



*Dreamgate Corporation Bhd*  
(603831-K)

**ANNUAL REPORT**  
**2004**





## Our Vision

To be a total technology solutions provider of choice  
for Asia's gaming and amusement industry.

## Our Mission

To be steadfast in maintaining our leadership as one  
of Asia's leading total solutions providers for the  
gaming and amusement industry.

A nighttime cityscape featuring a prominent skyscraper, likely the Petronas Towers, illuminated with lights. The sky is dark with several bright, starburst-like fireworks or light trails. The overall color palette is dominated by blues and purples, with the lights of the buildings providing contrast.

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# CORPORATE INFORMATION

## Board of Directors

Chairman / Independent Non-Executive Director

Ooi Teng Chew

Managing Director

Datuk Chuah Kim Seah, JP

Executive Directors

Mazlan Bin Ismail

Chuah Kim Chiew

Steven Lim Tow Boon

Wong Chee Fai

Independent Non-Executive Director

Chng Hee Kok

## Company Secretaries

Lee Peng Loon (LS00405)

Lee Yap Kuan (MAICSA7003482)

## Registered Office

51-21-A, Menara BHL Bank,  
Jalan Sultan Ahmad Shah,  
10050 Penang, Malaysia.

Tel : 604-227 6888

Fax : 604-229 8118

## Share Registrars

Symphony Share Registrars Sdn. Bhd.

(Formerly known as Malaysian Share Registration Services Sdn. Bhd.)

Level 26, Menara Multi Purpose,

Capital Square,

No. 8, Jalan Munshi Abdullah,

50100 Kuala Lumpur, Malaysia.

Tel : 603-2721 2222

Fax : 603-2721 2530 / 2721 2531

## Auditors

UHY Diong (AF 1411)

Chartered Accountants

## Principal Bankers

Malayan Banking Berhad

Maybank International (L) Ltd.

Hong Leong Bank Berhad

## Stock Exchange Listing

Mesdaq Market of Bursa Malaysia Securities Berhad

## Sponsor

Aseambankers Malaysia Berhad

31<sup>st</sup> Floor, Menara Maybank,

100, Jalan Tun Perak,

50050 Kuala Lumpur, Malaysia.

Tel : 603-2059 1888

Fax : 603-2070 6521 / 2078 4220

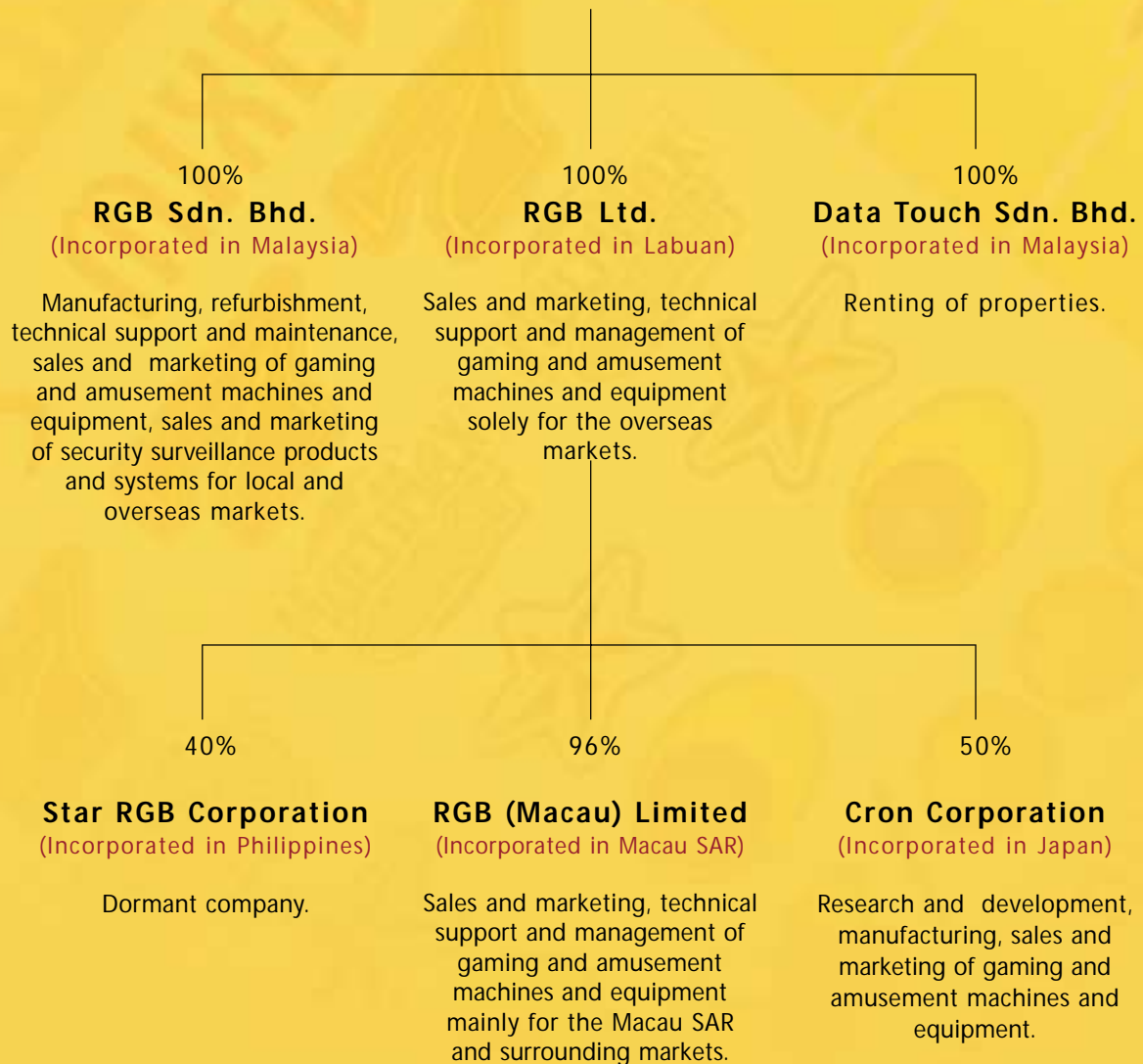


# CORPORATE STRUCTURE

## Dreamgate Corporation Bhd.

(Incorporated in Malaysia)

Investment Holding Company





## FINANCIAL HIGHLIGHTS

### Proforma Consolidated Income Statement From 31 Dec 2001 To 31 Dec 2003 And Audited Consolidated Income Statement For Year Ended 31 Dec 2004

	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Revenues	51,549	42,658	80,963	115,347
EBITDA*	11,090	12,601	17,069	26,480
Depreciation	1,943	2,405	3,051	7,780
Interest	360	324	283	251
Pretax Profit	8,787	9,872	13,735	18,449
Taxation	(378)	(425)	(1,076)	(211)
Minority Interest	-	-	1	-
Net Profit	8,409	9,447	12,660	18,238
EBITDA* Margin	22%	30%	21%	23%
Pretax Profit Margin	17%	23%	17%	16%
Shares Outstanding	205,572**	205,572**	205,572**	280,000
EPS (Sen)***	4.09	4.60	6.16	6.53
Revenue Growth	53%	-17%	90%	42%
Net Profit Growth	235%	12%	34%	44%

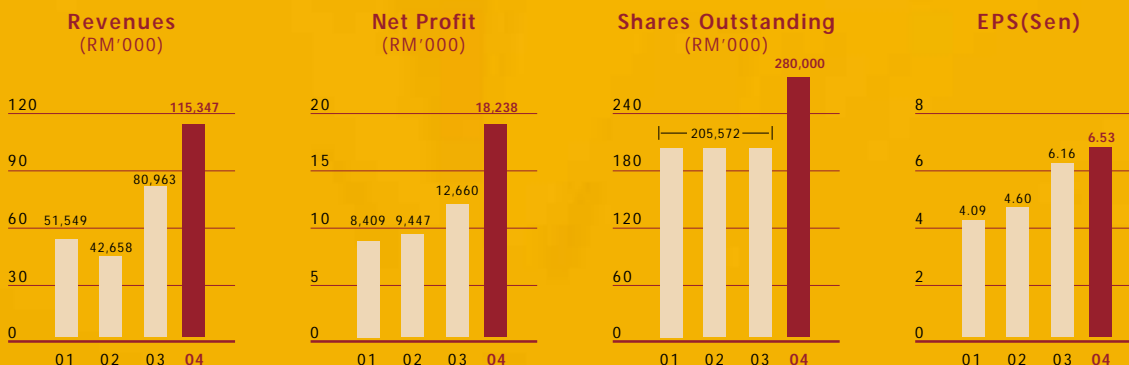
\* Earnings Before Interest, Taxation, Depreciation & Amortisation.

\*\* Represent no. of shares in issue after acquisitions of subsidiary companies by Dreamgate Corporation Bhd.

\*\*\* Calculated based on Net Profit and Shares Outstanding.

### Proforma Consolidated Segmental Information From 31 Dec 2001 To 31 Dec 2003 And Audited Consolidated Segmental Information For Year Ended 31 Dec 2004

	2001 RM'000	2002 RM'000	2003 RM'000	2004 RM'000
Sales & Marketing	40,890	28,570	59,887	89,047
Technical Support & Management	10,051	13,601	14,796	26,134
Others	608	487	6,280	166
Revenues	51,549	42,658	80,963	115,347
Sales & Marketing	4,498	3,571	6,588	8,539
Technical Support & Management	4,422	6,393	6,806	12,881
Others	(133)	(92)	341	(2,971)
Pretax Profit	8,787	9,872	13,735	18,449





## BOARD OF DIRECTORS



### **Standing (from left) :**

**Wong Chee Fai**  
Executive Director

**Chuah Kim Chiew**  
Executive Director

**Chng Hee Kok**  
Independent Non-Executive Director

**Steven Lim Tow Boon**  
Executive Director

### **Sitting (from left) :**

**Mazlan Bin Ismail**  
Executive Director

**Ooi Teng Chew**  
Chairman /  
Independent Non-Executive Director

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



## PROFILE OF DIRECTORS

### **Ooi Teng Chew**, age 59

Chairman / Independent Non-Executive Director

Mr. Ooi Teng Chew, a Malaysian, is the Chairman/Independent Non-Executive Director of the Company. He is a qualified accountant with over 25 years experience in public practice as a partner in Ernst & Young. He retired from Ernst & Young in 2001. He currently serves as a Non-Executive Director of SBB Asset Management Sdn. Bhd., a wholly-owned sub-subsidiary of Southern Bank Berhad.

He is also the Chairman of the Company's Audit Committee and Nomination Committee and a member of Remuneration Committee of the Company.

Mr. Ooi does not have any family relationship with any director and/or major shareholder of the Company.

### **Datuk Chuah Kim Seah, JP**, age 52

Managing Director

Datuk Chuah Kim Seah, JP, a Malaysian, is the Managing Director of the Company. He is a qualified accountant with many years experience in public practice. He is a member of the Association of Chartered Certified Accountants and the Malaysian Institute of Accountants. He has an extensive experience in the amusement and gaming machines industry.

Datuk Chuah is the driving force behind the Company's growth since its early days as a private limited company right through the present time and possesses in-depth knowledge on the overall operation of the Group. Currently, he is responsible for the overall management and development of strategic direction of the Group and is a member of the Remuneration Committee of the Company.

Datuk Chuah is the elder brother of Mr. Chuah Kim Chiew who is the Executive Director of the Company.

### **Mazlan Bin Ismail**, age 42

Executive Director

Encik Mazlan Bin Ismail, a Malaysian, is an Executive Director of the Company. He obtained a Diploma in Management from the Malaysian Institute of Management in 1998 and is an associate member of the Malaysian Institute of Management since 1999.

He started his career in 1988 as a senior audit assistant at Chuah & Associates and in 1997, he joined Institute Teknologi Dan Pengurusan Lebu Victoria Sdn. Bhd., a higher learning institute as a director.





## PROFILE OF DIRECTORS

He is heading the Group's Corporate and Administration Division and is responsible for compliance issues, investor relations, human resource and property management of the Group. He is also a member of the Audit Committee of the Company.

Encik Mazlan does not have any family relationship with any director and/or major shareholder of the Company.

### **Chuah Kim Chiew**, age 42

**Executive Director**

Mr. Chuah Kim Chiew, a Malaysian, is an Executive Director of the Company. He graduated with a Bachelor in Business Administration from the University of Waseda, Tokyo, Japan in 1988. He has 17 years of experience in the gaming and amusement machines industry.

His responsibility is to lead and manage the Group's Technology Division and he is a member of the Nomination Committee of the Company.

He is the youngest brother of Datuk Chuah Kim Seah.

### **Steven Lim Tow Boon**, age 44

**Executive Director**

Mr. Steven Lim Tow Boon, a Malaysian, is an Executive Director of the Company. He graduated in 1985 with a Bachelor of Arts Degree, majoring in Administrative Studies from Brock University, Canada. He was the general manager of RGB Sdn. Bhd. (RGBSB) before assuming directorships in RGBSB and RGB Ltd. in 1999. Overall, he has accumulated 16 years of experience in the gaming and amusement machines industry.

His responsibilities include managing the Sales & Marketing Division and Technical Support & Management Services Division as well as business development of the Group.

Mr. Steven Lim does not have any family relationship with any director and/or major shareholder of the Company.



## PROFILE OF DIRECTORS

### **Wong Chee Fai**, age 51

Executive Director

Mr. Wong Chee Fai, a Malaysian, is an Executive Director of the Company. He started his career in 1974 as a director of Yansoon Sdn. Bhd., a trading company before leaving in 1994 to join RGSB and hence has been in the industry for 10 years.

He is in charge of the licensing, regulatory compliance and overall operations of the Group's regional office in Kuala Lumpur.

Mr. Wong does not have any family relationship with any director and/or major shareholder of the Company.

### **Chng Hee Kok**, age 57

Independent Non-Executive Director

Mr. Chng Hee Kok, a Singaporean, is an Independent Non-Executive Director of the Company. He graduated with a Bachelor of Engineering (Mechanical) from the University of Singapore in 1972. He obtained a Masters in Business Administration from the National University of Singapore in 1984.

He was a member of the Parliament of Singapore from 1984 to 2001 and was a Board Member of the Sentosa Development Corporation, Singapore and the Public Utilities Board, Singapore. At present, he is the Chief Executive Officer of NTUC Club. He is a director of various public listed corporations in Singapore, such as Auston International Group Ltd., Brilliant Manufacturing Ltd., Compact Metal Industries Ltd., Cytech Software Ltd., Full Apex (Holdings) Ltd., Pacific Century Regional Developments Ltd., People's Food Holdings Ltd. and Samudera Shipping Line Ltd..

He is the Chairman of the Company's Remuneration Committee and also a member of Audit Committee and Nomination Committee of the Company.

He does not have any family relationship with any director and/or major shareholder of the Company.



## CHAIRMAN'S STATEMENT

### Dear Shareholders,

It is my pleasure to present to you the Annual Report for the year ended December 31, 2004.

#### Financial Performance

For the year under review, the Group registered a record profit after tax of RM18.24 million on a turnover of RM115.35 million. This marks an impressive 44% increase in profit after tax in comparison to the previous corresponding year's proforma profit after tax of RM12.67 million on a proforma turnover of RM80.96 million.

The significant increase in profit for the Group was achieved against a background of the continuing liberalization of the gaming industry in the region, the ability of the Technical Support and Management Services (TSM) Division to introduce highly innovative and unique games and machines into specific markets in the region and the active sales promotion of an extensive product range which we represent through existing and new strategic alliances with various globally established brands.

I am glad to inform you that the Board of Directors have recommended the payment of a final dividend of 1 sen per ordinary share, less 28% tax, amounting to RM2,016,000.00 (net) subject to approval by shareholders. This dividend will be tax exempt in the hands of shareholders.

While the Group intends to continuously add value to our shareholders, the Directors also acknowledge the fact that the success of a company is dependent on the performance and morale of its staff and management. Towards this end, the Executive Directors have agreed to implement an Employee Share Option Scheme in the coming financial year, subject to shareholders' approval.

Details of the Group's significant events or transactions during the year are disclosed under "Review of Operations" and "Corporate Highlights".

Key brand distributed by RGB



The latest WMS Bluebird Machine was made available in Asia in a number of locations in 2004



## CHAIRMAN'S STATEMENT



### Research Facilities and Technology Development

For the year ended 2004, the Group incurred about RM432,000 on research and development expenditure, mainly to send engineers for training overseas and to purchase related research and development equipment. Also our associated company in Japan incurred about RM2 million to produce a number of games and a prototype machine.

Details of our technology developments are covered under "Review of Operations" pages 17, 18 and 19.

### Corporate Proposals

In January 2004, the Company raised RM37.2 million from its listing exercise. Out of the RM19.8 million approved to be utilised in 2004, the Group utilised RM17.1 million comprising RM13 million for overseas expansion, RM1.8 million on listing expenses, RM432,000 on research and development expenditure and the balance on working capital, branding, etc. A balance of RM2.7 million will be carried forward to 2005.

### Outlook

The continuing liberalization of the gaming and amusement industry in this region has attracted investors from all over the world who are aware of the industry's earnings potential. There is now a rush to set up additional casinos all over the region, including Singapore, to cater to Asian's favourite pastime. All these developments present the Group with an excellent opportunity to source for new business in order to maximize shareholders' value.

The positioning of the Group as a leading gaming and leisure industry participant that truly understands and is able to cater to the Asian tastes and our commitment to building long-term relationships with our customers and business partners in this sector will sustain continued growth for the Group.

Key brand distributed by RGB



**STARGAMES**

A 24 station of Rapid Roulette from Stargames was introduced to Asia in a number of locations in 2004



### Acknowledgement

I wish to express my sincere appreciation and gratitude to my fellow board members for their commitment and astute business management. On behalf of the Board, I thank the management and staff for their dedicated service and our customers, business partners and associates, and shareholders for their continued support.

**Ooi Teng Chew**  
Chairman



## 主席献词

敬爱的股东，

我欣慰的在此呈献给您截至2004年12月31日的年度报告书。

### 财政表现

于2004财政年，本集团创下了税后1824万令吉盈利；营业额达1亿1535万令吉的记录，比往年同时期的8096万令吉估计营业额和估计税后盈利的1267万令吉增长了44%，表现卓越。

本集团的盈利之所以显著增加，全赖于区域性逐渐放宽的博彩业条例；本集团技术支援与服务管理部门有效的推介崭新独特的博彩游戏和机器于本区域具展望的特有市场，以及通过现有和新的联盟，大力推广销售各项国际知名品牌的产品系列。

我愉快的宣布，若股东们应允，董事会提议分发扣除28%税务后，总值201.6万令吉(净值)，每股一仙的年终股息。股东们所获得的股息是免税的。

本集团在持续努力使股东们获取更多利益的同时，董事会也了解到公司的成败有赖于员工及管理层的表现与士气。为了表扬员工的奉献精神，若股东们应允，执行董事已赞成在即将来临的财政年实施员工认购股票计划。

澳日美有限公司分销的主要品牌

在这一年里，集团详细的主要活动或事务将公布在运作检讨和集团主题里。



亚洲市场推出最崭新的WMS  
Bluebird角子机





## 主席献词



### 研究与开发设备及工艺发展

于2004年, 本集团投资4万32千令吉在研究与开发活动, 主要是开支在派送工程师前往外国训练以及添置研究与开发的器具。而本集团的日本生意伙伴也注入了2百万令吉以开发多样化游戏的角子机。

### 集团计划

在2004年1月, 本公司上市后得到3720万令吉的收益。1980万令吉允许用于2004年, 本集团运用了1300万令吉发展外国业务, 上市销费共180万令吉, 4万32千令吉于研究与开发活动。而余下的运用在流动金和推广品牌。截至2004所余下的270万令吉收益会转移至2005年。

### 展望

本区域持续放宽的博彩与娱乐业吸引了来自世界各地看好本行业具增值潜能的投资者。娱乐场所纷纷在本区域包括新加坡在内设立以提供亚洲人喜爱的休闲娱乐。这些进展皆为本集团带来开发新业务的极佳机会, 从而增加股东们的获益。

身为深切了解及能迎合亚洲人喜好的博彩与休闲业的佼佼者, 以及秉持着与客户和商业伙伴建立长远的良好关系的承诺, 本集团肯定能够持续稳健成长。

澳日美有限公司分销的主要品牌

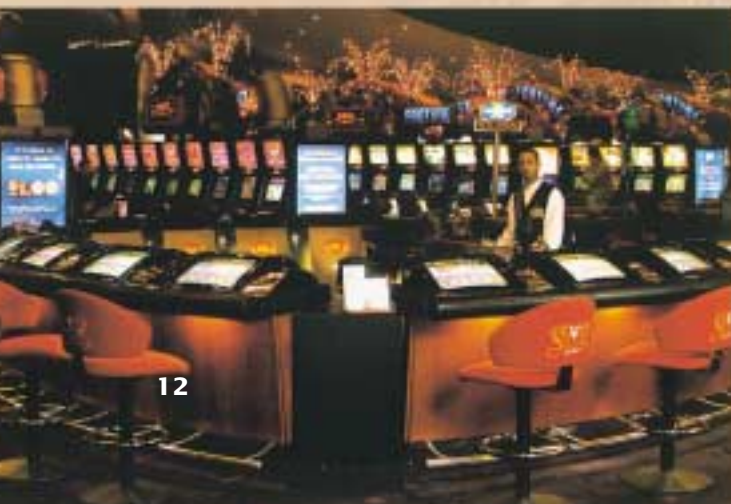
**STARGAMES**

在亚洲市场推出24座式轮盘电子角子机

### 感言

我诚恳地感激本委员会成员的努力及精明的商业管理。我谨代表委员会向管理层和员工们的贡献表示感激, 并对客户、商业伙伴、联盟与股东们的继续支持表达谢意。

黄腾洲  
董事主席





# REVIEW OF OPERATIONS



## Dear Shareholders,

Additional brand distributed by RGB during the year

Clearly, our long term corporate strategies are delivering results with the fact that the Group has recorded a significant increase in profit after tax on a year-on-year basis.

With positive contributions from all our divisions and the excitement that Asia's gaming and leisure sector continue to hold for Dreamgate, we remain committed on our strategic two-pronged direction to grow our business in the markets where we have already established a firm foothold and to leverage on our expertise to enter new markets in the Asia Pacific region.

These strategic objectives require the Group to continually focus its efforts on several key elements including the introduction of new products and brands, a keen focus on research and development (R&D), investing in human capital to strengthen our skills-set and opening new regional offices and manufacturing facilities.

These elements are integral to positioning the Group as a leading gaming and leisure industry participant that truly understands and is able to cater to the Asian tastes and needs.

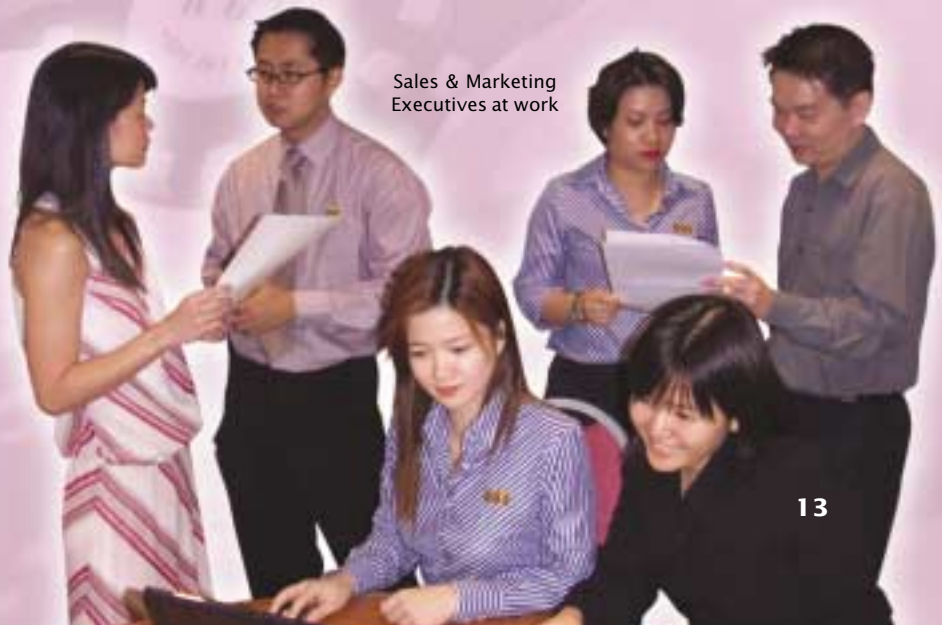
## Sales and Marketing Division

The Group distributes an extensive and wide range of internationally recognized products and services for the gaming and amusement industry. This Division performed encouragingly during the year under review, achieving a 29% increase in pre-tax profit to RM8.5 million on a turnover of RM89 million as compared with a proforma pre-tax profit of RM6.6 million on a turnover of RM 59.9 million recorded in the previous corresponding year.

To further enhance our product range, the Group entered into new strategic alliances with various globally established brands in 2004.

For example, Shuffle Master GmbH & Co KG, a leading European-based group, appointed the Group as its sole and exclusive distributor and agent in Asia. We are also distributing various products for Dolphin Products Pty. Ltd. from Australia in Asia.

Additional brand distributed by RGB during the year



Sales & Marketing Executives at work



## REVIEW OF OPERATIONS



In 2004, the Group successfully installed the Atronic Systems' Wide Area Progressive (WAP) Jackpot system for the NTUC Clubs in Singapore. The system has substantially increased the income contribution to the clubs. Further to the installation of this system, the Group has also been appointed to provide continuous maintenance support of the system for these clubs.

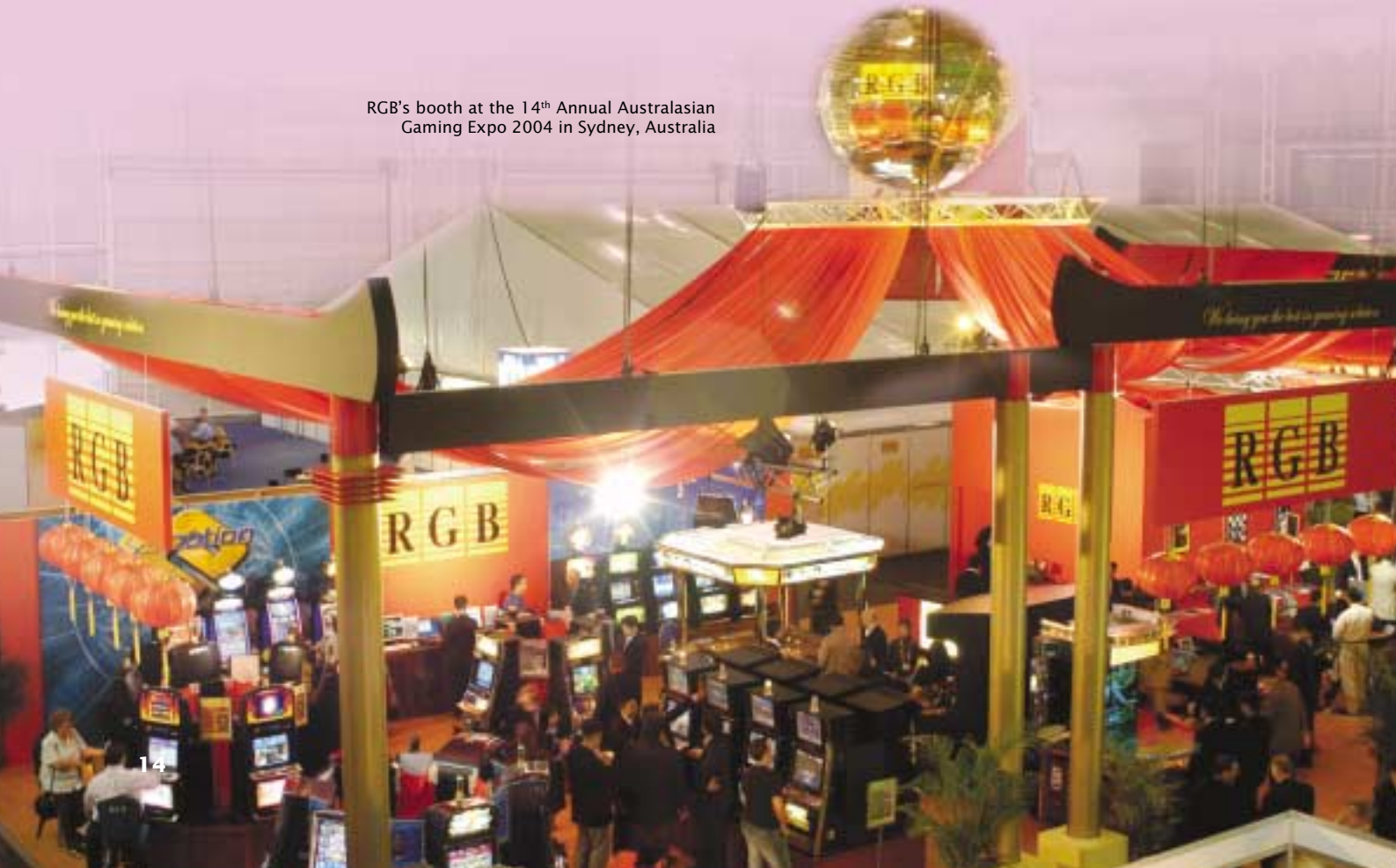


Atronic Systems' WAP Jackpot system

A clear reflection of the viability of the markets we serve is evident in the number of gaming machines sold in 2004 where on a year-on-year comparison, we have seen a 40% increase in orders for machines. The Group secured orders for 2400 machines of which approximately 1400 machines were purchased by our customers while the remaining 1000 machines were supplied under technical support and management contracts to our customers.

During the year, the Company exhibited at 4 international trade shows held at Macau SAR, Sydney and Singapore. These exhibitions have further increased the demand and exposure of the Company's innovative and technically advanced products to new and emerging markets.

RGB's booth at the 14<sup>th</sup> Annual Australasian Gaming Expo 2004 in Sydney, Australia





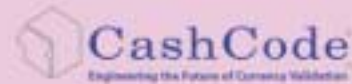


## REVIEW OF OPERATIONS



Staff at work in Phnom Penh office

New TSM placement venue in Cambodia



Key brands distributed by RGB

In 2004, the Group established a regional office in Phnom Penh, Cambodia, to meet the demand for our products and services in the Indochina region. This new office now has a staff strength of 7 Cambodians and expatriates.

In addition, the Group has also employed an American citizen as a Regional General Manager of Sales and Marketing based in Singapore. The appointee has a wealth of experience in the gaming and leisure industry, and he will focus on increasing our sales and services to existing and new customers in Macau SAR and Singapore.

### Technical Support and Management Services Division

This Division offers our customers value-added services based on our technical and management expertise and in return we participate in the income generated.

This Division thus provides the Group with sustainable recurrent earnings in an ever competitive environment in this region.

During the year under review, pre-tax profit and turnover of the Division increased by 90% and 76% respectively to register a pre-tax profit of RM12.9 million on a turnover of RM26.1 million, as compared with the previous corresponding year's pro-forma pre-tax profit of RM6.8 million on a turnover of RM14.8 million.



Latest & highly innovative gaming machines placed & managed by RGB in one of the venues in Cambodia





## REVIEW OF OPERATIONS



Introduction of Holiday Millionaire - High Valued Jackpot in Cambodia

The growth in profits and turnover in 2004 was due to the Division's success in the provision of technical support and management services to new venues in Cambodia, Philippines and Vietnam. A total of 16 new venues were operated as scheduled in 2004 and the installation of gaming machines for 2 venues in the Philippines successfully completed by the year end. As at 31 December, 2004, a total of 1987 machines were installed in these placement venues as compared to 1000 machines as at the end of 2003. The vigorous growth of this Division was made possible with funds raised via our listing exercise, and from a USD7 million banking facility which was secured at an attractive interest rate.

As stated earlier, the Division gained a foothold in the Philippines gaming scene with the placement of 168 units of gaming machines in a VIP club in one of the most prestigious hotels in Metro Manila. With its excellent mix of machines, this newly set-up VIP club has steadily, within such a short span of time, become one of the top VIP clubs in the country.

The ability of the Division to introduce highly innovative and unique games and machines into specific markets in the region is evident by the introduction to a customer of 100 units of the "Millionaire" high valued progressive jackpot linked machines. These machines which were designed specifically with localized themes, graphics and sounds were introduced to the area for the first time and has proven to be a success in terms of players attraction and income earning capacity for the Division.



The Division was also able to demonstrate its value with the introduction of innovative and high technology multi-terminal gaming machines in the Indochina market such as the Star Games Rapid and Vegas Star products and Alfa Street

auto-roulette which have all proven to be very popular with the players. Such extensive collaboration with the manufacturers and customers has produced lucrative returns for these newly introduced products.

Innovative & high technology multi-terminal products were introduced by the Division to its customers in Asia



## REVIEW OF OPERATIONS

New TSM Placement Venue at VIP Club in Philippines



New TSM Placement Venue in Cambodia

The demand of customers for cashless technology had propelled the Group to establish an exclusive partnership with Atronic Systems Inc. (one of the largest casino management system developers in the world) in prior years. In 2004, the Group installed Atronic Systems' technology in the Division's new placement venue in a number of VIP clubs in the Philippines. The system allows gaming machines to be operated on a cashless basis and provides the customer with the ability to establish marketing strategies via loyalty programs. It also enables the customer to monitor the performance of the machines online.

With the opening of a regional office in Phnom Penh, the Division is now able to provide a 24/7 technical services to our customers' needs in the Indochina region.

### Technology Division

This Division has three operating departments, namely technical support, manufacturing, and research and development.

It has dedicated teams of engineers, technicians and industry specialists who are based in the Group's head office and regional offices. During the year, some of them have been sent to our partners' factories for attachment and training in the latest technology in gaming and amusement machines while others have also received continuous education through long distance learning courses on gaming technology or have attended conferences and seminars relating to the industry.



Key brand distributed by RGB



## REVIEW OF OPERATIONS

### Technical Support

This Department mainly provides installation and after-sales support to customers around the region and its staff is on call on 24/7 basis. They also provide consultancy on technical matters to our valuable customers and provide on-site training to customer's personnel.

**CAMMEGH**



Brands distributed by RGB

### Manufacturing

The Department specializes in the total refurbishment and upgrading of used gaming and amusement machines. Many customers have commended the Group on the quality of these refurbished machines done by this Department.

During the year, the existing manufacturing facility was upgraded to enable the Group to assemble new gaming and amusement machines as well as to increase its capacity for the refurbishment of used machines. These expansion of facilities were financed out of funds raised pursuant to our listing exercise. Following the upgrading, the facility was also granted a Licensed Manufacturing Warehouse status which enables the Group to import raw materials and machines for assembly and/or refurbishment and subsequent export without incurring import and other duties.



Technical Support personnel at work



## REVIEW OF OPERATIONS



Table game layout produced at the factory

The Department's plans to assemble selected well-known brands of gaming and amusement machines in Malaysia for local and export markets were finalized towards the end of 2004 and production is also expected to commence in 2005. The Department also to produce casino related equipment, furniture and accessories in collaboration with some well-renowned furniture makers in this industry.

During the year, the Department successfully set up its second manufacturing facility to produce table games layout for the gaming industry and production in commercial quantities for these table game layouts is set to commence in 2005, catering for both domestic and global markets.

### Research & Development (R&D)

Technology is the cornerstone of our business. The Department is focused on the development of games and systems specially tailored to the demands of our customers and their players.

During the year, the Group has successfully developed a number of games and a prototype gaming machine for the Asian market with our foreign partners.

This Department has also in 2004, successfully developed a simplified coinless transfer system for gaming machines operating in small sized slot venues.

R&D team at work





## REVIEW OF OPERATIONS

### Investor Relations

While the Group is relatively young as a listed entity, the Group is active in terms of projecting the Group's value and prospects to current and potential shareholders locally and internationally. In this regard, we are pleased to have been invited by JP Morgan Securities Ltd., JP Morgan Ltd. and Asia Equity Research, and GK Goh Securities Pte. Ltd. to meet with their selected clients who were looking for investment opportunities in Malaysia. Some of them are now our shareholders.

### Prospects

The prospects for this industry are, in our opinion, growing brighter in Asia ever since countries in the region began to liberalize gaming activities a few years ago as evidenced by the Macau SAR experience after it increased the number of licensees for gaming to three.

After the first American styled casino opened in Macau SAR in May, 2004, there have been a surge of mainland Chinese tourists visiting Macau SAR. With gambling being one of Asia's favourite pastimes, it is no surprise that there are currently plans to develop 25 new casinos that will be complimenting the 16 currently in operation in Macau SAR.

Similarly, the Philippines Amusement and Gaming Corporation (PAGCOR), a government corporation authorized to regulate and operate casinos and other games of chance in the Philippines, has put in place plans for a USD15 billion mega projects in Manila Bay that would comprise of casinos, theme parks, hotels, shopping malls and condominiums.

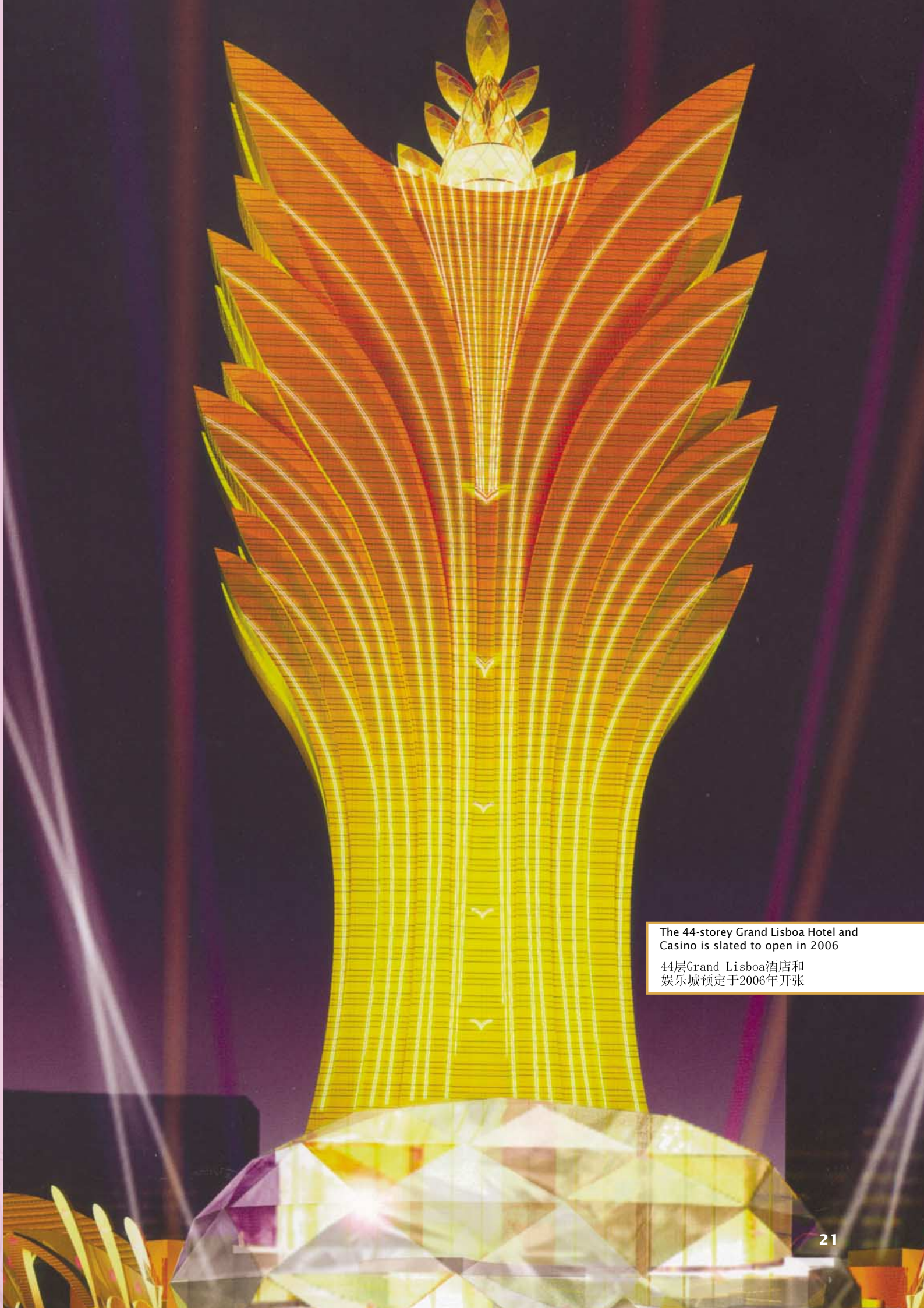
Recently, Singapore made the momentous decision to overturn its ban on casinos and has announced that it will allow not one but two integrated resort to be built. This announcement has raised expectations for similar moves elsewhere, namely, Japan, Thailand, Taiwan, Indonesia, Hong Kong and even mainland China.

The promise of huge investments in these developments is a good source of opportunity for the Group to tap. It is only natural that the Group, which has come to where it is today thanks to its commitment to build a long-term relationship with our customers and business partners in this sector for this region, takes full advantage of this climate to maximize shareholders' value.

To do this, we aim to continuously focus on offering new products to the markets, to be committed to carry out extensive research and development to enhance the value of our products and to continue investing in human resources and infrastructure.

Hence, barring unforeseen circumstances, the Group is confident of sustaining its leading position in this very vigorous gaming and amusement industry for the coming financial year.

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



The 44-storey Grand Lisboa Hotel and Casino is slated to open in 2006

44层Grand Lisboa酒店和娱乐城预定于2006年开张



## 运作检讨



澳日美有限公司今年推销的新品牌

### 敬爱的股东，

我们公司的长期策略显然正在开花结果，因为，与去年相比，本集团课税后的利润已显著提高。

本集团各部门所作出的正面贡献，加上亚洲的博彩娱乐/休闲业持续开放给梦城，我们将致力落实双向策略，以发展本集团所占有的稳健市场的业务，并引领专材进攻亚太平洋区域的新市场。

这些策略目标的达成有赖于本集团持续专注于推介新的产品及品牌、专注于研究与开发（R&D）工作、加强技术人力资源，及开发新的区域公司及制造设备。

本集团亦深切了解及努力迎合亚洲人的口味和需求。这些都是构成本集团成为博彩娱乐业领先者的因素。

### 营业与市场推广部门

本集团为博彩与娱乐事业提供了极受国际承认的产品与服务。

回顾这一年来，本部门的表现是令人鼓舞的。其课税前盈利比往年增加了29%，即850万令吉盈利；8900万令吉的营业额。而前年的课税前盈利估计则为660万令吉及5990万令吉的营业额。

为加强我们的产品系列，本集团于2004年加入新联盟策略，并采用了各种具国际知名度的品牌。

举例而言，Shuffle Master GmbH & Co KG，这是一间先进的欧洲集团委任本集团为亚洲唯一的分销商和代理商；而本集团亦分销澳洲公司Dolphin Products Pty Ltd的多种产品。

营业与市场部员工们的上班情景

澳日美有限公司今年推销的新品牌







## 运作检讨



Atronic System的电脑联网累积奖金系统

本集团于2004年成功地为新加坡的NTUC Clubs安装Atronic Systems的电脑联网累积奖金系统。此系统显然使NTUC Clubs增加更多的收入。本集团也受委持续支援此项系统的维修工作。

2004年的角子机销售数量足以反映我们在市场上占有率。以年度计算为准，订购角子机的数量明显地增加了40%。本集团接获2400台角子机订单；约1400台角子机是客户直接向我们订购，而剩余的1000台角子机则通过技术支援与管理契约供应给我们的客户。

在这一年里，本公司共参与了包括澳门，悉尼和新加坡等4个国际商展。这些展览进一步在新的和刚开发的市场中提升了公司的崭新和高科技产品的知名度和需求。

澳日美有限公司在第14届 Annual Australasian Gaming Expo 2004, Sydney, Australia 的展览摊位





## 运作检讨



柬埔寨金边事务所办公情景

在柬埔寨新设立的娱乐场所



澳日美有限公司分销的主要品牌

本集团于2004年在柬埔寨金边设立了事务所以迎合印度支那区域对本产品及服务的需求。此事务所目前聘有7位柬埔寨及外国员工。

除此之外，本集团也聘请了一名美籍雇员为新加坡事务所的营业与市场区域总经理。受雇者对博彩与娱乐事业有丰富的经验，并将努力提高营业额及提供服务给在澳门和新加坡的现有及新客户。

### 技术支援与管理服务部门

此部门提供给客户们技术和管理方面的专业增值服务，本集团也随之受惠。

此部门为本集团带来可观的利润，同时也在本区域竞争强烈的环境下提供客户技术与管理方面的服务。

回顾一年来的财务状况，本部门课税前的盈利和营业额分别为90%及76%，创下了1290万令吉课税前盈利及2610万令吉的营业额。而前年课税前的盈利估计为680万令吉及1480万令吉的营业额。



崭新和独特的电子角子机在柬埔寨





## 运作检讨

盈利和营业额的增长皆因本部门于2004年在柬埔寨、菲律宾和越南成功提供技术支援与管理服务于新的娱乐场所。截至2004年底,16个新的娱乐场所已经如期操作,也在菲律宾的2个新的娱乐场所成功安装了角子机。至2004年12月31日,本部门已在这些娱乐场所安装了1987台角子机,而截至2003年底则只有1000台角子机。从挂牌上市后所得收益,以及从美金700万元的银行贷款,本集团在取得雄厚基金后得以快速成长。

如前面所提,本部门成功地在菲律宾取得博彩与娱乐业的立足点,即在Metro Manila其中一间最具声望的酒店安装了168台角子机。此新设立的VIP Club 稳健地于短时间内成为菲律宾其中一间顶尖的VIP Club。

从成功销售100台‘百万富翁’角子机给客户,足以证明本部门有能力在本区域推荐崭新和独特的角子机于市场。这些高累积奖金的角子机是经过特别精心设计有当地主题,图片和音乐,首次推荐给本区域的客户。此项活动非常成功,因为它吸引了投注者并为本部门赚取厚利。

本部门的经济价值可从其推介多座式电子角子机,例如Star Games Rapid 和 Vegas Star 产品,Alfa Street 自动式轮盘电子角子机到印度支那市场显示。这些角子机深受投注者喜爱。在与制造商和客户的大力合作,也使本部门得以从这些新推介的角子机赚取可观的收入。



在柬埔寨推介高累积奖金的‘百万富翁’角子机



崭新和独特的多座式电子角子机



## 运作检讨

坐落于菲律宾新设立的VIP Club



在柬埔寨新设立的娱乐场所

由于客户要求无现金科技促使本集团在前年与Atronic Systems Inc. (世界上最大的娱乐管理系统开发者之一) 建立了独家伙伴关系。本集团于2004年在菲律宾的客户VIP Club安装了Atronic System工艺。此系统可让角子机以无现金方式操作，并可让客户通过忠心计划建立营销战略，客户也可上网操纵角子机的收入。

在金边设立区域事务所后，本部门有能力提供印度支那的客户24小时全天候的技术支援服务。

### 科技部门

此部门有三个操作部分即：

技术支援，

制造及

研究与开发 (R&D)。

本集团总公司和区域事务所拥有一批忠诚的工程师，技术人员和本行专材。2004年里，我们分派了一些人材到伙伴工厂以训练员工在博彩与游乐机方面的最新工艺知识，而其他的人材也通过远距离课程学习博彩工艺教育，或参加与此行业有关的会议及讲座。



澳日美有限公司分销的主要品牌



## 运作检讨

### 技术支援

此部门主要为本区域客户提供安装及售后服务。此部门实施24小时全天候服务，并提供客户技术等有关方面的咨询服务与现场训练。

CAMMEGH



TOKEN CORPORATION

澳日美有限公司分销的品牌

### 制造

本部门专长于总体改装及改良角子机。许多客户皆表扬本集团提供此类高素质的改良角子机。

本部门逐步改良现有的制造设备以便本集团有足够的力量组合新的角子与游乐机，以及提高改装的能力。这些设备是由上市后所得的利益所资助的。随著改良活动，我们的工厂荣获‘特许工厂’(Licensed Manufacturing Warehouse)地位。此项荣誉让本集团得以进口原料和机组以进行组合及/或改装工作，然后出口他国而无须付进口税及其他税务。



技术支援团队工作情景



## 运作检讨



澳日美有限公司所生产的桌面设计

本部门之计划在马来西亚为当地及出口市场组合精选著名品牌的角子机与游乐机终于在2004年底落实了。生产预测于2005年开始。本部门也与数间著名的家具供应商通过合作性质以生产娱乐市场设备，傢具和附件给予客户。

在今年，本部门成功的设立了第二个制造设备以便印制和生产桌面设计给予博彩和娱乐市场。这些博彩娱乐之桌面设计的大量生产工作将于2005年开始，以供应给本区域和全球市场。

### 研究与开发 (R&D)

工艺是我们业务的基石。我们专注于配合客户及投注者的需求开发博彩与娱乐系统。

在2004年里，本集团经已配合外资伙伴的合作，成功的为亚洲市场开发多样化游戏的角子机。

本部门在2004年成功开发了能更好地管理角子机的联线付款系统。

研究与开发团队的工作情景





## 运作检讨

### 投资者关系

本集团虽为刚崛起的挂牌上市组织，但我们正积极地在本地和全世界各地向现有的和潜在的股东宣传本集团的价值观和发展前途。为此，我们非常荣幸受JP Morgan Securities Ltd, JP Morgan Ltd. 和 Asia Equity Research, GK Goh Securities Pte.Ltd.所邀与他们有意在马来西亚投资的精选客户会面。其中一些客户现已成为我们的股东。

### 前景

我们认为，自本区域国家于数年前开始放宽博彩与娱乐条例后，此行业在亚洲的前景一片光明。在从澳门的赌博执照增加到3个后的转变就是个明证。

自第一间美式赌场于2004年在澳门开始营业后，许多中国大陆游客不断涌入澳门。由于博彩是亚洲人所喜爱的娱乐活动之一，澳门计划增设25间新的娱乐场不足为奇；对于目前的16间娱乐场来说是一项创举。

同样地，Philippines Amusement and Gaming Corporation (PAGCOR)，一间授权管制娱乐场和其他博彩活动的政府机构计划投资15亿美金的大规模工程于马尼拉湾(Manila Bay)。此项规模浩大的工程设有娱乐场，游乐场，酒店，购物中心和高级公寓。

新加坡近期作出了一项重大的决定，即取消其设立娱乐场的禁令，并宣布允许建立不只一间，而是两间综合性大型娱乐场。这项宣布有望在日本，泰国，台湾，印尼，香港和中国大陆引起效应。

根据以上的庞大投资和发展，本集团将会把握此难得机会，而从中开拓以便得到巨大的利益。同时，本集团之所有今天的成就，我们应归功于集团拥有良好顾客与商业伙伴的长远关系和承诺，因而从中提高股东的利益/增值。

为达致目标，我们将继续专注于推荐新的产品，极力研究及开发以增加我们产品的价值，并继续培训人材和提高基本设备素质。

有鉴于此，除了无法预测的情况外，本集团极有信心在未来的财政预算年继续保持作为博彩与娱乐业领先者的荣誉。

拿督蔡金城太平局绅  
董事经理



# CORPORATE GOVERNANCE STATEMENT

## INTRODUCTION

The Board of Directors appreciates the importance of adopting high standards of corporate governance within the Group. Good corporate governance is a fundamental part of the Group's responsibility to protect, realize and enhance long-term shareholders' value and the financial performance of the Group, whilst taking into account the interests of other stakeholders.

The Statement below sets out how the Group has applied the Key Principles contained in Part 1 of the Malaysian Code on Corporate Governance (the Code) and the extent of its compliance with the Best Practices as set out in Part 2 of the Code. These principles and best practices have been applied and complied with throughout the year ended 31 December, 2004.

### A) Board of Directors

The composition equips the Board with the necessary skills, experiences and knowledge for the Board to direct and supervise the Group's business activities as well as to provide clear and effective leadership to the Group.

The Board currently consists of seven (7) members; comprising one (1) Chairman/Independent Non-Executive Director, one (1) Managing Director, four (4) Executive Directors and one (1) Independent Non-Executive Director. The Company complied with Bursa Malaysia Listing Requirements for Mesdaq Market which states that a listed company must have at least two (2) independent directors in the Board.

There is a clear division of responsibilities between the Chairman/Independent Non-Executive Director and the Managing Director to ensure balance of power and authority.

The Independent Non-Executive Directors are independent of management and free from any business or other relationships that could materially interfere with the exercise of their independent judgement.

A brief profile of each Director is presented on pages 6 to 8 of this Annual Report.





# CORPORATE GOVERNANCE STATEMENT

## i) Board Meetings

The Board meets at least four (4) times a year, with additional meetings convened as necessary. During the financial year ended 31 December, 2004, seven (7) meetings were held. Details of the attendance of the Directors at the Board of Directors' meetings are as follows:-

Directors	No. of meetings attended
Ooi Teng Chew	7/7
Datuk Chuah Kim Seah	7/7
Mazlan Bin Ismail	7/7
Chuah Kim Chiew	7/7
Steven Lim Tow Boon	7/7
Wong Chee Fai	7/7
Chng Hee Kok	7/7

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

## ii) Supply of Information

The Directors have full and timely access to information concerning the Company and the Group. Agenda and discussion papers are circulated prior to the Board meetings to allow the Directors to study and evaluate the matters to be discussed.

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.

## iii) The Board and Board Committee

To assist the Board in the discharge of its duties effectively, the Board has delegated certain functions to certain Committees, namely the Nomination Committee, Remuneration Committee and Audit Committee, 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 Committees are as follows.



# CORPORATE GOVERNANCE STATEMENT

## a) Nomination Committee

Chairman	:	<b>Ooi Teng Chew</b> (Chairman/Independent Non-Executive Director)
Members	:	<b>Chng Hee Kok</b> (Independent Non-Executive Director) <b>Chuah Kim Chiew</b> (Executive Director)

The primary function of the Nomination Committee is to identify and recommend to the Board technically competent persons of integrity with a strong sense of professionalism to be appointed to the Board.

The Nomination Committee will assess the suitability of an individual to be appointed to the Board by taking into account the individual's other commitments, resources and time available for input to the Board before recommendation is made for the Board's approval. The actual decision as to whom shall be nominated remains the responsibility of the Board after taking into consideration the recommendations of the Nomination Committee. The Committee shall review annually the required mix of skill and experience and other qualities and competencies of its Directors and shall review the composition, structure and size of the Board.

During the financial year, two (2) meetings were held and were attended by all members of the Nomination Committee.

## b) Remuneration Committee

Chairman	:	<b>Chng Hee Kok</b> (Independent Non-Executive Director)
Members	:	<b>Ooi Teng Chew</b> (Chairman/Independent Non-Executive Director) <b>Datuk Chuah Kim Seah</b> (Managing Director)

The Committee is responsible for recommending to the Board from time to time, the remuneration framework and package of the Executive Directors of the Group in all forms to commensurate with the respective contributions of the Executive Directors. The Committee seeks to establish a remuneration policy which should be sufficient to attract, retain and motivate Directors 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.

The Board as a whole decides the remuneration of Non-Executive Directors, including Non-Executive Chairman. The individuals concerned should abstain from discussion of their own remuneration package and the shareholders at the Annual General Meeting (AGM) must approve the directors' fees.

During the financial year, two (2) meetings were held and were attended by all members of the Remuneration Committee.



## CORPORATE GOVERNANCE STATEMENT

### c) Audit Committee

The composition and the terms of reference of the Audit Committee are set out in the Audit Committee Report on pages 36 to 39 of this Annual Report.

### iv) Details of the Directors' Remuneration

The Directors are satisfied that the current level of remuneration are in line with the responsibilities expected in the Group.

The aggregate Directors' Remuneration paid or payable to all Directors of the Company by the Group and categorized into appropriate components for the financial year ended 31 December, 2004 are as follows:

Director	Salaries / Other Emoluments RM	Fees RM	Total RM
Executive Directors	1,031,311	-	1,031,311
Non-Executive Directors	28,000	93,000	121,000

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

	Number of Directors	
	Executive	Non-Executive
Up to RM50,000	-	-
RM50,001 – RM100,000	1	2
RM100,001 – RM200,000	2	-
RM200,001 – RM300,000	1	-
RM300,001 above	1	-

### v) Directors' Training

All Directors have attended the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysts Malaysia (Now known as Bursatra Sdn. Bhd.), an affiliate of Bursa Malaysia Securities Berhad (Bursa Securities). The Directors will attend continuing education programmes to update themselves on developments in the gaming and amusement industry and in areas of corporate governance and regulatory changes to enhance their knowledge in discharging their duties and keep abreast with developments in the market place.



# CORPORATE GOVERNANCE STATEMENT

## vi) Re-election of Directors

In accordance with the Company's Articles of Association, all Directors who were appointed to the Board with the exception of the Managing Director shall retire and be re-elected by the shareholders at the Company's first AGM.

In every subsequent year, one-third (1/3) of the Directors or if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3), shall retire by rotation from office and seek re-election at each AGM and that each Director except the Managing Director shall retire from office at least once in every three (3) years and shall be eligible for re-election.

## B) Shareholders

### i) Relations With Shareholders and Investors

The Company recognizes the importance of being accountable to its shareholders and investors and as such has maintained an active communication and feedback policy with institutional investors, shareholders and public generally. All shareholders have an opportunity to participate in discussion with the Board on matters relating to the Company's operation and performance at the Company's AGM. Alternatively, they may obtain the Company's latest announcements such as quarterly financial results via the Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com).

### ii) Annual General Meeting (AGM)

The AGM is the principal forum for dialogue with shareholders. The shareholders are encouraged to participate in the open question and answer sessions in the AGM pertaining to the resolutions being proposed at the meeting and the financial performance and business operation in general.



# CORPORATE GOVERNANCE STATEMENT

## **C) Accountability and Audit**

### **i) 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.

### **ii) Statement of Directors' Responsibilities in Relation to the Financial Statements**

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

In the preparation of the financial statements for the year ended 31 December, 2004, the Directors are satisfied that the Group had used appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgement and estimates.

### **iii) Internal Control**

The Board recognizes the importance of internal control systems whereby shareholders' investment and the Company's assets can be safeguarded. As for the application of "Internal Controls", please refer to "Audit Committee Report" on pages 36 to 39, and as for the statement of internal controls, please refer to "Internal Control Statement" on pages 40 to 41.

### **iv) 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 on pages 36 to 39 of this Annual Report.



# AUDIT COMMITTEE REPORT

Chairman : **Ooi Teng Chew** (Chairman/Independent Non-Executive Director)  
Members : **Chng Hee Kok** (Independent Non-Executive Director)  
**Mazlan Bin Ismail** (Executive Director)

The Committee is governed by the following terms of reference :

## i) Membership

The Committee shall be appointed by the Board from amongst the Directors excluding Alternate Directors, and shall consist of not less than three (3) members, 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 fill the vacancy within three (3) months, appoint such number of new members as may be required to make up the minimum of three (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 three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

## ii) 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 cooperate 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. If the Committee is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Securities' Listing Requirements for the Mesdaq Market, the Committee shall promptly report such matter to Bursa Securities.

## iii) Responsibility

The Committee is to serve as a focal point for communication between non-Committee directors, the external auditors, 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 to be 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.



# AUDIT COMMITTEE REPORT

## iv) Duties

The duties of the Committee are :

- (i) 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;
- (ii) to review the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- (iii) 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;
- (iv) to appraise the performance of the head of internal audit and review the appraisals of senior staff members of the internal audit;
- (v) 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;
- (vi) 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 :
  - changes in or implementation of major accounting policy changes;
  - significant and unusual events; and
  - compliance with accounting standards and other legal requirements;
- (vii) to review any related party transaction and conflict of interest situation that may arise within the Group or the Company including any transaction; procedure or course of conduct that raises questions of management integrity;
- (viii) to review with the external auditors, the nature and scope of their audit plan, their evaluation of the system of internal accounting controls;
- (ix) to recommend to the Board on the appointment and the annual re-appointment of external auditors, their audit fees and any questions on resignation and dismissal;



## AUDIT COMMITTEE REPORT

- (x) to review the co-ordination of the audit approach where more than one audit firm of external auditors is involved and the co-ordination between the external and internal auditors;
- (xi) to review and verify the allocation of shares to employees under the Employee Share Option Scheme (if any); and
- (xii) to perform any other functions as authorized by the Board.

### v) Meetings & Minutes

The Committee is to meet at least four (4) times a year and as many times as the Committee deems necessary. In order to form a minimum quorum of two (2) members for any meeting of the Committee, the majority of members present must be Independent Non-Executive Directors. 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 Director of Finance of the Company and the Head of Internal Audit shall be in attendance at meetings of the Committee. The Committee may invite the external auditors, the Finance Manager, any other directors or members of the management and employees of the Group to be in attendance during meetings to assist in its deliberations. Upon request by the external auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matters, the external auditors believe should be brought to the attention of the directors or shareholders of the Company. At least once a year, the Committee shall meet with the external auditors without the presence of any Executive Director. The Secretary of the Committee shall be the Company Secretary. Minutes of each meeting are to be prepared and sent to the Committee members, and the Company's Directors who are not members of the Committee.

### vi) Attendance of Meetings

For the financial year ended 31 December, 2004, a total of five (5) Audit Committee Meetings were held. Details of the attendance of the committee members are as follows:

Name	Number of meetings attended
<b>Ooi Teng Chew</b>	5/5
<b>Mazlan Bin Ismail</b> (appointed on 25.02.2004)	4/5
<b>Chng Hee Kok</b>	5/5
<b>Datuk Chuah Kim Seah</b> (resigned on 25.02.2004)	1/5





# AUDIT COMMITTEE REPORT

## vii) Summary of Activities

The main activities undertaken by the Committee for the financial year ended 31 December 2004 were as follows:-

- (i) Reviewed the research reports and quarterly unaudited consolidated financial statements of the Group and recommended to the Board of Directors for approval and for announcement to Bursa Securities.
- (ii) 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.
- (iii) Reviewed the annual report and the audited financial statements of the Group prior to the submission to the Board for their consideration and approval. The review was, inter-alia, to ensure compliance with the provisions of the Companies Act, 1965, Listing Requirements of Bursa Securities, applicable approved accounting standards in Malaysia and other legal and regulatory requirements.
- (iv) Discussed with external auditors on their audit plan and scope of work for the year as well as the audit procedures to be utilized.
- (v) Reviewed the recurrent related party transactions of a revenue or trading nature entered into by the Group.
- (vi) Considered the re-appointment of external auditors.

## viii) Internal Audit Function

On 10 February, 2004, the Company outsourced its internal audit to an independent professional accounting firm to carry out the internal audit function of the Group in order to assist the Committee in discharging its duties and responsibilities. Further details of the activities of the internal audit function are set out in the "Internal Control Statement".



# INTERNAL CONTROL STATEMENT

The Malaysian Code on Corporate Governance stipulates that the board of directors of listed companies should maintain a sound system of internal control to safeguard shareholders' investment and the group's assets. The Board of Directors of Dreamgate Corporation Bhd is pleased to provide the following statement on the state of internal control of the Group, which has been prepared in accordance with the Statement on Internal Control: Guidance for Directors of Public Listed Companies ("Internal Control Guidance") issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Securities.

## Responsibility

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.

## Risk Management

The Board and management practice proactive significant risks identification on a quarterly basis or earlier as appropriate, particularly any major proposed transactions, changes in nature of activities and/or operating environment, or venturing into new operating environment which may entail different risks, and put in place the appropriate risk response strategies and controls until those risks are managed to, and maintained at, a level acceptable to the Board.

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

## Internal Audit Function

The Board acknowledges the importance of internal audit function and has, on 10 February 2004, engaged the services of an independent professional accounting and consulting firm to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control.



# INTERNAL CONTROL STATEMENT

The internal audit function adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. Scheduled internal audits are carried out by the internal auditors based on the audit plan presented to and approved by the Audit Committee. The audit focuses on areas with high risk and weak controls to ensure that an adequate action plan has in place to improve the controls. For those areas with high risk and strong controls, the audit ascertains that the risks are effectively mitigated by the controls. On a quarterly basis or earlier as appropriate, the internal auditors report to the Audit Committee on areas for improvement and will subsequently follow up to determine the extent of their recommendations that have been implemented.

## Internal Control

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

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

Based on the internal auditors' report for the financial year ended 31 December 2004, 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.



## CORPORATE HIGHLIGHTS

### Exhibiting At International Exhibitions



### 3<sup>rd</sup> International Gaming & Entertainment Expo at Macau SAR Tower Convention & Entertainment Centre, Macau

28-30 April 2004

RGB as one of the main exhibitors in this Expo displayed a number of the latest brands of gaming machines and casino equipments distributed by RGB, namely Ainsworth Game Technology, Aruze, Stargames, and Card Shuffle Master. The Expo generated satisfactory transaction volume and gained the support of industry operators and key decision makers from Asia, Europe and the United States of America.





## CORPORATE HIGHLIGHTS

### Exhibiting At International Exhibitions

#### 1<sup>st</sup> Asian Gaming Expo 2004 at The Fullerton, Singapore

11-12 May 2004

Australasian Gaming Machines Manufacturers Association (AGMMA) hosted the 1st Asian Gaming Expo in Singapore and RGB was honoured to be the only non-AGMMA member to be personally invited by AGMMA to participate in the said Expo which goes to show our presence in the gaming industry in Asia. RGB showcased a full range of some of the latest casino equipments and gaming machines distributed by it, which attracted great interest from operators from various countries in Asia.





## CORPORATE HIGHLIGHTS

### Exhibiting At International Exhibitions



### 9th Asian Casino Expo 2004 at Raffles City Convention Centre, Singapore

23-24 June 2004

RGB was the Platinum Sponsor of the Expo. This leading event brought in more than a thousand attendees from the Asia Pacific region. The Expo gave networking opportunity for RGB and the prospect of showcasing some of the internationally recognised brands of gaming machines and equipments.



Asian themed  
roulette &  
casino chip  
were displayed  
at the Expo





## CORPORATE HIGHLIGHTS

### Exhibiting At International Exhibitions



14<sup>th</sup> Annual Australasian Gaming Expo (AGE) 2004 at the Sydney Convention & Exhibition Centre at Darling Harbour, Sydney

29-31 August 2004

RGB, for the 4th time, participated in the Annual AGE, which is rated as the 2nd largest gaming Expo in the world after Las Vegas, USA. With its wide and extensive range of internationally accredited gaming machines and equipments from around the world. RGB has increased the size of its booth many folds in this Expo.

Card Shuffle Master "Easy Chipper" chip sorting machine



Card Shuffle Master "One2Six" shuffler





## CORPORATE HIGHLIGHTS

### Corporate Affairs

#### Corporate Day in Singapore

10 May 2004

We were invited to participate at the Corporate Day in Singapore organized by GK Goh Securities Pte. Ltd. to meet up with its potential and valued clients.

#### First Annual General Meeting and Extraordinary General Meeting

3 June 2004

These meetings were held at Evergreen Laurel Hotel, Penang



Press Conference held at Evergreen Laurel Hotel

The Directors at the meetings

*Dreamgate Corporation Bhd*





## CORPORATE HIGHLIGHTS

### Corporate Affairs

#### Malaysia Corporate Access Day in London, Edinburgh and Milan

**16-18 June 2004**

We were invited by JP Morgan Securities Ltd to meet up with its potential and valued clients in three of these prestigious European cities.



#### Banking Facilities of USD7,000,000

**24 September 2004**

RGB Ltd obtained a combined Letter of Credit and Term Loan facility of USD7 million from Maybank International (L) Ltd to facilitate the purchase of gaming and amusement machines and equipment.



### Maybank International

*Our Ref : MILLC'D/PKSD/04/064*

Date : September 24, 2004

Private & Confidential

RGB LTD

#### Banking Facilities of USD7,000,000.00

We are pleased to advise that the Bank has approved your request for banking following terms and conditions:-

Combined Facility : Ad Hoc Letter of Credit ("LC") / Term Loan ("TL")



## CORPORATE HIGHLIGHTS

### Corporate Affairs

## 9<sup>th</sup> Annual Asia Pacific Global Emerging Markets (GEM) 2004 in New York



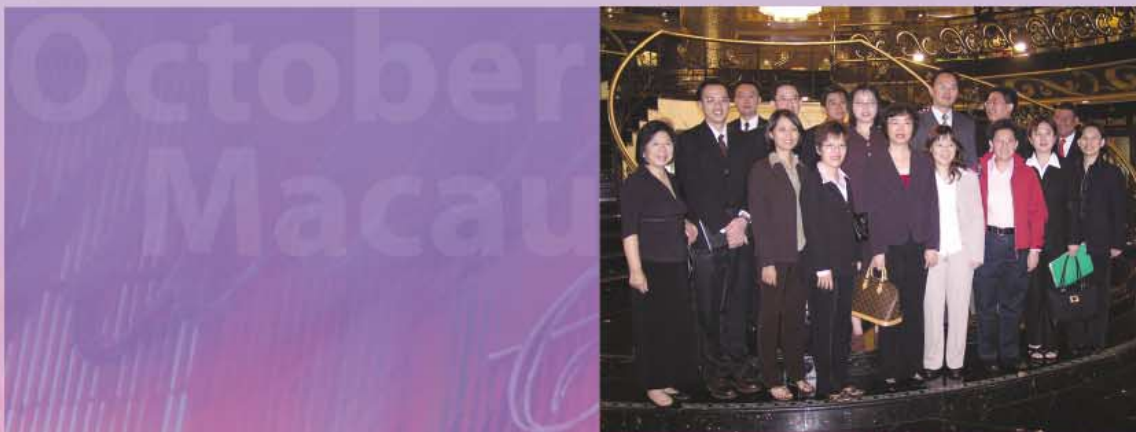
**4-5 October 2004**

We were one of the invitees to this exclusive conference hosted by JP Morgan and Asia Equity Research, and RGB was well represented by two of its key management, En. Mazlan Ismail, Executive Director and Ms Teh Mun Hui, Finance Manager, to provide insightful information to cross sections of investors in America.

## Macau Visit

**21 October 2004**

RGB office in Macau gave a warm welcome to potential investors and shareholders from Malaysia, arranged by K & N Kenanga Securities Bhd. The purpose of this visit is for these investors and shareholders to understand the gaming industry and its potential in Macau.





## CORPORATE HIGHLIGHTS

### Signing of Agreements

#### Service Center Agreement

27 January 2004

RGB Ltd (RGLB) was appointed by CashCode® Company Inc. ("CashCode") to set up "Factory Authorised Centre" for its products in the Asian region.



**STARGAMES**

#### Distribution Agreement

5 October 2004

Stargames Corporation Pty Limited grants RGLB and RGLSB the rights to market Stargames e-Star Electronic Gaming Machine, Multi-Terminal Gaming Products and Rapid Table Game Products in the Asian market.





## CORPORATE HIGHLIGHTS

### Signing of Agreements



Agreement entered between RGLB and Atronic International GMBH ("Atronic")

7 October 2004

RGLB entered into an agreement with Atronic to place the latest and highly technology driven "E-motion" gaming machines in the Philippines.



E-motion gaming machines



### Distribution Agreement

1 November 2004

RGLB was appointed by Shuffle Master GmbH & Co Kg as its sole and exclusive distributor/agent for its full range of products in Asia.

Table Master "Three card Poker"



MD II Shuffler



Easy Chipper



## CORPORATE HIGHLIGHTS

### New Technical Support and Management (TSM) Agreements

**26 May 2004**

RGBL was appointed by Diplomat Technology Co Ltd to provide TSM services for 3 venues owned by the Company in Phnom Penh, Cambodia.

**16 July 2004**

RGBL was appointed by MCAN Ge Pte Ltd to provide TSM services in Holiday International Hotel in Phnom Penh, Cambodia.



**1 November 2004**

RGBL was appointed by Hanoi Hotel Joint Venture Company Limited to provide TSM services in Winners Club, Vietnam.

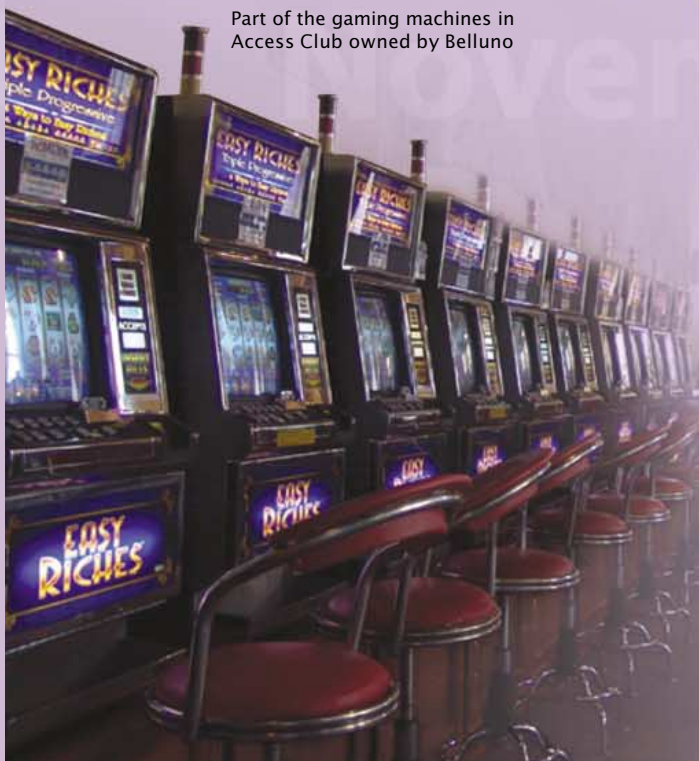
**23 November 2004**

RGBL was appointed to provide TSM services at the Monte Carlo Club in Mongolia.

**24 November 2004**

RGBL was appointed by Belluno Co Ltd to provide TSM services in Cambodia.

Part of the gaming machines in Access Club owned by Belluno



A portion of the gaming machines operating in Winners Club





**REPORTS AND  
FINANCIAL STATEMENTS**

# DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended **31 December 2004**.

## PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding.

The principal activities of the subsidiary companies are set out in Note 5 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

## FINANCIAL RESULTS

	<b>Group</b>	<b>Company</b>
	<b>RM</b>	<b>RM</b>
Net profit / (loss) for the financial year	18,238,101	(183,963)

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.

## DIVIDEND

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 31 December 2004, of 10% less 28% tax on 280,000,000 ordinary shares, amounting to a dividend payable of RM2,800,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2005.

Pursuant to Income Tax (Exemption) (No. 10) Order 2000, this dividend is tax exempt in the hands of the shareholders.

## RESERVES AND PROVISIONS

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



## ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up share capital of the Company was increased from RM20,557,200 to RM28,000,000 by way of issuance of 74,428,000 new ordinary shares of RM0.10 each at an issue price of RM0.50 per ordinary share by way of public issue.

The abovementioned new ordinary shares rank pari passu in all respects with the existing ordinary shares.

The Company did not issue any debentures during the financial year.

## SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any options to take up unissued shares of the Company under options. As at the end of the financial year, no unissued shares of the Company were under options.

## DIRECTORS

The Directors who have held office during the period since the date of last report are as follows:

---

Ooi Teng Chew

---

Datuk Chuah Kim Seah

---

Mazlan Bin Ismail

---

Chuah Kim Chiew

---

Lim Tow Boon

---

Wong Chee Fai

---

Chng Hee Kok

---

Chuah Poh Aun

*(Resigned on 17 March 2004)*

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# DIRECTORS' REPORT

## DIRECTORS' INTERESTS

The shareholdings in the Company and its related corporations of those who are Directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 are as follows:

	Number of Ordinary Shares of RM0.10 each			
	At 01-01-2004	Bought	Sold	At 31-12-2004
<b>Shareholding in the Company</b>				
<b>Direct interest</b>				
Datuk Chuah Kim Seah	109,906,830	127,000	0	110,033,830
Chuah Kim Chiew	8,921,398	0	0	8,921,398
Lim Tow Boon	0	2,900,000	(2,000)	2,898,000
Wong Chee Fai	0	1,450,000	0	1,450,000
<b>Indirect interest</b>				
Mazlan Bin Ismail	84,000,662	0	(30,000,000)	54,000,662
<b>Shareholding in the indirect subsidiary company</b>				
<b>RGB (Macau) Limited</b>				
<b>Direct interest</b>				
Lim Tow Boon	MOP1,000	0	0	MOP1,000

By virtue of his interest in shares of the Company, Datuk Chuah Kim Seah, is deemed interested in its subsidiary companies to the extent that the Company has an interest.

No other Directors in office at the end of the financial year held or dealt in shares of the Company and its related corporations during the financial year.

## 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 acquisitions of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial period, 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 as shown in Note 23 or the fixed salary of a full-time employee of the Company) 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 27 to the financial statements.

## OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their expected realisable values.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
- (b) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; and
- (c) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
- (d) not otherwise dealt with in this report or financial statements, which would render any amount stated in the financial statements of the Group and of the Company misleading.

# DIRECTORS' REPORT

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

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, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

In relation to the listing exercise of the Company, a total of 74,428,000 new ordinary shares of RM0.10 each at an issue price of RM0.50 per ordinary share by way of public issue were fully subscribed and allotted on 5 January 2004.

The Company was listed on the MESDAQ Market of the Bursa Malaysia Securities Berhad on 13 January 2004 with the enlarged issued and fully paid-up share capital of 280,000,000 ordinary shares of RM0.10 each.

## AUDITORS

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

Signed on behalf of the Board of Directors in accordance with their Resolution,

**DATUK CHUAH KIM SEAH, JP**  
Director

**MAZLAN BIN ISMAIL**  
Director

Dated: 19 Apr 2005

## STATEMENT BY DIRECTORS

The Directors of **DREAMGATE CORPORATION BHD.**, state that, in their opinion, the financial statements set out on pages 62 to 108 are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at **31 December 2004** and of the results and cash flows of the Group and of the Company for the financial year ended on that date.

Signed on behalf of the Board of Directors in accordance with their Resolution,

**DATUK CHUAH KIM SEAH, JP**  
Director

**MAZLAN BIN ISMAIL**  
Director

Dated: 19 Apr 2005

## STATUTORY DECLARATION

I, **DATUK CHUAH KIM SEAH, JP** being the Director primarily responsible for the financial management of **DREAMGATE CORPORATION BHD.**, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 62 to 108 are 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 )  
abovename **DATUK CHUAH KIM SEAH,** )  
**JP** at Georgetown in the State of Penang )  
this 19 Apr 2005 )

**DATUK CHUAH KIM SEAH, JP**

Before me,

Commissioner for Oaths

# REPORT OF THE AUDITORS

REPORT OF THE AUDITORS TO THE MEMBERS OF DREAMGATE CORPORATION BHD.

We have audited the financial statements of **DREAMGATE CORPORATION BHD.** set out on pages 62 to 108. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with Approved Auditing Standards in Malaysia. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion :

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
  - (ii) the state of affairs of the Group and of the Company as at **31 December 2004** and of the results and cash flows of the Group and of the Company for the financial year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The name of the subsidiary company of which we have not acted as auditors is indicated in Note 5 to the financial statements. We have considered the financial statements of this subsidiary company and the auditors' report thereon.

We are satisfied that the financial statements of the subsidiary companies 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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under Subsection 3 of Section 174 of the Companies Act, 1965.

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

**KOAY THEAM HOCK**  
No. 2141/04/07 (J)  
Partner

Dated : 19 April 2005

# FINANCIAL STATEMENTS

## BALANCE SHEETS

as at 31 December 2004

	NOTE	Group		Company	
		2004 RM	2003 RM	2004 RM	2003 RM
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	4	<b>69,317,153</b>	20,808,927	<b>28,660</b>	0
Investment in subsidiary companies	5	<b>0</b>	0	<b>20,557,198</b>	20,557,198
Investment in associated corporations	6	<b>700,643</b>	95,380	<b>0</b>	0
Investment	7	<b>4,000</b>	4,000	<b>0</b>	0
Development costs	8	<b>389,413</b>	0	<b>0</b>	0
Receivables	9	<b>676,377</b>	0	<b>0</b>	0
		<b>71,087,586</b>	20,908,307	<b>20,585,858</b>	20,557,198
<b>CURRENT ASSETS</b>					
Inventories	10	<b>14,533,188</b>	14,567,863	<b>0</b>	0
Receivables, deposits and prepayments	9	<b>43,684,609</b>	16,210,936	<b>134,382</b>	677,852
Amount owing by subsidiary companies	11	<b>0</b>	0	<b>18,833,266</b>	0
Amount owing by an associated corporation	12	<b>2,794,381</b>	0	<b>0</b>	0
Tax recoverable		<b>672,664</b>	0	<b>15,000</b>	0
Deposits with licensed banks	13	<b>11,574,776</b>	3,514,813	<b>9,375,000</b>	0
Cash and bank balances		<b>14,160,794</b>	6,639,508	<b>7,233,627</b>	2,580
		<b>87,420,412</b>	40,933,120	<b>35,591,275</b>	680,432
<b>CURRENT LIABILITIES</b>					
Payables	14	<b>45,560,840</b>	24,001,413	<b>325,584</b>	14,150
Amount owing to a subsidiary company	15	<b>0</b>	0	<b>0</b>	678,280
Bank borrowings	16	<b>17,223,745</b>	4,212,230	<b>0</b>	0
Taxation		<b>20,836</b>	131,174	<b>0</b>	0
		<b>62,805,421</b>	28,344,817	<b>325,584</b>	692,430
<b>NET CURRENT ASSETS / (LIABILITIES)</b>					
		<b>24,614,991</b>	12,588,303	<b>35,265,691</b>	(11,998)
		<b>95,702,577</b>	33,496,610	<b>55,851,549</b>	20,545,200

The annexed notes form part of the financial statements.



	NOTE	Group		Company	
		2004 RM	2003 RM	2004 RM	2003 RM
<b>CAPITAL AND RESERVES</b>					
Share capital	17	<b>28,000,000</b>	20,557,200	<b>28,000,000</b>	20,557,200
Reserves	18	<b>58,912,981</b>	12,660,077	<b>27,821,549</b>	(12,000)
		<b>86,912,981</b>	33,217,277	<b>55,821,549</b>	20,545,200
<b>NON-CURRENT LIABILITIES</b>					
Term loans	19	<b>8,536,905</b>	61,842	<b>0</b>	0
Deferred taxation	20	<b>252,691</b>	217,491	<b>30,000</b>	0
		<b>95,702,577</b>	33,496,610	<b>55,851,549</b>	20,545,200

The annexed notes form part of the financial statements.

# FINANCIAL STATEMENTS

## INCOME STATEMENTS

for the financial year ended 31 December 2004

	NOTE	Group		Company	
		1.1.2004 to 31.12.2004 RM	23.9.2003 to 31.12.2003 RM	1.1.2004 to 31.12.2004 RM	16.1.2003 to 31.12.2003 RM
Revenue	21	115,346,563	35,476,728	570,000	0
Cost of sales		(77,197,364)	(27,310,963)	0	0
Gross profit		38,149,199	8,165,765	570,000	0
Other operating income		2,744,734	345,401	568,036	0
Selling and distribution costs		(2,782,776)	(608,724)	0	0
Administrative expenses		(18,039,716)	(3,105,917)	(1,231,999)	(12,000)
Other operating expenses		(1,269,918)	0	0	0
<b>PROFIT / (LOSS) FROM OPERATIONS</b>	22	<b>18,801,523</b>	<b>4,796,525</b>	<b>(93,963)</b>	<b>(12,000)</b>
Finance costs	24	(251,522)	(100,214)	0	0
		<b>18,550,001</b>	<b>4,696,311</b>	<b>(93,963)</b>	<b>(12,000)</b>
Share of loss in an associated corporation		(100,653)	0	0	0
<b>PROFIT / (LOSS) BEFORE TAXATION FOR THE FINANCIAL YEAR / PERIOD</b>		<b>18,449,348</b>	<b>4,696,311</b>	<b>(93,963)</b>	<b>(12,000)</b>
<b>TAXATION</b>					
- Group and Company	25	(202,541)	(146,862)	(90,000)	0
- Associated corporation		(8,706)	0	0	0
<b>PROFIT / (LOSS) AFTER TAXATION FOR THE FINANCIAL YEAR / PERIOD</b>		<b>18,238,101</b>	<b>4,549,449</b>	<b>(183,963)</b>	<b>(12,000)</b>
MINORITY INTEREST		0	433	0	0
<b>NET PROFIT / (LOSS) FOR THE FINANCIAL YEAR / PERIOD</b>		<b>18,238,101</b>	<b>4,549,882</b>	<b>(183,963)</b>	<b>(12,000)</b>
<b>BASIC EARNINGS PER SHARE (SEN)</b>	26	<b>6.5</b>	<b>7.7</b>	<b>0</b>	<b>0</b>

The annexed notes form part of the financial statements.

**STATEMENTS OF CHANGES IN EQUITY**  
for the financial year ended 31 December 2004

	NOTE	← Non-distributable →			Distributable		Total RM
		Share capital RM	Reserve on consolidation RM	Share premium RM	Translation reserve RM	Retained profits RM	
<b>Group</b>							
At 23 September 2003		2	0	0	0	0	2
On acquisitions of subsidiary companies	18	0	8,110,195	0	0	0	8,110,195
Net gain not recognised in income statements		0	8,110,195	0	0	0	8,110,195
Issuance during the financial period	17	20,557,198	0	0	0	0	20,557,198
Net profit for the financial period		0	0	0	0	4,549,882	4,549,882
At 31 December 2003		20,557,200	8,110,195	0	0	4,549,882	33,217,277
At 1 January 2004		<b>20,557,200</b>	<b>8,110,195</b>	<b>0</b>	<b>0</b>	<b>4,549,882</b>	<b>33,217,277</b>
Exchange loss on translation of net investment in a foreign subsidiary company		0	0	0	(2,709)	0	(2,709)
Net loss not recognised in income statements		0	0	0	(2,709)	0	(2,709)
Issuance during the financial year	17	7,442,800	0	28,017,512	0	0	35,460,312
Net profit for the financial year		0	0	0	0	18,238,101	18,238,101
At 31 December 2004		<b>28,000,000</b>	<b>8,110,195</b>	<b>28,017,512</b>	<b>(2,709)</b>	<b>22,787,983</b>	<b>86,912,981</b>

The annexed notes form part of the financial statements.

# FINANCIAL STATEMENTS

## STATEMENTS OF CHANGES IN EQUITY for the financial year ended 31 December 2004

		Share capital RM	Non- distributable Share premium RM	Accumulated lossses RM	Total RM
	NOTE				
<b>Company</b>					
At 16 January 2003		2	0	0	2
Issuance during the financial period	17	20,557,198	0	0	20,557,198
Net loss for the financial period		0	0	(12,000)	(12,000)
At 31 December 2003		20,557,200	0	(12,000)	20,545,200
At 1 January 2004		20,557,200	0	(12,000)	20,545,200
Issuance during the financial year		7,442,800	28,017,512	0	35,460,312
Net loss for the financial year		0	0	(183,963)	(183,963)
At 31 December 2004		28,000,000	28,017,512	(195,963)	55,821,549

The annexed notes form part of the financial statements.

## CASH FLOW STATEMENTS

for the financial year ended 31 December 2004

	Group		Company	
	1.1.2004 to 31.12.2004 RM	23.9.2003 to 31.12.2003 RM	1.1.2004 to 31.12.2004 RM	16.1.2003 to 31.12.2003 RM
<b>CASH FLOW FROM</b>				
<b>OPERATING ACTIVITIES</b>				
Profit / (Loss) before taxation for the financial year / period	<b>18,449,348</b>	4,696,311	<b>(93,963)</b>	(12,000)
Adjustments for:				
Allowance for doubtful debts	5,462	16,153	0	0
Bad debts recovered	(1,405)	0	0	0
Depreciation	7,780,469	928,059	2,820	0
Gain on disposal of property, plant and equipment	(126,673)	0	0	0
Interest expense	251,522	88,187	0	0
Interest income	(675,672)	(50,474)	(565,052)	0
Property, plant and equipment written off	4,386	0	0	0
Share in results of an associated corporation	100,653	0	0	0
Operating profit / (loss) before working capital changes	<b>25,788,090</b>	5,678,236	<b>(656,195)</b>	(12,000)
Inventories	34,675	(2,315,325)	0	0
Receivables, deposits and prepayments	(28,042,785)	8,807,909	654,792	(677,852)
Amount owing by subsidiary companies	0	0	(18,833,266)	0
Amount owing by an associated corporation	(2,794,381)	0	0	0
Payables	21,571,711	2,651,461	311,434	692,430
Amount owing to a subsidiary company	0	0	(678,280)	0
	<b>16,557,310</b>	14,822,281	<b>(19,201,515)</b>	2,578
Interest paid	(263,806)	(55,992)	0	0
Taxation paid	(950,343)	(271,371)	(75,000)	0
Minority interest	0	433	0	0
Net cash flow from operating activities	<b>15,343,161</b>	14,495,351	<b>(19,276,515)</b>	2,578

The annexed notes form part of the financial statements.

# FINANCIAL STATEMENTS

## CASH FLOW STATEMENTS

for the financial year ended 31 December 2004

	Group		Company	
	1.1.2004 to 31.12.2004 RM	23.9.2003 to 31.12.2003 RM	1.1.2004 to 31.12.2004 RM	16.1.2003 to 31.12.2003 RM
<b>CASH FLOW FROM</b>				
<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(56,873,095)	(6,366,262)	(31,480)	0
Expenditure on development costs	(376,047)	0	0	0
Proceeds from disposals of property, plant and equipment	693,321	3,732	0	0
Acquisitions of subsidiary companies (Note 5)	0	(2,802,871)	0	0
Investment in an associated corporation	(714,622)	0	0	0
Interest received	564,350	50,474	453,730	0
Net cash flow from investing activities	(56,706,093)	(9,114,927)	422,250	0
<b>CASH FLOW FROM</b>				
<b>FINANCING ACTIVITIES</b>				
Proceeds from issuance of shares	35,460,312	0	35,460,312	0
Proceeds from term loans	15,011,349	0	0	0
Proceeds from onshore foreign currency loan	638,134	0	0	0
Proceed from bankers' acceptance	5,658,000	0	0	0
Repayment of bankers' acceptance	0	(298,000)	0	0
Repayment of term loans	(16,132)	(4,034)	0	0
Additional deposits pledged to a licensed bank	(107,213)	(732)	0	0
Net cash flow from financing activities	56,644,450	(302,766)	35,460,312	0

The annexed notes form part of the financial statements.

	Group		Company	
	1.1.2004 to 31.12.2004 RM	23.9.2003 to 31.12.2003 RM	1.1.2004 to 31.12.2004 RM	16.1.2003 to 31.12.2003 RM
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>15,281,518</b>	<b>5,077,658</b>	<b>16,606,047</b>	<b>2,578</b>
<b>EFFECTS ON EXCHANGE RATE CHANGES</b>	<b>(2,709)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR / PERIOD</b>	<b>5,077,660</b>	<b>2</b>	<b>2,580</b>	<b>2</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR / PERIOD</b>	<b>20,356,469</b>	<b>5,077,660</b>	<b>16,608,627</b>	<b>2,580</b>
<b>Represented by :</b>				
<b>Cash and bank balances</b>	<b>14,160,794</b>	<b>6,639,508</b>	<b>7,233,627</b>	<b>2,580</b>
<b>Deposits with licensed banks</b>	<b>9,375,000</b>	<b>1,422,250</b>	<b>9,375,000</b>	<b>0</b>
<b>Bank overdrafts (Note 16)</b>	<b>(3,179,325)</b>	<b>(2,984,098)</b>	<b>0</b>	<b>0</b>
	<b>20,356,469</b>	<b>5,077,660</b>	<b>16,608,627</b>	<b>2,580</b>

The annexed notes form part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

## 1. GENERAL INFORMATION

The Company is principally involved in investment holding.

The principal activities of the subsidiary companies are set out in Note 5 to the financial statements.

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The Company's registered office is located at 51-21-A, Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang.

At the end of the financial year/period, the total number of employees of the Group and of the Company were one hundred and seven (2003: sixty-six) and nine (2003: nil) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 19 April 2005.

## 2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Approved Accounting Standards in Malaysia.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies. Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.



### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.1 Basis of consolidation (Continued)

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary company are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary company at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

Minority interest is measured at the minorities' share of post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

Associated corporations are those corporations in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

Investments in associated corporations are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associated corporations. Under the equity method of accounting, the Group's share of profits less losses of associated corporations during the year is included in the consolidated income statement. The Group's interest in associated corporations is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves as well as goodwill on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated corporation reaches zero, unless the Group has incurred obligations or made payments on behalf of the associated corporation.

Unrealised gains on transactions between the Group and the associated corporations are eliminated to the extent of the Group's interest in the associated corporations. Unrealised losses are eliminated unless cost cannot be recovered.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Reserve on consolidation

The excess of the fair value of the Group's share of the net assets of the acquired subsidiary companies at the date of acquisition over the cost of the acquisition is included in the consolidation balance sheet as reserve on consolidation. Reserve on consolidation is not amortised.

### 3.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.17.

Freehold land is not amortised. Long term leasehold land is amortised over the remaining lease period of 70 years. Depreciation on other property, plant and equipment are calculated to write off the cost on a straight line basis over the expected useful lives of the assets concerned. The annual rates of depreciation are as follows:

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

Gain or losses on disposals are determined by comparing proceeds with carrying amount and are included in profit / (loss) from operations.

### 3.4 Research and development cost

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

Expenditure on development activities is also recognised as an expense in the year in which it is incurred except when the expenditure meets the following criteria where it will be capitalised as intangible assets:

- the product or process is clearly defined and costs are separately identified and measured reliably;
- the technical feasibility of the product is demonstrated;
- the product or process will be sold or used in-house;
- the assets will generate future economic benefits; and
- adequate technical, financial and other resources required for completion of the project are available.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.4 Research and development cost (Continued)

Development costs initially recognised as an expense are not recognised as an asset in subsequent years.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation is recognised as an expense in the income statement based on a straight-line basis over 3 to 5 years.

#### 3.5 Investments

Investments in subsidiary companies and associated corporations are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.17.

Investments in other non-current investments are shown at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

#### 3.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined as follows:

Gaming machines	- specific identification
Spare parts	- weighted average basis

Cost of inventories consists of the purchase price plus the cost of bringing the inventories to their present location. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.7 Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the financial year in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at the financial year end.

### 3.8 Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

### 3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

Deposits with licensed banks which are pledged as security for banking facilities are not included in cash and cash equivalents.

### 3.10 Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowings costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining another qualifying asset.

For borrowings made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowings during the year less any investment income on the temporary investment of that borrowings.

All other borrowing costs are recognised as an expense in the income statement in the year in which they are incurred.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.11 Income tax

Income tax on the profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or reserve arising on consolidation.

#### 3.12 Foreign currencies

##### *(i) Foreign currency transactions*

Foreign currency transactions are accounted for at exchange rates ruling at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at the balance sheet date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.12 Foreign currencies (Continued)

#### (ii) Foreign entity

Financial statements of foreign consolidated subsidiary companies are translated at financial year end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of transaction with respect to the income statement. All resulting translation differences are included in the foreign exchange reserve in shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the Company and translated at the exchange rate ruling at the date of the transaction.

#### (iii) Closing rates

The principal closing rates used in the translation of foreign currency amounts are as follows:-

Foreign currency	2004 RM	2003 RM
1 US Dollar	3.800	3.800
1 Australian Dollar	2.959	2.845
1 Euro	5.173	4.769
1 Pound Sterling	7.317	6.544
1 Singapore Dollar	2.326	2.205
1 New Zealand Dollar	NA	2.492
100 Hong Kong Dollar	48.878	48.940
100 Italian Lira	NA	0.247
100 Japanese Yen	3.703	3.480
100 Philippine Peso	6.755	6.843
100 Thai Baht	9.705	9.590

### 3.13 Share capital

Ordinary shares with discretionary dividends are classified as equity. Dividends on ordinary shares are recognised as liabilities when declared.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.14 Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

*(i) Sale of goods*

Revenue relating to sale of goods is recognised net of sales taxes and discounts upon transfer of risks and rewards.

*(ii) Revenue from technical support and management*

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

*(iii) Interest income, management fee and rental income*

Interest income, management fee and rental income are recognised on a time proportion basis that reflects the effective yield on the asset.

#### 3.15 Provision for liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.16 Employee benefits

#### (i) *Short term benefit*

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### (ii) *Defined contribution plans*

The Group's contribution to the Employees Provident Fund is charged to the income statement in the financial year to which they related.

### 3.17 Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of their assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately. Reversal of impairment losses recognised in prior period is recorded when the impairment losses recognised for the asset no longer exist or have decreased.

### 3.18 Financial instruments

Financial instruments are recognised on the balance sheet when the Group has become a party to the contractual provisions of the instrument.

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

The face values, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.



#### 4.PROPERTY, PLANT AND EQUIPMENT

Group	Long term		Renovation	Electrical installation	Motor vehicles	Gaming machines	Plant, machinery, fittings and equipment	Furniture, fittings and office equipment	Total
	Freehold land and buildings	leasehold land and buildings							
	RM	RM	RM	RM	RM	RM	RM	RM	RM
<b>At cost</b>									
At 1 January 2004	4,394,400	1,683,930	0	70,148	883,838	19,613,130	102,621	2,430,066	29,178,133
Additions	0	0	323,787	0	165,832	54,436,498	80,104	1,866,874	56,873,095
Disposals/written off	0	0	0	0	0	(774,689)	(64)	(41,119)	(815,872)
At 31 December 2004	4,394,400	1,683,930	323,787	70,148	1,049,670	73,274,939	182,661	4,255,821	85,235,356
<b>Accumulated depreciation</b>									
At 1 January 2004	55,432	28,966	0	47,836	561,139	6,388,547	13,130	1,274,156	8,369,206
Current charge	55,434	28,974	14,463	7,015	82,002	7,154,916	24,582	426,449	7,793,835
Disposals/written off	0	0	0	0	0	(210,171)	(5)	(34,662)	(244,838)
At 31 December 2004	110,866	57,940	14,463	54,851	643,141	13,333,292	37,707	1,665,943	15,918,203
<b>Net book value</b>									
At 31 December 2004	<b>4,283,534</b>	<b>1,625,990</b>	<b>309,324</b>	<b>15,297</b>	<b>406,529</b>	<b>59,941,647</b>	<b>144,954</b>	<b>2,589,878</b>	<b>69,317,153</b>
<b>Net book value</b>									
At 31 December 2003	4,338,968	1,654,964	0	22,312	322,699	13,224,583	89,491	1,155,910	20,808,927

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

## 4.PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<b>Company</b>	<b>Furniture, fittings and office equipment RM</b>
<b>At cost</b>	
At 1 January 2004	0
Additions	31,480
At 31 December 2004	31,480
<b>Accumulated depreciation</b>	
At 1 January 2004	0
Current charge	2,820
At 31 December 2004	2,820
<b>Net book value</b>	
At 31 December 2004	<b>28,660</b>
<b>Net book value</b>	
At 31 December 2003	0

The freehold and long term leasehold land and buildings have been charged to licensed banks for term loans and banking facilities granted to the subsidiary companies.

The carrying value of the motor vehicle amounting to RM172,374 (2003: RM 203,707) is held in trust in the name of a Director of a subsidiary company.

Depreciation charge amounting to RM13,366 (2003 : RMNil) is being capitalised in development costs.

## 5.INVESTMENT IN SUBSIDIARY COMPANIES

	<b>Company</b>	
	<b>2004</b>	<b>2003</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares, at cost	<b>20,557,198</b>	20,557,198

## 5. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

Details of the subsidiary companies are as follows:

Name of subsidiaries	Country of incorporation	Effective equity interest		Principal activities
		2004	2003	
*RGB Sdn. Bhd.	Malaysia	100%	100%	Manufacturing, refurbishment, technical support, management and maintenance, sales and marketing of gaming and amusement machines and equipment, sales of marketing security surveillance products and systems for local and overseas markets, and refurbishment and reconditioning of video games and jackpot machines.
RGB Ltd.	Malaysia	100%	100%	Investment holding, sales and marketing, technical support and management of gaming and amusement machines and equipment mainly for the overseas markets.
Data Touch Sdn Bhd.	Malaysia	100%	100%	Renting of property.
<i>Subsidiary of RGB Ltd.</i>				
RGB (Macau) Limited	Macau	96%	96%	Sales and marketing, technical support and management of gaming and amusement machines and equipment for Macau and regional market.

\* Audited by firm of auditors other than UHY Diong.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

## 5. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

Acquisitions of subsidiary companies:

On 23 September 2003, the Company acquired 100% equity interests in RGB Sdn. Bhd., RGB Ltd. and Data Touch Sdn. Bhd. for a total consideration of RM20,557,779 which was satisfied in full by the issuance of 205,571,980 new ordinary shares of RM0.10 each of the Company at an issue price of approximately RM0.10 each.

The fair value of the net assets acquired, reserve on consolidation and cash flow arising from the acquisitions are as follows:

	2003 RM
Property, plant and equipment	15,374,456
Investments	4,000
Investment in an associated corporation	95,380
Inventories	12,252,538
Receivables	25,034,998
Deposits with licensed banks	2,091,831
Cash and bank balances	1,445,954
Payables	(21,317,757)
Bank overdrafts	(4,248,825)
Bank borrowings	(1,510,000)
Taxation	(204,433)
Deferred taxation	(268,741)
Term loan	(82,008)
Fair value of total net assets	28,667,393
Reserve on consolidation	(8,110,195)
Total purchase consideration	20,557,198
Purchase consideration discharged by shares issued	(20,557,198)
Purchase consideration discharged by cash	0
Less: Cash and cash equivalents of subsidiary companies acquired	(2,802,871)
Cash flow on acquisitions net of cash acquired	(2,802,871)

## 5. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

The effect of the acquisitions on the financial results of the Group from the date of acquisitions to 31 December 2003 was as follows:

	2003 R M
Revenue	35,476,728
Cost of sales	(27,310,963)
Other operating income	345,401
Operating expenses	(3,802,855)
Taxation	(146,862)
Profit after taxation	4,561,449

The effect of the acquisitions on the financial position of the Group as at 31 December 2003 was as follows:

	2003 R M
Property, plant and equipment	20,808,927
Investments	4,000
Investment in an associated corporation	95,380
Inventories	14,567,863
Receivables	15,533,084
Deposits with licensed banks	3,514,813
Cash and bank balances	6,636,928
Payables	(23,308,983)
Bank borrowings	(4,196,098)
Taxation	(131,174)
Term loan	(77,974)
Deferred taxation	(217,491)
Group's share of net assets	33,229,275

## 6. INVESTMENT IN ASSOCIATED CORPORATIONS

	2004 R M	Group 2003 R M
Unquoted shares, at cost	810,002	95,380
Share of post-acquisition loss	(109,359)	0
	<b>700,643</b>	95,380

Represented by:

Share of net assets	700,643	95,380
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# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

## 6. INVESTMENT IN ASSOCIATED CORPORATIONS (CONTINUED)

Details of the associated corporations are as follows:

Name of associated corporation	Country of incorporation	Effective equity interest		Principal activities
		2004	2003	
Star RGB Corporation	Philippines	40%	40%	Dormant
Cron Corporation	Japan	50%	0%	Research and development center

As at 31 December 2004, the Group did not disclose the effect if the equity method of accounting had been applied for the investment in Star RGB Corporation as it is dormant and has no material contribution to the Group.

## 7. INVESTMENT

	Group	
	2004	2003
	RM	RM
Unquoted shares, at cost	4,000	4,000

## 8. DEVELOPMENT COSTS

	Group	
	2004	2003
	RM	RM
<b>At cost</b>		
At 1 January	0	0
Additions	389,413	0
At 31 December	389,413	0

Included herein is depreciation charge amounting to RM13,366 (2003: RM Nil).

## 9. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade receivables	40,202,541	14,241,005	0	0
Less: Allowance for doubtful debts	(20,210)	(16,153)	0	0
	<b>40,182,331</b>	14,224,852	<b>0</b>	0
Other receivables	3,753,891	944,760	119,325	0
Advances paid to suppliers	225,933	10,613	0	0
Deposits	171,815	204,180	50	0
Prepayments	27,016	826,531	15,007	677,852
	<b>44,360,986</b>	16,210,936	<b>134,382</b>	677,852
Representing receivables:				
- Current	43,684,609	16,210,936	134,382	677,852
- Non-current	676,377	0	0	0
	<b>44,360,986</b>	16,210,936	<b>134,382</b>	677,852

Normal credit terms of trade receivables given by the Group range from 30 to 90 days (2003: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

The Group has a significant concentration of credit risk that may arise from exposures to a group of receivables which contributed approximately 69% of the total trade receivables as at 31 December 2004. These customers contributed approximately 41% of the total revenue of the Group.

Included in trade receivables of the Group are amounts of RM1,445,462 (2003 : RM2,827,344) due from companies in which the Directors of the Group have financial interests.

Allowance for doubtful debts has not been made in the financial statements for long outstanding debts of RM347,506 (2003: RM117,458) as the Directors are of the opinion that these debts are recoverable.

The prepayments amounting to RM677,852 in 2003 was in respect of the expenditure for the listing of the Company's shares on the MESDAQ Market of the Bursa Malaysia Securities Berhad.

Non-current receivables are non-trade in nature, secured by unquoted shares pledged to the Group, interest free and has no fixed terms of repayment.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

## 10. INVENTORIES

	2004	Group
	RM	2003 RM
<b>At cost</b>		
Gaming and amusement machines, coin and notes counting machines, binding machines and amusement machines	2,383,296	666,511
Spare parts, gaming and amusement accessories and table equipment	2,313,895	9,650,968
Goods-in-transit	9,835,997	4,250,384
	<b>14,533,188</b>	<b>14,567,863</b>

Included in the inventories are slow moving inventories amounting to RM898,507 (2003: RM1,004,631) of which no allowance for obsolete inventories is made in the financial statements as the Directors are of the opinion that the inventories are useable and saleable.

The cost of inventories recognised as expenses during the financial year amounted to RM77,120,193.

## 11. AMOUNT OWING BY SUBSIDIARY COMPANIES

The amount owing by subsidiary companies is non-trade in nature, unsecured, interest free and has no fixed term of repayment except for the amount owing by a subsidiary company of RM15,000,000 which is repayable over 3 years commencing year 2006.

## 12. AMOUNT OWING BY AN ASSOCIATED CORPORATION

The amount owing by an associated corporation is non-trade in nature, interest free and has no fixed terms of repayment.

## 13. DEPOSITS WITH LICENSED BANKS

Certain deposits amounting to RM2,199,776 (2003: RM2,092,563) are pledged to licensed banks as securities for the banking facilities granted to the Group.

The average effective interest rate per annum of deposits at the balance sheet date was as follows:

	2004	2003
	%	%
Licensed banks	3.4	2.7



### 13. DEPOSITS WITH LICENSED BANKS (CONTINUED)

The average maturity of deposits as at the end of the financial year/ period was as follows:

	<b>2004</b>	2003
	<b>Days</b>	Days
Licensed banks	<b>365</b>	186

### 14. PAYABLES

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	2003	<b>2004</b>	2003
	<b>RM</b>	RM	<b>RM</b>	RM
Trade payables	<b>24,253,665</b>	12,757,308	<b>0</b>	0
Other payables	<b>5,674,525</b>	386,617	<b>0</b>	14,150
Advances received from customers	<b>573,979</b>	8,753,516	<b>0</b>	0
Accruals	<b>14,931,840</b>	2,012,035	<b>325,584</b>	0
Deposits received	<b>106,920</b>	51,282	<b>0</b>	0
Interest payable	<b>19,911</b>	32,195	<b>0</b>	0
Unclaimed monies	<b>0</b>	8,460	<b>0</b>	0
	<b>45,560,840</b>	24,001,413	<b>325,584</b>	14,150

Credit terms of trade payables granted to the Group range from 30 to 90 days (2003: 30 to 90 days).

Included in other payables are amount due to companies in which the Directors of the Group have substantial financial interest amounting to RM192,339 (2003: RM26,207).

### 15. AMOUNT OWING TO A SUBSIDIARY COMPANY

The amount owing to a subsidiary company was unsecured, interest free and had no fixed terms of repayment.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

## 16. BANK BORROWINGS

	Group	
	2004	2003
	RM	RM
<b>Secured:</b>		
Bank overdrafts	3,179,325	2,984,098
Bankers' acceptance	6,870,000	1,212,000
Onshore foreign currency loan	638,134	0
Term loans (Note 19)	6,536,286	16,132
	<b>17,223,745</b>	<b>4,212,230</b>

The average effective interest rates per annum during the financial year/period for borrowings were as follows:

	2004	2003
	%	%
Bank overdrafts	7.48	7.91
Onshore foreign currency loan	3.70	NA
Bankers' acceptance	3.86	2.96
Term loans	6.06	7.00

The bank borrowings are secured by way of fixed charges over the leasehold and freehold properties, fixed deposits with licensed banks, jointly and severally guarantee by certain Directors of the Group and Corporate Guarantee of RM60.2 million by the Company.

## 17. SHARE CAPITAL

	Group / Company	
	2004	2003
	RM	RM
<b>Authorised</b>		
Ordinary shares of RM0.10 each		
At 1 January 2004/ 16 January 2003	50,000,000	100,000
Created during the period	0	49,900,000
At 31 December	<b>50,000,000</b>	<b>50,000,000</b>

During the last financial period, 100,000 ordinary shares of RM1.00 each was split into 1,000,000 ordinary shares of RM0.10 each.

## 17.SHARE CAPITAL (CONTINUED)

	Group / Company	
	2004 R M	2003 R M
<b>Issued and fully paid-up</b>		
Ordinary shares of RM0.10 each		
At 1 January 2004/ 16 January 2003	20,557,200	2
Issued and paid-up during the year/ period	7,442,800	20,557,198
At 31 December	28,000,000	20,557,200

During the last financial period, 2 ordinary shares of RM1.00 each was split into 20 ordinary shares of RM0.10 each.

During the financial year, the Company increased its issued and fully paid-up share capital from RM20,557,200 to RM28,000,000 by way of issuance of 74,428,000 new ordinary shares of RM0.10 each at an issue price of RM0.50 per ordinary share by way of public issue.

## 18.RESERVES

	Group		Company	
	2004 R M	2003 R M	2004 R M	2003 R M
<b>Non-distributable:</b>				
Reserve on consolidation	8,110,195	8,110,195	0	0
Share premium	28,017,512	0	28,017,512	0
Translation reserve	(2,709)	0	0	0
	36,124,998	8,110,195	28,017,512	0
<b>Distributable:</b>				
Retained profits/ (Accumulated losses)	22,787,983	4,549,882	(195,963)	(12,000)
	58,912,981	12,660,077	27,821,549	(12,000)

Share premium of the Group and the Company arose from public issue net of listing expenses.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

## 19. TERM LOANS

	Group	
	2004	2003
	RM	RM
Representing term loans:		
- current (Note 16)	6,536,286	16,132
- non-current	8,536,905	61,842
	<b>15,073,191</b>	<b>77,974</b>

The term loans of the Group are repayable as follows:

- Within one year	6,536,286	16,132
- More than 1 year and less than 2 years	5,351,333	16,133
- More than 2 years and less than 5 years	3,185,572	45,709
	<b>15,073,191</b>	<b>77,974</b>

The term loans are secured on the same terms and conditions as disclosed in Note 16. The average effective interest rates has been disclosed in Note 16.

## 20. DEFERRED TAXATION

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
At 1 January 2004 / 23 September 2003	217,491	0	0	0
On acquisitions of subsidiary companies	0	268,741	0	0
Deferred tax recognised in the income statement (Note 25)	125,000	12,750	30,000	0
Effect on opening deferred tax of reduction in tax rate	(91,000)	0	0	0
Revaluation of freehold land and building	(2,800)	0	0	0
Underprovision in respect of prior year	4,000	0	0	0
Overprovision of deferred taxation in pre-acquisition period of subsidiary companies (Note 25)	0	(64,000)	0	0
At 31 December	<b>252,691</b>	<b>217,491</b>	<b>30,000</b>	<b>0</b>

## 20.DEFERRED TAXATION (CONTINUED)

The balance in the deferred taxation is made up of tax effects of temporary differences arising from:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
<b>Deferred tax liabilities</b>				
<b>(before offsetting)</b>				
Interest receivable	30,790	0	30,790	0
Property, plant and equipment	149,691	217,491	0	0
Development costs	73,000	0	0	0
Offsetting	(790)	0	(790)	0
Deferred tax liabilities (after offsetting)	252,691	217,491	30,000	0
<b>Deferred tax assets</b>				
<b>(before offsetting)</b>				
Property, plant and equipment	790	0	790	0
Offsetting	(790)	0	(790)	0
Deferred tax assets (after offsetting)	0	0	0	0

## 21.REVENUE

	Group		Company	
	1.1.2004 to 31.12.2004 RM	23.9.2003 to 31.12.2003 RM	1.1.2004 to 31.12.2004 RM	16.1.2003 to 31.12.2003 RM
Rental income	166,500	45,000	0	0
Sales and marketing	89,046,560	30,869,723	0	0
Technical support and management	26,133,503	4,562,005	0	0
Management fee	0	0	570,000	0
	115,346,563	35,476,728	570,000	0

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

## 22.PROFIT/(LOSS) FROM OPERATIONS

	Group		Company	
	1.1.2004 to 31.12.2004 RM	23.9.2003 to 31.12.2003 RM	1.1.2004 to 31.12.2004 RM	16.1.2003 to 31.12.2003 RM
Profit/(Loss) from operations				
is arrived at after charging:				
Allowance for doubtful debts	5,462	16,153	0	0
Auditors' remuneration:				
- statutory audit	52,852	40,000	12,000	12,000
- other services	0	5,000	0	0
Depreciation	7,780,469	928,059	2,820	0
Property, plant and equipment written off	4,386	0	0	0
Realised loss on foreign exchange	651,301	82,724	0	0
Rental of premises	154,129	12,397	0	0
Staff costs	5,181,133	955,280	507,512	0
Unrealised loss on foreign exchange	618,617	0	0	0
and crediting:				
Gain on disposals of property, plant and equipment	126,673	0	0	0
Interest income	675,672	50,474	565,052	0
Realised gain on foreign exchange	384,925	196,176	2,984	0
Rental income	193,139	51,497	0	0
Unrealised gain on foreign exchange	1,249,710	174,371	0	0

Included in staff costs of the Group and of the Company are Executive Directors' fees and other emoluments as stated in Noted 23.

## 23.DIRECTORS' REMUNERATION

The aggregate amount of emoluments receivable by Directors of the Group during the year / period are as follows:

	Group		Company	
	1.1.2004 to 31.12.2004 RM	23.9.2003 to 31.12.2003 RM	1.1.2004 to 31.12.2004 RM	16.1.2003 to 31.12.2003 RM
<b>Directors of the Company:</b>				
Executive:				
- fees	0	40,000	0	0
- salaries and bonus	1,031,311	224,830	314,913	0
	<b>1,031,311</b>	<b>264,830</b>	<b>314,913</b>	<b>0</b>
Non-executive:				
- fees	93,000	5,000	93,000	0
- other emoluments	28,000	0	28,000	0
	<b>1,152,311</b>	<b>269,830</b>	<b>435,913</b>	<b>0</b>
<b>Directors of the subsidiary companies</b>				
Non-executive:				
- fees	15,000	5,000	0	0
	<b>1,167,311</b>	<b>274,830</b>	<b>435,913</b>	<b>0</b>

## 24.FINANCE COSTS

	Group		Company	
	1.1.2004 to 31.12.2004 RM	23.9.2003 to 31.12.2003 RM	1.1.2004 to 31.12.2004 RM	16.1.2003 to 31.12.2003 RM
Bank overdraft interest	204,643	79,167	0	0
Bankers' acceptance charges	19,758	12,027	0	0
Term loans interest	27,121	9,020	0	0
	<b>251,522</b>	<b>100,214</b>	<b>0</b>	<b>0</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

## 25. TAXATION

	Group		Company	
	1.1.2004 to 31.12.2004 RM	23.9.2003 to 31.12.2003 RM	1.1.2004 to 31.12.2004 RM	16.1.2003 to 31.12.2003 RM
The major components of the tax expense are:				
Current tax expense based on profit for the period	<b>169,000</b>	198,112	<b>60,000</b>	0
Overprovision in respect of prior year	<b>(1,659)</b>	0	<b>0</b>	0
	<b>167,341</b>	198,112	<b>60,000</b>	0
Deferred tax expense (Note 20):				
- relating to origination and reversal of temporary differences	<b>125,000</b>	12,750	<b>30,000</b>	0
- relating to revaluation of freehold land and building	<b>(2,800)</b>	0	<b>0</b>	0
- underprovision in respect of prior year	<b>4,000</b>	0	<b>0</b>	0
- overprovision in pre-acquisition period of subsidiary companies	<b>0</b>	(64,000)	<b>0</b>	0
- effect on opening deferred tax of reduction in tax rate	<b>(91,000)</b>	0	<b>0</b>	0
	<b>202,541</b>	146,862	<b>90,000</b>	0



## 25.TAXATION (CONTINUED)

	Group		Company	
	1.1.2004 to 31.12.2004 RM	23.9.2003 to 31.12.2003 RM	1.1.2004 to 31.12.2004 RM	16.1.2003 to 31.12.2003 RM
Reconciliation of tax expense and accounting profit/(loss):				
Accounting profit/(loss)				
before taxation				
(excluded share of loss in an associated corporation)	18,550,001	4,696,311	(93,963)	(12,000)
Tax calculated at the Malaysia tax rate of 28%	5,194,200	1,315,000	(26,000)	(3,360)
Tax effect of:				
- Lower tax rate for Labuan offshore business activities	(4,989,000)	(994,391)	0	0
- expenses not deductible for tax purposes	109,000	54,972	117,000	0
- different tax rate for first RM500,000 (2003 : RM100,000) of chargeable income	(35,500)	0	0	0
- income not subject to tax	(8,000)	(59,000)	(1,000)	0
- overprovision of tax expense in pre-acquisition period of subsidiary companies	0	(128,448)	0	0
- effect on opening deferred tax of reduction in tax rate	(91,000)	0	0	0
- deferred taxation relating to revaluation of freehold land and building	(2,800)	0	0	0
- overprovision of deferred tax in pre-acquisition period of subsidiary companies	0	(64,000)	0	0
- underprovision of deferred taxation in respect of prior year	4,000	0	0	0
- overprovision of taxation in respect of prior year	(1,659)	0	0	0
- permanent loss not recognised during the year / period	23,300	22,729	0	3,360
Tax expense for the year / period	202,541	146,862	90,000	0

The taxation of one of the subsidiary companies is fixed at RM20,000 per annum under the Labuan Offshore Business Activity Tax Act, 1990 Section 7(1).

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

## 26. BASIC EARNINGS PER SHARE

Basic earnings per share of the Group is calculated by dividing the net profit for the financial year/ period by the weighted average number of ordinary shares in issue during the financial year/period.

	Group	
	1.1.2004 to 31.12.2004	23.9.2003 to 31.12.2003
	R M	R M
Net profit for the year/ period(RM)	18,238,101	4,549,882
Weighted average number of ordinary shares in issue	279,184,351	58,734,871
Basic earnings per share(sen)	6.5	7.7

## 27. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to related party disclosure mentioned elsewhere in the financial statements, set out below are other significant related party transactions:

	Group	
	1.1.2004 to 31.12.2004	23.9.2003 to 31.12.2003
	R M	R M
Sales of gaming machines, spare parts and accessories to:		
- Sigma Gaming Technology Pte Ltd	1,591,944	817,700
- Standard RGB Pte Ltd	2,070,634	4,655,800
- IGM Gaming Consultancy Pte Ltd	0	176,000
- Denver System Sdn. Bhd. (Formerly known as RGB System Sdn. Bhd.)	80,142	0
- Suneka Sdn. Bhd.	38,435	0
- Manju Sdn. Bhd.	11,691	0
- Euro Computer Engineering & Parts Sdn. Bhd.	26,993	0
- Dreamgate (Malaysia) Sdn. Bhd.	786,376	0
- Roxy Leisure Sdn. Bhd.	18,233	0
Purchase of gaming and amusement machines and accessories from:		
- Denver System Sdn. Bhd. (Formerly known as RGB System Sdn. Bhd.)	14,500	18,500
- Standard RGB Pte Ltd	516,245	1,498,000
- Chuah Amusement Sales & Services Sdn. Bhd.	40,800	0
Purchase of property, plant and equipment from:		
- Standard RGB Pte Ltd	985,207	812,700

## 27.SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

	1.1.2004 to 31.12.2004 RM	Group 23.9.2003 to 31.12.2003 RM
Purchase of spare parts and services from:		
- Standard RGB Pte Ltd	426,962	151,600
Repair and maintenance services provided to:		
- Denver System Sdn. Bhd. (Formerly known as RGB System Sdn. Bhd.)	101,540	22,100
- Euro Computer Engineering & Parts Sdn. Bhd.	44,120	11,100
- Dreamgate (Malaysia) Sdn. Bhd.	71,435	18,200
- Sigma Gaming Technology Pte Ltd	0	12,600
- Suneka Sdn. Bhd.	21,510	0
- Manju Sdn. Bhd.	25,865	0
- Amity Engineering Sdn. Bhd.	17,450	0
Renting of premises to:		
- Denver System Sdn. Bhd. (Formerly known as RGB System Sdn. Bhd.)	44,000	13,500
- Euro Computer Engineering & Parts Sdn. Bhd.	53,500	16,500
- Dreamgate (Malaysia) Sdn. Bhd.	30,000	0
- Great World Inc.	30,000	0
- Harvard Management Consultants Sdn. Bhd.	9,000	0

The Directors are of the opinion that the related party transactions described above have been entered into the normal course of business on an arm's length basis and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Certain Directors and their family members of the Group have significant and controlling financial interests in the abovementioned related corporations.

## 28.CAPITAL COMMITMENT

	2004 RM	Group 2003 RM
Authorised but not contracted for:		
Plant and equipment	17,000,000	7,500,000

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

## 29. CONTINGENT LIABILITIES (UNSECURED)

- (a) As at 31 December 2004, a corporate guarantee amounting to RM Nil (2003: RM582,000) was given to a finance company for a leasing facility granted to a third party, Belluno Sdn. Bhd. (formerly known as RGB Games Sdn. Bhd.) by RGB Sdn. Bhd..
- (b) RGB Sdn. Bhd. had given an undertaking to Mpumalanga Gaming Board, South Africa, on 26 November 1998 to provide funding for Magna Eden Sdn. Bhd. for whatever amount is required in respect of Magna Eden Sdn. Bhd.'s investment in Magic Slots South Africa (Pty) Ltd in relation to the South Africa slot gaming operations. As at todate, the Company has not been requested to provide any funding whatsoever in respect of the above undertaking.
- (c) The Company has given corporate guarantees to certain financial institutions for banking facilities granted to its subsidiary for a limit up to RM60.2 million (2003: RM Nil) of which RM23,425,180 (2003: RM Nil) was utilised at balance sheet date.

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's operation is subject to a variety of financial risks, including interest rate risk, credit risk, foreign currency exchange risk and liquidity and cash flow risks. The Group's overall financial risk management objective is to ensure that the Group creates value for its shareholders and to ensure adequate financial resources are available for the development of the Group's business. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of such risks on its financial performance. Various financial risk management policies are made and approved by the Group for observation in the day-to-day operations for the controlling and management of the risks associated with financial instruments.

The Group is exposed to the following financial risks:

### Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Group has no substantial long term interest-bearing assets as at 31 December 2004. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits or occasionally, in short term commercial papers which yield better returns than cash at bank.

The Group is not subject to significant risk of fluctuations in interest rates. Interest rates of bank borrowings are mainly subject to fluctuations in the banks' base lending rates. Bank borrowings are secured from the banks, which offer the most competitive rates.

### **30.FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

#### **Credit risk**

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments except as disclosed in Note 9 the financial statements.

#### **Liquidity and cash flow risks**

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

#### **Foreign currency exchange risk**

The Group is exposed to various currencies as stated in Note 3.12 (iii). Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

Foreign exchange exposures in transactional currencies other than functional currencies of the Group are kept to an acceptable level.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Foreign currency exchange risk (Continued)

The net unhedged financial assets and financial liabilities of the Group as at balance sheet date that are not denominated their functional currencies are as follows:

31 December 2004

Functional currency Ringgit Malaysia	Receivables		Deposits with licensed banks RM	Cash and bank balances RM	Payables	
	Trade RM	Others RM			Trade RM	Others RM
US Dollar	10,185,204	8,413	0	65,069	2,372,190	552,709
Australian Dollar	5,639,206	0	0	426,031	3,496,159	0
EURO	3,066,236	0	0	210,814	3,095,313	0
Pound Sterling	2,919	0	0	138,568	90,275	0
Singapore Dollar	29,410	0	0	174,719	60,168	0
New Zealand Dollar	0	0	0	0	0	0
Hong Kong Dollar	4,915	0	0	0	0	0
Japanese Yen	0	0	0	426	0	0
Thai Baht	0	0	0	0	0	0
	18,927,890	8,413	0	1,015,627	9,114,105	552,709

Functional currency US Dollar	Receivables		Cash and bank balances RM	Payables	Trade RM	Others RM
	Trade RM	Others RM				
Australian Dollar	6,950,101	0	235,566	5,857,092	8,711,033	0
EURO	1,416,689	2,507,050	470,782	4,659,271	0	0
Pound Sterling	0	0	15,075	0	0	0
Singapore Dollar	0	0	21,474	31,574	73,682	0
Hong Kong Dollar	0	0	977	0	0	0
Japanese Yen	0	728,593	0	0	0	0
Philippine Peso	391,263	11,518	81,784	0	24,297	0
Thai Baht	4,577,574	142,135	76,486	0	38,236	0
Ringgit Malaysia	0	69,791	72,447	0	441,328	0
	13,335,627	3,459,087	974,591	10,547,937	9,288,576	0

### 30.FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Foreign currency exchange risk (Continued)

31 December 2003

Functional currency Ringgit Malaysia	Receivables		Deposits with licensed	Cash and bank	Payables	
	Trade RM	Others RM	banks RM	balances RM	Trade RM	Others RM
US Dollar	3,863,986	8,413	0	463,964	2,642,509	203,526
Australian Dollar	1,420,398	0	1,422,250	71,907	551,362	0
EURO	703,685	0	0	0	1,317,348	56,650
Pound Sterling	4,321	0	0	166,665	32,617	0
Singapore Dollar	49,673	0	0	143,093	112	0
New Zealand Dollar	0	0	0	0	399	0
Hong Kong Dollar	18,416	0	0	0	0	0
Japanese Yen	0	0	0	2,080	0	0
Thai Baht	2,085	0	0	0	0	0
	6,062,564	8,413	1,422,250	847,709	4,544,347	260,176

Functional currency US Dollar	Receivables		Cash and bank	Payables	
	Trade RM	Others RM	balances RM	Trade RM	Others RM
Australian Dollar	1,262	99,176	0	3,039,658	35,899
EURO	209,840	318,809	0	255,470	0
Pound Sterling	0	0	102,752	0	102,478
Singapore Dollar	0	0	4,142	25,969	289
Philippine Peso	0	0	239	0	0
Thai Baht	3,184,054	3,067	63,737	0	43,616
Ringgit Malaysia	0	62,077	112,184	0	197,771
	3,395,156	483,129	283,054	3,321,097	380,053

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

## 31. FINANCIAL INSTRUMENTS

### Financial assets

The Group's and the Company's principal financial assets are unquoted investment, deposits with licensed banks, cash and bank balances, trade receivables, other receivables, advances paid to suppliers, deposits, amount owing by subsidiary companies and amount owing by an associated corporation.

The accounting policies applicable to the major financial assets are as disclosed in Note 3 to the financial statements.

### Financial liabilities and equity instruments

Debts and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Equity instruments are recorded at the proceeds received.

The Group's and the Company's principal financial liabilities are trade payables, other payables, advances received from customers, accruals, deposits received, interest payable, unclaimed monies, bank overdrafts, bankers' acceptance, onshore foreign currency loan, term loans and amount owing to a subsidiary company.

### Fair values

The carrying amounts of the Group's and the Company's cash and cash equivalents, trade receivables, other receivables, advances paid to suppliers, deposits, trade payables, other payables, advances received from customers, accruals, deposits received, interest payable, unclaimed monies, bank overdrafts, bankers' acceptance and onshore foreign currency loan are assumed to approximate their fair values because of the short maturity of these instruments.

The fair values of certain amount owing by/(to) a subsidiary company and amount owing by an associated corporation have not been computed as the timing of the repayment of these balances cannot be reasonably determined.

The fair value of unquoted investment of the Group is not practical to estimate because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.



### 31. FINANCIAL INSTRUMENTS (CONTINUED)

#### Fair values (Continued)

The aggregate net fair values of financial liabilities which are not carried at fair value on the balance sheets of the Group as at the end of the financial year/period are represented as follows:

	At 31 December 2004		At 31 December 2003	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Amount owing by a subsidiary company (Note 11)	15,000,000	13,430,127	0	0
Term loans (Note 19)	15,073,191	15,598,274	77,974	65,285

The fair value of term loans and amount owing by a subsidiary company are estimated by discounting the expected future cash flows using the current interest rate for liabilities with similar risk profiles.

### 32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

In relation to the listing exercise of the Company, a total of 74,428,000 new ordinary shares of RM0.10 each at an issue price of RM0.50 per ordinary share by way of public issue were fully subscribed and allotted on 5 January 2004.

The Company has been listed on the MESDAQ Market of the Bursa Malaysia Securities Berhad on 13 January 2004 with the enlarged issued and fully paid-up share capital of 280,000,000 ordinary shares of RM0.10 each.

### 33. SUPPLEMENTARY CASH FLOW DISCLOSURES (2003 ONLY)

#### Non-cash transactions

The principal non-cash transactions during the period were the issue of shares by the Company for RM20,557,779 (Note 5) in satisfaction of purchase consideration for the acquisitions of 100% equity interests in RGB Sdn. Bhd., RGB Ltd. and Data Touch Sdn. Bhd..

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

## 34. SEGMENT REPORTING

### (a) Business segments:

The Group is organised on a worldwide basis into two main business segments:

- |                                    |   |
|------------------------------------|---|
| - Sales and marketing              | Sales and marketing of gaming and amusement machines and equipment and security surveillance products and systems.          |
| - Technical support and management | Manufacturing, refurbishment, technical support, maintenance and management of gaming and amusement machines and equipment. |

Other business segments are investment holding and renting of premises which have no sufficient size to be reported separately.

### 34. SEGMENT REPORTING (CONTINUED)

#### (a) Business segments (Continued):

The Directors are of the opinion that all intersegment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

	Sales and Marketing RM	Technical Support and Management RM	Unallocated / others RM	Eliminations RM	Group RM
<b>2004</b>					
<b>Revenue</b>					
External revenue	89,046,560	26,133,503	1,198,188	(1,031,688)	115,346,563
<b>Results</b>					
Segment results	13,771,601	24,237,364	1,171,922	(1,031,688)	38,149,199
Other operating income	0	0	2,744,734	0	2,744,734
Other operating expenses	0	0	(1,269,918)	0	(1,269,918)
Administrative expenses	(2,775,936)	(11,239,424)	(5,056,044)	1,031,688	(18,039,716)
Selling and distribution expenses	(2,456,441)	(117,107)	(209,228)	0	(2,782,776)
Profit from operations	8,539,224	12,880,833	(2,618,534)	0	18,801,523
Finance costs					(251,522)
Taxation					(211,247)
Share of loss in an associated corporation					(100,653)
Net profit for the year					18,238,101
<b>At 31 December 2004</b>					
<b>Net assets</b>					
Segment assets	45,518,134	73,615,674	38,701,526	0	157,835,334
Segment liabilities	(31,002,649)	(27,822,373)	(12,434,626)	0	(71,259,648)
Unallocated assets					672,664
Unallocated liabilities					(335,369)
					86,912,981
<b>Other information</b>					
Capital expenditure	42,769	56,184,844	645,482	0	56,873,095
Depreciation	90,161	7,197,540	492,768	0	7,780,469
Other non cash expenses	5,462	0	0	0	5,462

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

## 34. SEGMENT REPORTING (CONTINUED)

### (a) Business segments (Continued) :

	Sales and Marketing RM	Technical Support and Management RM	Unallocated / others RM	Eliminations RM	Group RM
23.9.2003 to 31.12.2003					
<b>Revenue</b>					
External revenue	30,869,723	4,562,005	105,000	(60,000)	35,476,728
<b>Results</b>					
Segment results	3,770,306	4,350,459	105,000	(60,000)	8,165,765
Other operating income	0	0	345,401	0	345,401
Administrative expenses	(639,912)	(1,984,215)	(522,760)	60,000	(3,086,887)
Selling and distribution expenses	(596,014)	(12,710)	0	0	(608,724)
Profit from operations	2,534,380	2,353,534	(72,359)	0	4,815,555
Finance costs					(119,244)
Taxation					(146,862)
Minority interest					433
Net profit for the period					4,549,882
At 31 December 2003					
<b>Net assets</b>					
Segment assets	22,048,863	21,508,026	18,284,538	0	61,841,427
Segment liabilities	(17,795,622)	(4,887,683)	(5,514,206)	0	(28,197,511)
Unallocated liabilities					(426,639)
					33,217,277
23.9.2003 to 31.12.2003					
<b>Other information</b>					
Capital expenditure	0	6,176,543	189,719	0	6,366,262
Depreciation	90,759	788,200	49,100	0	928,059
Other non cash expenses	16,153	0	0	0	16,153

Segment assets consist primarily of property, plant and equipment, inventories, operating receivables and deposits, deposits with licensed banks and cash and bank balances. Segment liabilities comprise operating liabilities.

Capital expenditure comprises additions to property, plant and equipment (Note 4).

### 34. SEGMENT REPORTING (CONTINUED)

#### (b) Geographical segments

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

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

- Singapore - mainly sales and marketing.
- Philippines - mainly sales and marketing and technical support and management.
- Macau - mainly sales and marketing and technical support and management.
- Vietnam - mainly sales and marketing and technical support and management.
- Cambodia - mainly sales and marketing and technical support and management.

	<b>Revenue</b>	
	<b>1.1.2004 to 31.12.2004</b>	<b>23.9.2003 to 31.12.2003</b>
	<b>RM</b>	<b>RM</b>
Cambodia	<b>30,357,049</b>	3,570,818
Malaysia	<b>26,747,835</b>	6,176,548
Macau	<b>25,916,708</b>	2,842,041
Philippines	<b>17,446,405</b>	14,725,223
Vietnam	<b>7,104,001</b>	1,970,213
Singapore	<b>2,637,469</b>	5,890,369
Other countries	<b>5,137,096</b>	301,516
	<b>115,346,563</b>	<b>35,476,728</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2004

## 34. SEGMENT REPORTING (CONTINUED)

### (b) Geographical segments (Continued)

	Total assets	
	1.1.2004 to 31.12.2004 RM	23.9.2003 to 31.12.2003 RM
Malaysia	49,671,895	38,214,668
Cambodia	43,989,251	17,434,279
Philippines	32,879,756	1,414,850
Macau	19,192,733	611,081
Singapore	2,861,193	2,982,080
Vietnam	2,763,213	919,605
Other countries	7,149,957	264,864
	<b>158,507,998</b>	<b>61,841,427</b>

	Capital expenditure	
	1.1.2004 to 31.12.2004 RM	23.9.2003 to 31.12.2003 RM
Philippines	27,881,059	624,348
Cambodia	25,546,070	4,950,322
Vietnam	2,692,916	0
Malaysia	595,012	639,501
Macau	158,038	152,091
	<b>56,873,095</b>	<b>6,366,262</b>

In determining the geographical segments of the Group, sales are based on the country in which the customer is located. Total assets and capital expenditure are determined based on where the assets are located.

## 35. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

## LIST OF PROPERTIES

held as at 31 December 2004

Registered Owner / Location	Description	Tenure	Age (Years)	Built up Area	Existing Use	Audited Net Book Value as at 31 December 2004 RM	Date of Last Revaluation
<b>RGB Sdn. Bhd.</b>							
65 Sims Avenue #08-04 Yi Xiu Factory Building Singapore	Building	Freehold	22	113 sq metres	Office cum factory	<b>666,624</b>	30 December 2002
No. 2017 Solok Perusahaan 3 Kawasan Perusahaan Perai 13600 Perai Penang	Land & Building	Leasehold - 99 years expiring on 12 December 2074	31	1,035.03 sq metres	Factory	<b>1,625,990</b>	31 December 2002
<b>Data Touch Sdn. Bhd.</b>							
No. 8 Green Hall 10200 Penang	Land & Building	In perpetuity	26	2,387.16 sq metres	Office	<b>3,616,910</b>	31 December 2002

# STATISTICS ON SHAREHOLDINGS

## ANALYSIS OF SHAREHOLDINGS AS AT 4 MAY 2005

Authorised Share Capital	:	RM50,000,000
Paid-Up Share Capital	:	RM28,000,000
Class of Shares	:	Ordinary Share of RM0.10 each
Voting Right	:	1 vote per Ordinary Share

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100	8	0.56	320	0.00
100 to 999	63	4.39	26,600	0.01
1,000 to 4,999	641	44.70	1,221,100	0.44
5,000 to 10,000	336	23.43	2,291,800	0.82
10,001 to 100,000	273	19.04	9,609,292	3.43
100,001 to 1,000,000	80	5.58	27,074,569	9.67
Above 1,000,000	33	2.30	239,776,319	85.63
<b>TOTAL</b>	<b>1,434</b>	<b>100.00</b>	<b>280,000,000</b>	<b>100.00</b>

## Substantial Shareholders As At 4 May 2005

No.	Name of Substantial Shareholders	No. of Ordinary Shares of RM0.10 Each Held			
		Direct	%	Indirect	%
1.	Datuk Chuah Kim Seah	110,033,830	39.30	-	-
2.	Gerak Juara Sdn. Bhd.	54,000,662	19.29	-	-
3.	Mazlan Bin Ismail	-	-	54,000,662*	19.29*
4.	Ahmad Anwar Bin Mohd Nor	-	-	54,000,662*	19.29*
5.	HSBC Holdings plc	-	-	19,023,500	6.79**

### Notes :

\* By virtue of their substantial shareholding in Gerak Juara Sdn. Bhd.

\*\* Deemed interested by virtue of Section 6A of the Companies Act, 1965.

## Directors' Shareholdings As At 4 May 2005

No.	Name of Directors	No. of Ordinary Shares of RM0.10 Each Held			
		Direct	%	Indirect	%
1.	Datuk Chuah Kim Seah	110,033,830	39.30	-	-
2.	Mazlan Bin Ismail*	-	-	54,000,662	19.29
3.	Chuah Kim Chiew	8,921,398	3.19	-	-
4.	Lim Tow Boon	2,587,000	0.92	-	-
5.	Wong Chee Fai **	1,450,000	0.52	-	-

### Notes :

\* By virtue of his substantial shareholding in Gerak Juara Sdn. Bhd.

\*\* By virtue of his beneficial interest in the shares held by Alliancegroup Nominees (Tempatan) Sdn. Bhd.



**Top Twenty Shareholders As At 4 May 2005**

No.	Name of Shareholders	No. of Shares Held	% of Issued Capital
1.	Datuk Chuah Kim Seah	110,033,830	39.30
2.	Gerak Juara Sdn. Bhd.	54,000,662	19.29
3.	Allianz Life Insurance Malaysia Berhad	10,084,100	3.60
4.	Chuah Kim Chiew	8,921,398	3.19
5.	HSBC Nominees (Tempatan) Sdn. Bhd. [HSBC (M) Trustee Bhd for Prudential Dynamic Fund](4496)	4,962,800	1.77
6.	Goh Sin Tien	4,623,000	1.65
7.	Malaysia Nominees (Tempatan) Sendirian Berhad [Amanah SSCM Asset Management Berhad for Amanah Smallcap Fund Berhad](JM730)	4,574,600	1.63
8.	Citicorp Nominees (Asing) Sdn. Bhd. [American International Assurance Company Limited (AIA Equity Fd)]	4,537,300	1.62
9.	HSBC Nominees (Tempatan) Sdn. Bhd. [HSBC (M) Trustee Bhd for Hwang-DBS Select Small Caps Fund](4579)	4,409,100	1.57
10.	Cartaban Nominees (Asing) Sdn. Bhd. [Raffles Nominees for NTUC Income Insurance Co-operative Ltd](Internal 43270)	2,996,700	1.07
11.	Lim Tow Boon	2,587,000	0.92
12.	HSBC Nominees (Tempatan) Sdn. Bhd. [HSBC (M) Trustee Bhd for The Hwang-DBS Select Opportunity Fund](3969)	2,400,000	0.86
13.	Cartaban Nominees (Asing) Sdn. Bhd. [SSBT Fund AHY8 for AIG Global Emerging Markets Fund Plc]	2,241,454	0.80
14.	Chuah Seong Whan	2,198,175	0.79
15.	HSBC Nominees (Asing) Sdn. Bhd. [DZ Bank Intl for Uni Em Fernost Treuhandkonto, Luxembourg]	2,000,000	0.71
16.	HSBC Nominees (Asing) Sdn. Bhd. [TNTC for Shenton Asia Pacific Fund]	1,811,000	0.65
17.	HSBC Nominees (Asing) Sdn. Bhd. [TNTC for DBS Malaysia Equity Fund]	1,800,000	0.64
18.	Mayban Nominees (Asing) Sdn. Bhd. [DBS Bank for Fullerton (Private) Limited](200757)	1,786,000	0.64
19.	HSBC Nominees (Asing) Sdn. Bhd. [HSBC-FS I for JF Malaysia Fund]	1,600,000	0.57
20.	Yii Yeang Ping	1,576,900	0.56
	<b>TOTAL</b>	<b>229,144,019</b>	<b>81.83</b>

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Second Annual General Meeting of the Company will be held at Sri Mas 1 & 2, Level 4, The City Bayview Hotel at 25-A, Farquhar Street, 10200 Penang on Tuesday, 28 June, 2005, at 10.00 a.m. for the following purposes :-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2004 together with the Reports of Directors and Auditors thereon. **Ordinary Resolution 1**
  
2. To re-elect the following Directors retiring pursuant to Article 100(1) of the Company's Articles of Association and who, being eligible, offer themselves for re-election :
  - i) Mr. Chng Hee Kok **Ordinary Resolution 2**
  - ii) Mr. Chuah Kim Chiew **Ordinary Resolution 3**
  
3. To approve the payment of a first and final dividend of 1 sen per ordinary share of 10 sen each, less income tax of 28% for the financial year ended 31 December 2004. **Ordinary Resolution 4**
  
4. To approve the payment of Directors' Fees for the financial year ended 31 December 2004. **Ordinary Resolution 5**
  
5. To appoint Messrs. Ernst & Young, as Auditors of the Company in place of the retiring auditors, Messrs. UHY Diong and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Board of Directors. **Ordinary Resolution 6**

## **As Special Business :**

To consider and if thought fit, to pass with or without modifications the following resolutions as Ordinary / Special Resolutions :

### **6. AUTHORITY UNDER SECTION 132D OF THE COMPANIES ACT, 1965 FOR THE DIRECTORS TO ISSUE SHARES**

"That, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant government / regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965, to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share

capital of the Company for the time being and that the Directors are also empowered to obtain the approval from the Bursa Malaysia Securities Berhad (Formerly known as Malaysia Securities Exchange Berhad) for the listing and quotation for the additional shares to be issued."

#### **Ordinary Resolution 7**

### **7. PROPOSED AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION**

#### **Special Resolution:**

"That the Company's Articles of Association be amended as follows :-

- i) The existing Article 2(d) which read as follows :-  
2(d) "Central Depository" means the Malaysian Central Depository Sdn. Bhd. (165570-W).  
be deleted in its entirety and substituted with the following new Article 2(d) :-  
2(d) "Depository" means the Bursa Malaysia Depository Sdn. Bhd.
- ii) The existing Article 2(j) which read as follows :-  
2(j) "the Exchange" or "KLSE" means Kuala Lumpur Stock Exchange (30632-P)  
be deleted in its entirety and substituted with the following new Article 2(j) :-  
2(j) "the Exchange" or "Bursa Securities" means Bursa Malaysia Securities Berhad.
- iii) The existing Article 2(k), 2(q), 2(s), 2(x), 9, 12, 40, 44, 45, 46, 50, 63, 64, 65(b), 65(c) and 72 be amended by deleting "Central Depository" and substituting with "Depository".
- iv) The existing Article 2(l), 2(o) and 6(2) be amended by deleting "KLSE" and substituting with "Bursa Securities".
- v) The existing Article 2(n) and 2(ff) be amended by deleting "Malaysian Central Depository Nominees Sdn. Bhd." in the existing definition and substituting with "Bursa Malaysia Depository Nominees Sdn. Bhd."

#### **Special Resolution 1**

8. To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS ALSO HEREBY GIVEN that a first and final dividend of 1 sen per ordinary share of 10 sen each, less income tax of 28% for the financial year ended 31 December 2004, if approved, will be paid on 18 August 2005 to depositors registered in the Record of Depositors of the Company on 28 July 2005.

A depositor shall qualify for entitlement only in respect of :

- a. Shares transferred into the depositor's securities account before 4.00 p.m. on 28 July 2005 in respect of ordinary transfers; and
- b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board,

**LEE PENG LOON (LS 00405)**  
**LEE YAP KUAN (MAICSA 7003482)**  
Joint Secretaries

Penang

Date : 6 June 2005

### **Notes :**

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, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang 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. *In relation to the Ordinary Resolution 6 proposed under agenda 5, the Company has received a notice from a shareholder pursuant to Section 172(11) of the Companies Act, 1965, nominating Messrs. Ernst & Young as the auditors of the Company at the forthcoming Annual General Meeting. A copy of the Notice of Nomination is attached herewith. Messrs. UHY Diong, the retiring auditors have indicated that they do not wish to seek re-appointment at the forthcoming Annual General Meeting.*

**7. Explanatory Notes on Special Business (Ordinary Resolution 7 and Special Resolution 1)**

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

*The Special Resolution 1 proposed under agenda 7, if passed, will allow the Company's Articles of Association to be in line with the demutualisation of Kuala Lumpur Stock Exchange.*

# NOMINATION OF COMPANY'S AUDITORS



**GERAK JUARA SDN. BHD.** (605400-T)

27, Green Hall, 10200 Pulau Pinang, Malaysia.

Tel: (6)04-263 9911 (Hunting Line)

Fax: (6)04-263 9888

Date: **18 APR 2005**

The Board of Directors  
Dreamgate Corporation Bhd.  
51-21-A Menara BHL Bank  
Jalan Sultan Ahmad Shah  
10050 Penang

Dear Sirs,

## **NOMINATION OF COMPANY'S AUDITORS**

We, being a shareholder of the Company, would like to nominate Messrs. Ernst & Young of 22<sup>nd</sup> Floor, MWE Plaza, No. 8 Lebuhr Farquhar, 10200 Penang as the Company's auditors at the forthcoming Annual General Meeting of the Company.

Thank you.

Yours faithfully,  
GERAK JUARA SDN. BHD.

  
**MAZLAN BIN ISMAIL**

Director

# FORM OF PROXY

## ***Dreamgate Corporation Bhd.***

Company No. 603831-K  
(Incorporated in Malaysia)

\* I/We..... (\*I/C No./Passport No./Company No. ....)  
of.....  
being a \* member / members of the abovenamed Company, hereby appoint .....  
.....(\*I/C No./Passport No. ....)  
of.....

or failing whom, the Chairman of the Meeting as \* my / our proxy to vote for \* me / us on \* my / our behalf at the Second Annual General Meeting of the Company to be held at Sri Mas 1 & 2, Level 4, The City Bayview Hotel at 25-A, Farquhar Street, 10200 Penang on Tuesday, 28 June, 2005 at 10.00 a.m. and at any adjournment thereof.

	ORDINARY							SPECIAL
RESOLUTION	1	2	3	4	5	6	7	1
FOR								
AGAINST								

Please indicate with an "x" in the appropriate spaces provided above on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy may vote as he thinks fit.

Signed this .....day of .....,2005.

No. of shares held

.....  
Signature of Member (s)

### **Notes :**

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. To be valid, this form duly completed must be deposited at the Registered Office of the Company, 51-21-A Menara BHL Bank, Jalan Sultan Ahmad Shah, 10050 Penang 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, this form must be executed under the corporation's seal or under the hand of an officer or attorney duly authorised.

\* Strike out whichever is not desired.

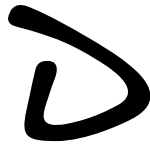
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Stamp



***Dreamgate Corporation Bhd.***

Company No. 603831-K

The Secretary

51-21-A Menara BHL Bank,  
Jalan Sultan Ahmad Shah,  
10050 Penang.

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RGB

***Dreamgate Corporation Bhd*** (603831-k)

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Fax : +604-263 1188  
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