 authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account its holds.

* Strike out whichever is not applicable.

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Affix
Stamp

The Company Secretaries

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

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