



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

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Annual Report  
2005

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Dreamgate Corporation Berhad (“Dreamgate”) was incorporated on 16 January 2003 and was listed on the MESDAQ market of Bursa Malaysia Securities Berhad in 2004.

The products and services of Dreamgate and its subsidiaries are provided to Malaysia and other overseas markets such as Cambodia, Macau, Mongolia, Myanmar, Philippines, Singapore, Vietnam and other countries.





*Dreamgate Corporation Bhd*

(603831-k)

# Corporate Information

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## 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

Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.

*(appointed w.e.f. 28/04/2006)*

## Company Secretaries

Lee Peng Loon (MACS 01258)

Lee Yap Kuan (MAICSA 7003482)

## 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.

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

Ernst & Young (AF 0039)

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,

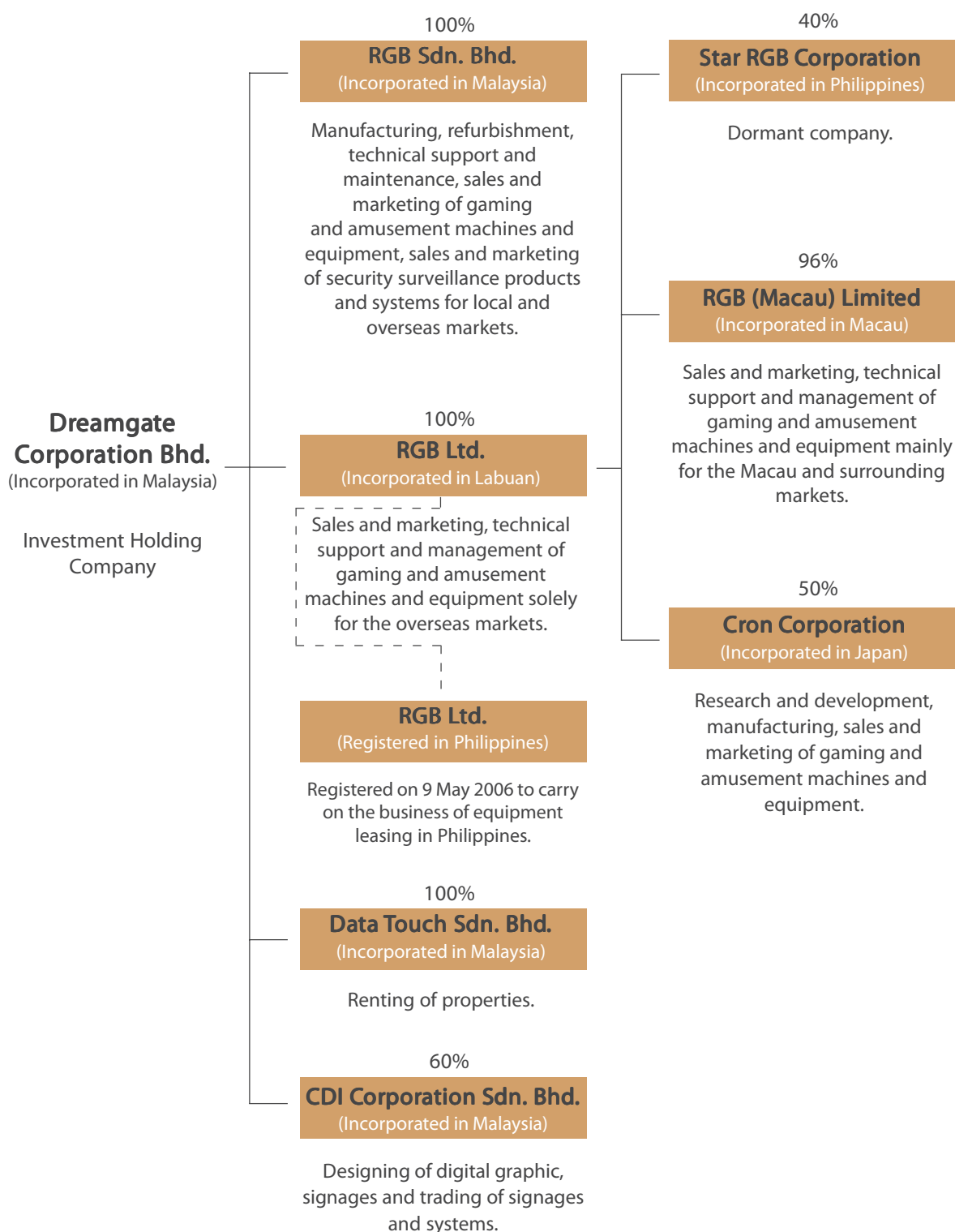
100, Jalan Tun Perak,

50050 Kuala Lumpur, Malaysia.

Tel : 603-2059 1888

Fax : 603-2070 6521 / 2078 4220

# Corporate Structure



# Financial Highlights

## Proforma Consolidated Income Statement for Year Ended 31 Dec 2003 and Audited Consolidated Income Statement for Year Ended 31 Dec 2004 and 31 Dec 2005

	2003 RM'000	2004 RM'000	2005 RM'000
<b>Revenues</b>	<u>80,963</u>	<u>115,347</u>	<u>154,099</u>
EBITDA*	17,069	26,480	49,525
Amortisation	-	-	71
Depreciation	3,051	7,780	19,304
Interest	<u>283</u>	<u>251</u>	<u>1,937</u>
Pretax Profit	13,735	18,449	28,213
Taxation	(1,076)	(211)	(124)
Minority Interest	<u>1</u>	<u>-</u>	<u>-</u>
<b>Net Profit</b>	<u>12,660</u>	<u>18,238</u>	<u>28,089</u>
EBITDA* Margin	21%	23%	32%
Pretax Profit Margin	17%	16%	18%
Weighted Average Number of Ordinary Shares In Issue	205,572	280,000	280,000
EPS (Sen)-Basic	6.16	6.53	10.03
EPS (Sen)-Diluted	-	-	10.02
Revenue Growth	90%	42%	34%
Net Profit Growth	34%	44%	54%

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

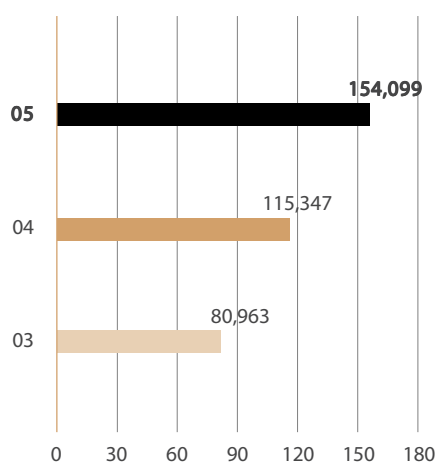
## Proforma Consolidated Segmental Information for Year Ended 31 Dec 2003 and Audited Consolidated Segmental Information for Year Ended 31 Dec 2004 and 31 Dec 2005

	2003 RM'000	2004 RM'000	2005 RM'000
<b>Revenues</b>			
Sales & Marketing	59,887	89,047	93,145
Technical Support & Management	14,796	26,355	61,361
Others	6,280	977	1,028
Eliminations	-	(1,032)	(1,435)
	<u>80,963</u>	<u>115,347</u>	<u>154,099</u>
<b>Pretax Profit</b>			
Sales & Marketing	6,588	8,539	5,153
Technical Support & Management	6,806	12,800	27,962
Others	<u>341</u>	<u>(2,890)</u>	<u>(4,902)</u>
	<u>13,735</u>	<u>18,449</u>	<u>28,213</u>

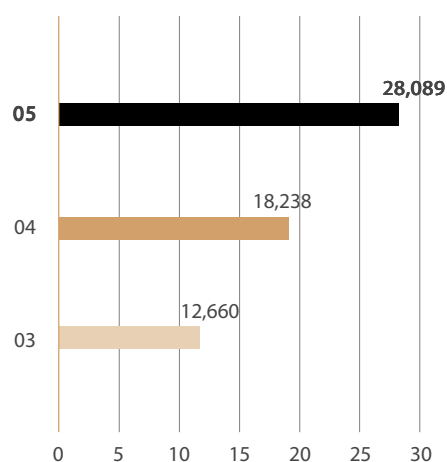


# Financial Highlights

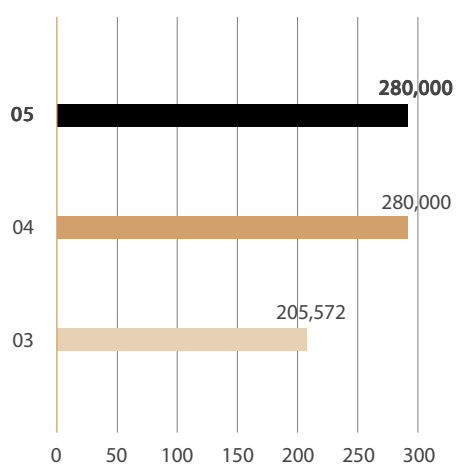
**Revenues(RM'000)**



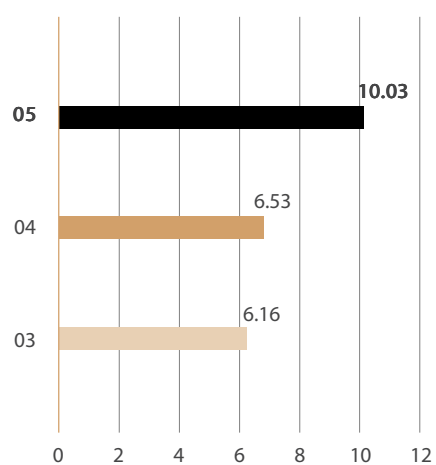
**Net Profit(RM'000)**



**Weighted Average Number of Ordinary Shares In Issue(RM'000)**



**EPS(Sen)-Basic**



## Profile of Directors



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

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

# Profile of Directors

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## **Ooi Teng Chew**, age 60

Chairman / Independent Non-Executive Director

Mr. Ooi Teng Chew, a Malaysian, joined the Board of the Company as a Non-Executive Director on 30 October 2003 and was subsequently appointed as Chairman of the Company on 17 March 2004. He serves as Chairman of the Audit Committee and as a Member of the Remuneration Committee, Nomination Committee and ESOS Committee of the Company. He was appointed as Chairman of the Nomination Committee of the Company from 25 February 2004 to 14 May 2006.

Mr. Ooi is a qualified accountant with over 26 years of experience in public practice as a partner in Ernst & Young, and a fellow of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants. 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.

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

## **Datuk Chuah Kim Seah, JP**, age 53

Managing Director

Datuk Chuah Kim Seah, JP, a Malaysian, was appointed to the Board as the Managing Director of the Company on 30 October 2003. He is a Member of the Remuneration Committee and ESOS Committee of the Company.

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

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

## Profile of Directors



**Mazlan Bin Ismail**  
Executive Director

**Steven Lim Tow Boon**  
Executive Director

# Profile of Directors

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## **Mazlan Bin Ismail, age 43**

Executive Director

En. Mazlan Bin Ismail, a Malaysian, was appointed as an Executive Director of the Company on 30 October 2003. He also serves as Member of the Audit Committee and ESOS Committee 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.

En. Mazlan 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.

He is responsible for administration, corporate secretarial and compliance, investor relations, human resources and property management of the Group.

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

## **Steven Lim Tow Boon, age 45**

Executive Director

Mr. Steven Lim Tow Boon, a Malaysian, was appointed as an Executive Director of the Company on 30 October 2003.

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 ("RGL") in 1999. Overall, he has accumulated 17 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



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

**Chuah Kim Chiew**  
Executive Director

# Profile of Directors

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## **Chng Hee Kok**, age 58

Independent Non-Executive Director

Mr. Chng Hee Kok, a Singaporean, joined the Company as an Independent Non-Executive Director on 30 October 2003. He serves as Chairman of the Company's Remuneration Committee and ESOS Committee and also serves as a Member of Audit Committee and Nomination Committee 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.

Mr. Chng 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., Full Apex (Holdings) Ltd., Pacific Century Regional Developments Ltd., People's Food Holdings Ltd. and Samudera Shipping Line Ltd..

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

## **Chuah Kim Chiew**, age 43

Executive Director

Mr. Chuah Kim Chiew, a Malaysian, was appointed as an Executive Director of the Company on 30 October 2003. He is also a Member of the Nomination Committee of the Company.

He graduated with a Bachelor in Business Administration from the University of Waseda, Tokyo, Japan in 1988. He has 18 years of experience in the gaming and amusement machines industry.

Mr. Chuah is the driving force of the Group's Technology Division.

He is the youngest brother of Datuk Chuah Kim Seah, JP.

## Profile of Directors



**Wong Chee Fai**  
Executive Director

**Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.**  
Independent Non-Executive Director



# Profile of Directors

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## **Wong Chee Fai**, age 52

Executive Director

Mr. Wong Chee Fai, a Malaysian, was appointed as an Executive Director of the Company on 30 October 2003. 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 11 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.

## **Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.**, age 63

Independent Non-Executive Director

Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T., a Malaysian, was appointed as an Independent Non-Executive Director of the Company on 28 April 2006.

He was appointed as the Chairman of the Nomination Committee and Member of the Audit Committee, ESOS Committee and Remuneration Committee with effective from 15 May 2006.

Dato' Mahinder was conferred the Degree of an Utter Barrister in 1972 by Lincoln's Inn, London and in 1973 was admitted as an Advocate & Solicitor, Malaya. He has been practising law since then and to date, has over 30 years of experience in the legal field specialising in Corporate, Contract and Land Laws. Dato' Mahinder was twice elected as the Chairman of the Penang Bar Committee and in such capacity became a member of the Bar Council, Malaysia.

Dato' Mahinder does not have any family relationship with any Director and/or major shareholder of the Company.

# Profile of Senior Management



Sitting (from left) :

**Chiang Lai Fatt**

Sales Manager

**Maxine Lee Yap Kuan**

Company Secretary Cum General Manager,  
Corporate and Administration

**Chuah Kee Yong**

General Manager,  
Technology

Standing (from left) :

**Teh Mun Hui**

General Manager,  
Finance and Treasury

**Wentworth Macquarie Hill**

CEO,  
CDI Corporation Sdn. Bhd.

**Linda Chong Lay Lin**

General Manager,  
Technical Support & Management

**Ganaser A/L Kaliappen**

General Manager,  
Regulatory & Compliance

**Patrick Michael Hogan**

Regional General Manager,  
Sales and Marketing

# Profile of Senior Management

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## **Chiang Lai Fatt**

Mr. Chiang Lai Fatt, is the Sales Manager of the Group. He graduated with Bachelor of Commerce from University of Southern Queensland, Australia in 1997. Mr. Chiang was the Head of Industrial Packaging Division with Rex Group of Companies from 2002 before joining the Group in October 2004.

He is responsible for sales, service and marketing activities of the Group in Malaysia and South Korea.

## **Maxine Lee Yap Kuan**

Madam Maxine Lee Yap Kuan, is the Company Secretary Cum General Manager of the Corporate and Administration Division of the Group. She graduated with Diploma in Business Administration from Tunku Abdul Rahman College, Kuala Lumpur in 1989 and is an Associate Member of the Institute of Chartered Secretaries and Administrators, U.K. since 1993. She has 16 years of experience in company secretarial field in both accounting and commercial firms.

Her responsibilities in the Group include handling Company Secretarial matters in ensuring compliance with Bursa Malaysia Securities Berhad's ("Bursa Securities") Listing Requirements, statutory and other relevant regulatory requirements as well as management of corporate affairs, administration and human resources.

## **Chuah Kee Yong**

Mr. Chuah Kee Yong, is the General Manager of the Technology Division of the Group. He graduated with a Bachelor of Applied Science Degree in 1996 and obtained his Masters in Business Administration in year 2003, both from University Sains Malaysia. He is an Affiliate Member of the IEEE Computer Society, USA, to which he was admitted in 2002. Mr. Chuah was formerly with Intel Technology Sdn Bhd before joining the Group in 1999.

He heads the Research & Development, Technical Services, Information Technology and factory operation of the Group by providing technical guidance and assistance to the team as well as role modelling.

# Profile of Senior Management

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## **Teh Mun Hui**

Madam Teh Mun Hui, is the General Manager of the Finance and Treasury Division of the Group. Madam Teh graduated with a First Class Honours Degree in Accountancy from University of Malaya in 1997 and is a member of both Malaysian Institute of Accountant and The Malaysian Institute of Certified Public Accountants since 2000. She joined Arthur Andersen & Co. in 1997 and was an Audit Experience Senior before joining the Group in 2001.

Her responsibility is to direct and control the Group's financial accounting and treasury operations besides ensuring compliance with Bursa Securities and other regulatory requirements. In addition, she is also involved in corporate and investor relations activities.

## **Wentworth Macquarie Hill**

Mr. Wentworth Macquarie Hill, an Australian, is a Director and Chief Executive Officer of CDI Corporation Sdn. Bhd. ("CDI"), a subsidiary of the Group. He graduated in 1976 with a Bachelor of Arts (Economics) and in 1982 graduated with a Master of Commerce, both from the University of New South Wales, Sydney, Australia.

He has accumulated 18 years of experience in the gaming industry in slot machine marketing and manufacturing, gaming signage design, marketing and manufacturing, and progressive systems marketing.

He co-founded CDI in 2002 as a support to the Group, developing gaming signage, 3-D gaming animations and slot machine content for the Asia market.

## **Linda Chong Lay Lin**

Ms. Linda Chong Lay Lin, is the General Manager of the Technical Support and Management Division of the Group. She is a Certified Public Accountant, registered with both the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountant since 1995. She joined the Group in 1999 as Corporate Finance Manager before being posted to her current position in 2002.

Her responsibilities include overseeing the entire overseas management of the Technical Support and Management Division, ensuring the maintenance, retention of existing services provided as well as to develop new ones by providing focused and dedicated services.

# Profile of Senior Management

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## **Ganaser A/L Kaliappen**

Mr. Ganaser Kaliappen, is the General Manager of the Regulatory & Compliance Division of the Group. Prior to joining the Group, he was in the Administrative and Diplomatic Service of the Government for 25 years. He has served in various divisions of the Ministry of Finance for 19 years handling financial control, gaming licensing and regulatory compliance matters. He graduated with Bachelor of Arts from University of Malaya in 1978, Diploma in Public Management from National Institute of Public Training in 1985 and Masters in Public & International Affairs from University of Pittsburgh, USA in 1999.

He was a Director with Ministry of Defence before joining the Group in 2004. Overall his responsibilities include licensing compliance with all regulatory authorities and internal requirements within the Group.

## **Patrick Michael Hogan**

Mr. Patrick Michael Hogan, a USA citizen with Singapore Permanent Residence status, is the Group's Regional General Manager of Sales and Marketing Division in Macau. He graduated with a Degree in Chemistry and Mathematics from the Illinois State University. Subsequent to that, Mr. Hogan has obtained a Master Degree in Business and Administration from Macquarie Graduate School of Management, Sydney, Australia. He has 19 years experience in working internationally in Mexico, Philippines, Malaysia, Singapore and Indonesia.

He oversees the sales and marketing activities of the Group in Macau.

# Chairman's Statement

“For the financial year under review, the Group achieved a record net profit of RM28.1 million on a turnover of RM154.1 million. This is a remarkable 54% increase in net profit from RM18.2 million on a turnover of RM115.3 million in the previous year.”

## Dear Shareholder,

On behalf of the Board, I am delighted to present to you the Annual Report for the year ended December 31, 2005.

## Financial Performance

Dreamgate had another excellent year in 2005.

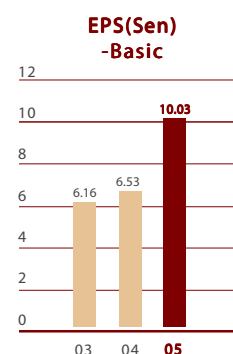
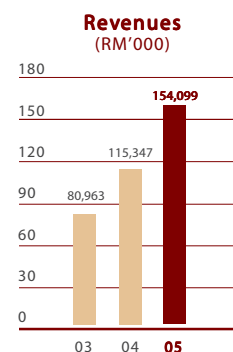
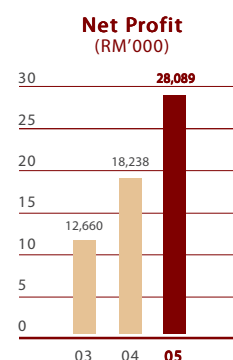
For the financial year under review, the Group achieved a record net profit of RM28.1 million on a turnover of RM154.1 million. This is a remarkable 54% increase in net profit from RM18.2 million on a turnover of RM115.3 million in the previous year.

Earnings per share rose to 10.03 sen compared to 6.53 sen last year while net asset per share was 37 sen compared to 28 sen as at 31 December 2004.

The Group's financial results were driven primarily by our Technical Support and Management Division, which saw very significant increase in the number of machines placed in new and existing locations throughout the region. Sales and Marketing Division also saw an increase in the number of machines sold but margins were lower due to competition and sales mix.

## Dividend

In view of our positive performance, the Board has recommended for shareholders' approval, a first and final dividend of 1.5 sen (2004:1 sen) per ordinary share of 10 sen each, less 28% tax, for the year ended 31 December 2005. This dividend will be tax exempt in the hands of shareholders.



# Chairman's Statement



Signage produced by CDI

## Corporate Developments

On 1 July, 2005, the Group completed the acquisition of a 60% interest in CDI Corporation Sdn Bhd ("CDI") for a cash consideration of RM60,000.

The Group's Employee Share Option Scheme was implemented on 19 October 2005. Options for 19,300,000 ordinary shares were offered to eligible employees at an exercise price of RM1.06 for a period of five years to 18 October 2010. As at 31 December 2005, 500,000 options have lapsed due to resignations of employees, leaving a balance of 18,800,000 options to be exercised. No options were exercised during 2005.

Details of other significant events or transactions during the year are disclosed under "Review of Operations" and "Corporate Highlights" in this Annual Report.



Games collection of Cron Corporation

## Research Facilities and Technology Development

The Group has research and development (R&D) facilities in Malaysia and Japan. For the year ended 2005, the Malaysian facility incurred approximately RM600,000 mainly on plant and equipment and staff training for the development of games jointly with Japanese counterpart for the Asian market. The facility in Japan incurred about RM600,000 on new games. Machines and games developed at these two facilities for Japanese and Asian markets were launched during the year.

For the year 2005, a total of RM9.7 million (2004: RM 17.1 million) of the proceeds generated from Dreamgate's listing exercise in 2004 was utilised by the Group for overseas expansion, R&D and facilities enhancements purposes. Part of the proceeds was also invested in the Group's corporate branding as well as advertising and promotions initiatives. The balance of RM10.4 million of unutilised proceeds is expected to be utilised in 2006.



R & D Engineer at work

# Chairman's Statement



RGB booth at the 15<sup>th</sup> Annual Australasian Gaming Expo in Sydney, Australia

## Outlook

The gaming and amusement industry is expected to enjoy robust growth given the continued liberalisation of the gaming industry in the region especially in Singapore. We expect this growth to attract additional competitors to this region. However, our long term relationship with our key customers and business partners is expected to be fortified even further given our continued goal to improve in our service levels and innovations. This of course will bode well for our shareholders.

## Acknowledgement

On behalf of the Board, I would like to extend our warmest welcome to Independent Non-Executive Director, Dato' Mahinder Singh Dulku, who was appointed in April 2006 and to thank the management and staff for their dedicated service and our customers, business partners and associates as well as shareholders for their continued support.

## Ooi Teng Chew

Chairman



# Review of Operations

“We are confident of our approach to grow our business in markets where we are already well-established, as well as to tap aggressively new opportunities throughout the region.”

## Dear Shareholder,

It gives me great pleasure to inform you that the growth of the Group is on an upward trend, given our financial results achieved for the year under review and our marketing initiatives throughout the region. On this note, Asia remains a highly viable market for Dreamgate.

We have built on our competitive advantages, greatly improved on our service levels; ventured into new markets and introduced new products.

Our strategic corporate direction has indeed borne fruit as the Group recorded significant increases in net profit on a year-on-year basis due to the positive performance of the Technical Support and Management Division.

We are confident of our approach to grow our business in markets where we are already well-established, as well as to tap aggressively new opportunities throughout the region.

*Slot machines concessioned in Mongolia*



# Review of Operations

## SALES & MARKETING DIVISION

Sales and Marketing Division reported a segment profit of RM5.2 million (2004: RM8.5 million) on the turnover of RM93.1 million (2004 : RM89.0 million), during the year under review. The lower profit margin was due to competition and changes in product mix, even though the number of machines sold in 2005 increased by 24% compared to the previous year.

In line with the Group's focus on entering into new markets, this Division managed to sell gaming machines to South Korea for the very first time.

During the year, our associated company, Cron Corporation commenced the marketing of video gaming machines under the brand name "PREMIER" to the Japanese and Asian market. However, being a new player in the market, the acceptance of the machine, games and brand

requires extensive effort by the Group's Sales and Marketing Division.

During the year, the Group participated in two international trade shows namely the *Asian Gaming Expo* at the Tower Convention & Entertainment Centre in Macau and the *15<sup>th</sup> Annual Australasian Gaming Expo* at the Sydney Convention & Exhibition Centre in Australia. Our participation in these much anticipated global trade events also allowed the Group to display new products and effectively network within the gaming industry in addition to meeting investors, regulators and entrepreneurs.

Moving forward, the Group plans to set up additional regional overseas offices to provide enhanced support for our valuable customers.

Sales & Marketing Team



# Review of Operations

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*Technical Support & Management Services staff at headquarters*

## **TECHNICAL SUPPORT AND MANAGEMENT DIVISION**

Capitalising on its competitive advantage as a established provider of Technical Support and Management in the region, the Division has recorded an impressive 118% increase in segment profit for the year under review due to new concessions secured and effective marketing and promotion strategies tailored to the different market segments.

For the year ended 31 December 2005, a segment profit of RM28.0 million (2004 : RM12.8 million) on a turnover of RM61.4 million (2004 : RM26.4 million) was registered.

During the year, this Division has successfully secured new concessions and placed approximately 900 units of slot machines and 41 units of multi-terminal machines in 22 new venues located in Cambodia, Philippines, Vietnam and Mongolia. The financial results of these new venues were generally positive except for those in Philippines, where the initial machines and system set-up cost is substantially higher than the other locations. In view of this, future ventures in Philippines will feature a new concession model.

# Review of Operations

## TECHNOLOGY DIVISION

The Technology Division is supported by two subdivisions which have distinct yet complementary roles towards the success of this Division. They are namely: Research and Development and Technical Services.

## RESEARCH & DEVELOPMENT (R&D)

During the year, Cron Corporation developed fourteen poker series games and six 8 liners games for Japanese market and worked with the Malaysian R&D team for the Asian market. R&D efforts were also directed at enhancing the games that were developed in the previous year.

The Division is also developing additional features such as add on modules which include loyalty and marketing programs for the simplified coinless transfer system (SCT).



Games collections of Cron Corporation

# Review of Operations

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## TECHNICAL SERVICES

*Our Engineers and Technicians  
on call on 24/7 basis*

This Division continues to provide technical services, installation and after-sales support to the Sales and Marketing and Technical Support and Management Divisions on 24/7 basis.

# Review of Operations

## MANUFACTURING DIVISION

This Division commenced the assembly of amusement machines for the local market and PREMIER video gaming machines during the year.

Production in commercial quantities of wool layouts featuring various designs and sizes for table games such as Bacarrat, Blackjack and Roulette, began during the second half of 2005.



Table game layouts produced by the Group

## ANIMATION, GRAPHIC AND SIGNAGE DIVISION

Following the acquisition of CDI, the management decided to focus on developing digital animations and images for gaming product application. The high cost of development resulted in losses for this Company. Sales of such digital product is expected to commence in 2006.

In addition, management's effort to lower production costs by having the signages produced regionally was not successful due to quality issues resulting reworking costs. Appropriate measures have been taken to address the problems, including a change in the manufacturing process.



Signage produced by CDI

## PROSPECTS AHEAD

The gaming and leisure sector in the Asia region continues to power ahead, fuelled by positive sentiments on regional economic progress as well as an ever-improving level of growth in regional tourism.

However, the growth has attracted many manufacturers to the region and hence competition for business is high. Understanding this, we intend to leverage on our existing networks and to develop competitive products through our associated company or jointly with other manufacturers to deliver results.

On this score, barring any unforeseen circumstances, we are confident that the coming financial year will be another positive year for Dreamgate.

Thank you.

**Datuk Chuah Kim Seah, JP**

Managing Director

# Corporate Governance Statement

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## 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, realise 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 2005.

## A) BOARD OF DIRECTORS

### i) The 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 eight (8) members; comprising one (1) Chairman / Independent Non-Executive Director, one (1) Managing Director, four (4) Executive Directors and two (2) Independent Non-Executive Directors. The Company complied with Bursa Malaysia Securities Berhad's ("Bursa Securities") 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 13 of this Annual Report.

# Corporate Governance Statement

## A) BOARD OF DIRECTORS (continued)

### ii) 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 2005, six (6) 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	6/6
Datuk Chuah Kim Seah, JP.	6/6
Mazlan Bin Ismail	6/6
Chuah Kim Chiew	6/6
Steven Lim Tow Boon	6/6
Wong Chee Fai	6/6
Chng Hee Kok	6/6
Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T. (appointed w.e.f. 28.04.2006)	N/A

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.

### iii) 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 are regularly updated by the Company Secretaries on new statutory as well as regulatory requirements relating to Directors' duties and responsibilities or the discharge of their duties as Directors of the Company.

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



# Corporate Governance Statement

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## A) BOARD OF DIRECTORS (continued)

### iv) Appointment to the Board

The Nomination Committee is responsible for making recommendation for any appointments to the Board. The terms of reference of the Nomination Committee is set out on Page 30.

### v) Re-election of Directors

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

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

### vi) Directors' Training

All Directors except Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T. 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 Securities as required by Bursa Securities on all Directors of listed companies.

Dato' Mahinder will attend the MAP within the time frame stipulated under Bursa Securities' Listing Requirements for MESDAQ Market.

The Directors will continue to undergo relevant training programmes to further enhance their skills and knowledge to assist them in discharging their duties and keep abreast with developments in the market place.

### vii) 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, Employee Share Option Scheme ("ESOS") 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 Board has established the following Committees to assist the Board in the execution of its duties:

# Corporate Governance Statement

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## A) BOARD OF DIRECTORS (continued)

### a) Nomination Committee

Chairman : **Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.** (Independent Non-Executive Director)  
(appointed w.e.f. 15.05.2006)

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

**Note** : *Mr. Ooi Teng Chew resigned as Chairman of the Nomination Committee effective from 15.05.2006*

The primary function of the Nomination Committee is to identify and recommend to the Board the 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, a meeting was held and was attended by all members of the Nomination Committee.

### b) Remuneration Committee

Chairman : **Chng Hee Kok** (Independent Non-Executive Director)  
Members : **Ooi Teng Chew** (Chairman / Independent Non-Executive Director)  
**Datuk Chuah Kim Seah, JP** (Managing Director)  
**Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.** (Independent Non-Executive Director)  
(appointed w.e.f. 15.05.2006)

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 shall abstain from discussion of their own remuneration package and the shareholders at the AGM will approve the Directors' fees.

During the financial year, a meeting was held and was attended by all members of the Remuneration Committee.

# Corporate Governance Statement

## A) BOARD OF DIRECTORS (continued)

### c) Audit Committee

The composition and the terms of reference of the Audit Committee are set out in the Audit Committee Report on page 34 to 38 of this Annual Report.

### d) ESOS Committee

Chairman : **Chng Hee Kok** (Independent Non-Executive Director)  
Members : **Ooi Teng Chew** (Chairman / Independent Non-Executive Director)  
**Datuk Chuah Kim Seah, JP** (Managing Director)  
**Mazlan Bin Ismail** (Executive Director)  
**Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.** (Independent Non-Executive Director)  
(appointed w.e.f. 15.05.2006)

The ESOS Committee was established to administer the ESOS of the Company in accordance with the Bye-Laws of the scheme. The ESOS Committee meets as and when required.

## B) 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 categorised into appropriate components for the financial year ended 31 December 2005 are as follows:

Directors	Salaries / Other Emoluments (RM)	Fees (RM)	Total (RM)
Executive Directors	1,301,943	-	1,301,943
Non-Executive Directors	28,000	90,000	118,000

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

	Number of Directors	
	Executive	Non-Executive
RM50,001 – RM100,000	-	2
RM100,001 – RM150,000	1	-
RM150,001 – RM200,000	2	-
RM300,001 – RM350,000	1	-
RM350,001 and above	1	-

# Corporate Governance Statement

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## C) SHAREHOLDERS

### i) Relationship with Shareholders and Investors

The Company recognises the importance of being accountable to its shareholders and investors and as such has maintained active communication and feedback policy with institutional investors, shareholders and public generally to explain the Group's strategy, performance and major developments. 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 via the Bursa Securities' website at [www.bursamalaysia.com.my](http://www.bursamalaysia.com.my). In addition, the Company has also established a website at [www.dreamgatecorp.com](http://www.dreamgatecorp.com) to which shareholders can access for up to date information.

### 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.

## D) 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 2005, the Directors are satisfied that the Group had used appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgment and estimates.

# Corporate Governance Statement

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## **D) ACCOUNTABILITY AND AUDIT (continued)**

### **iii) Internal Control**

The Board recognises the importance of internal control systems whereby shareholders' investment and the Company's assets can be safeguarded. The Statement on Internal Control sets out on pages 39 and 40 of this Annual Report provides an overview of the state of internal control.

### **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 34 to 38 of this Annual Report.

# Audit Committee Report

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Chairman : **Ooi Teng Chew** (Chairman/Independent Non-Executive Director)

Members : **Chng Hee Kok** (Independent Non-Executive Director)

**Mazlan Bin Ismail** (Executive Director)

**Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.**

(Independent Non-Executive Director)

(appointed w.e.f. 15.05.2006)

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 co-operate with any request made by the Committee. The Committee is empowered to obtain independent professional or other advice and retain persons having special competence as necessary to assist the Committee in fulfilling its responsibility. The Committee shall have direct communication channels with the external and internal auditors. 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.

# Audit Committee Report

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## **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.

## **iv) Duties**

The duties of the Committee are :

- a) to review with the external and internal auditors whether the employees of the Group and the Company have given them the appropriate assistance in discharging their duties;
- b) to review the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- c) to review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken by management on the recommendations of the internal auditors;
- d) to appraise the performance of the head of internal audit and review the appraisals of senior staff members of the internal audit;
- e) to approve any appointment or termination of the head of internal audit and senior staff members of the internal audit function and to review any resignations of internal audit staff members and provide resigning staff members an opportunity to submit reasons for resigning, where necessary;

# Audit Committee Report

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## iv) Duties (continued)

- f) to review the quarterly results and year end financial statements of the Group and the Company, prior to the approval by the Board, whilst ensuring that they are prepared in a timely and accurate manner, focusing particularly on :
- changes in or implementation of major accounting policy changes;
  - significant and unusual events; and
  - compliance with accounting standards and other legal requirements;
- g) to review any related party transaction and conflict of interest situation that may arise within the Group or the Company including any transaction, procedure or course of conduct that raises questions of management integrity;
- h) to review with the external auditors, the nature and scope of their audit plan, their evaluation of the system of internal accounting controls;
- i) to recommend to the Board on the appointment and the annual re-appointment of external auditors, their audit fees and any questions on resignation and dismissal;
- j) to review the co-ordination of the audit approach where more than one audit firm of external auditors is involved and the co-ordination between the external and internal auditors;
- k) to review and verify the allocation of share options to employees under the Employee Share Option Scheme; and
- l) to perform any other functions as authorised by the Board.



# Audit Committee Report

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## v) Meetings

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 representative of internal auditors 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 2005, a total of five (5) Audit Committee Meetings were held, details of which are as follows:

<b>Name</b>	<b>Number of meetings attended</b>
<b>Ooi Teng Chew</b>	5/5
<b>Mazlan Bin Ismail</b>	5/5
<b>Chng Hee Kok</b>	5/5

## vii) Summary of Activities

The main activities undertaken by the Committee for the financial year ended 31 December 2005 were as follows:-

- a) Reviewed the research reports and quarterly unaudited Financial Statements of Group and recommended them to the Board of Directors for approval and for announcement to Bursa Securities;

# Audit Committee Report

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## **vii) Summary of Activities (continued)**

- b) Reviewed the internal audit plan and its scope of work;
- c) Reviewed the internal audit reports, which highlighted the audit issues, recommendations and management's response. Discussed with management the corrective actions taken to improve the system of internal control based on improvement opportunities identified in the internal audit reports;
- d) Reviewed the annual report and the audited financial statement of the Company prior to the submission to the Board for their consideration and approval. The review 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;
- e) Discussed with external auditors on their audit plan and scope of work for the year as well as the audit procedures to be utilised;
- f) Reviewed the recurrent related party transactions of a revenue or trading nature entered into by the Group; and
- g) 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. During the financial year, the internal audit activities have been carried out according to the internal audit plan which have been approved by the Audit Committee.

## **Statement by Audit Committee in Relation to Esos Allocation**

Pursuant to Rule 7.35 of the Listing Requirements of Bursa Securities for the MESDAQ Market, the Audit Committee verified and confirmed that the allocation of options to eligible employees in the financial year ended 31 December 2005, has been made in accordance with the allocation criteria of the scheme.

# Statement on Internal Control

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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 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 Task Force on Internal Control and adopted by Bursa Securities.

## **Responsibility for Risk and Internal Control**

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

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

## **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.

## **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.

# Statement on Internal Control

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## Internal Audit Function (continued)

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 Independent Non-Executive Directors, Executive Directors and senior management.

Based on the internal auditors' reports for the financial year ended 31 December 2005, 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

Participation in International Exhibitions

## “Asian Gaming Expo at Macau Tower Convention & Entertainment Centre, Macau”

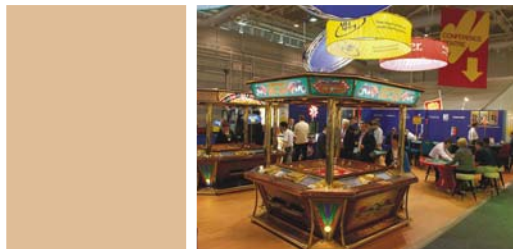
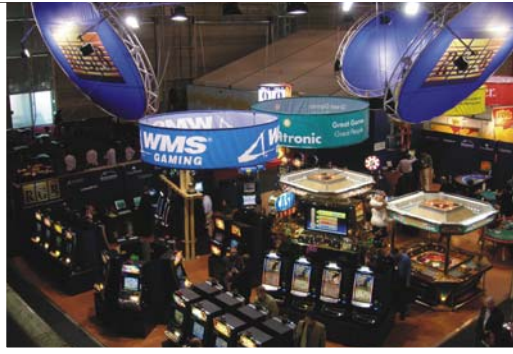
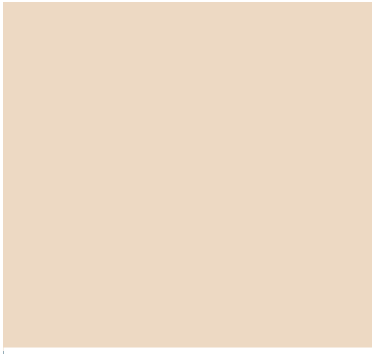
14-15 June 2005

It was the largest casino gaming equipment trade exhibition in the Asian region. Our Group displayed a wide range of latest gaming machines and casino equipments at the exhibition.



# Corporate Highlights

Participation in International Exhibitions



21-23 August 2005

RGB played an integral role in its quest to further expand its market potential beyond its leadership in the Asian market by participating in the 15<sup>th</sup> Annual Australasian Gaming Expo in Sydney, Australia and displaying a wide and extensive range of gaming machines and equipments.

“15<sup>th</sup> Annual Australasian Gaming Expo at Sydney Convention & Exhibition Centre, Australia”

# Corporate Highlights

Attendance at International Exhibitions

25-27 January 2005

## “International Casino Exhibition at Earls Court, London”

Mr. Chuah Kim Chiew and Mr. Steven Lim attended the exhibition in London. A range of latest gaming machines and casinos equipments were displayed at the exhibition.

## “Global Gaming Expo 2005 at Las Vegas Convention Centre, U.S.A.”

En. Mazlan, Mr. Steven Lim, Mr. Chuah Kim Chiew and Mr. Kosaka and Mr. Inamura of Aruze Corporation (“Aruze”) were at the booth of Aruze of the Expo discussing the new games on display.

13-15 September 2005



# Corporate Highlights

Corporate Affairs

The Group was invited by Citigroup Smith Barney, Hwang-DBS Vickers Research Sdn. Bhd. and JP Morgan (Malaysia) Sdn. Bhd. to meet up with their potential and valued clients in Hong Kong & Singapore.

7-8 April 2005



“Citigroup Gaming Corporate Day in Singapore and Hong Kong”

14-15 April 2005



“Malaysia Corporate Day in Singapore and Hong Kong by DBS Vickers”

22 November 2005



“Dreamgate Corporation Bhd.’s Meeting with clients of JP Morgan in Singapore”



# Corporate Highlights

Corporate Affairs

28 June 2005

The meetings were held at The City Bayview Hotel, Penang.



“Second Annual General Meeting and Extraordinary General Meeting”

“Acquisition of 60% Equity Interests In CDI Corporation Sdn. Bhd.”

1 July 2005

The Company has undertaken an acquisition of 60% equity interest in CDI Corporation Sdn. Bhd. for a total cash consideration of RM60,000.00 from Macro Technology Sdn. Bhd. and Mr. Wentworth Macquarie Hill respectively.

“First and Final Dividend Payment”

28 July 2005

Payment of First and Final Dividend of 1 sen each per ordinary share of 10 sen each, less income tax of 28% for the financial year ended 31 December 2004.

# Corporate Highlights

Corporate Affairs

1 August 2005

Our Ref : MILL/CD/PKSD/05/063

Date : August 1, 2005

RGB Ltd. obtained a combined facility of Letter of Credit and Term Loan Facilities of USD9 million from Maybank International (L) Ltd. to facilitate the purchase of 604 new units of gaming and amusement machines and equipment.

Private & Confidential

RGB LTD

C/O RGB Sdn Bhd

22, Jalan Hill

50100 Kuala Lumpur

Attn : Datuk Chuah Kim Seah

## “Banking Facilities of USD 9 Million”

Dear Ybhg Datuk,

Banking Facilities of USD9,000,000

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

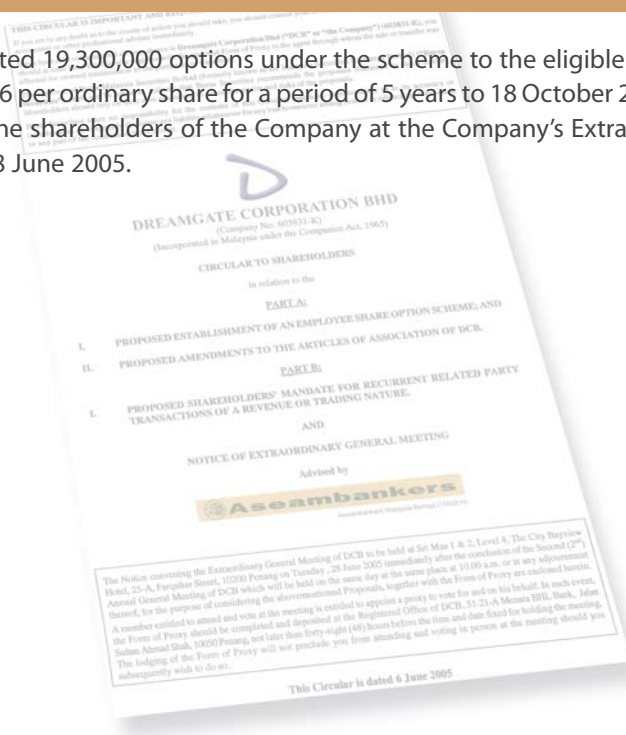
Facility : Ad Hoc Letter of Credit (“LC”) / Term Loan (“TL”)

Limit : USD9,000,000 (United States Dollars Nine Million Only).

## “Employee Share Option Scheme”

19 October 2005

The Company granted 19,300,000 options under the scheme to the eligible employees at an offer price of RM1.06 per ordinary share for a period of 5 years to 18 October 2010. The scheme was approved by the shareholders of the Company at the Company’s Extraordinary General Meeting held on 28 June 2005.



# Corporate Highlights

TSM Concessions

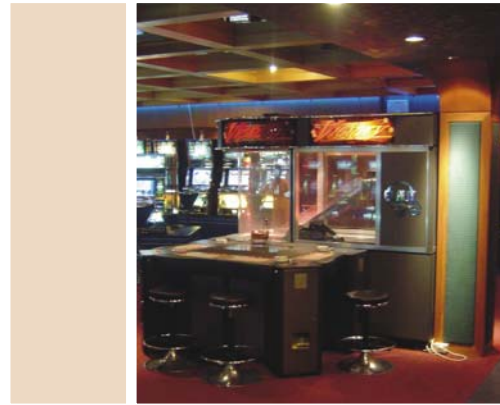
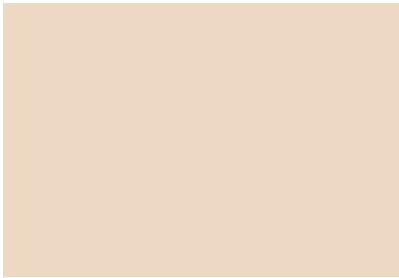
## “Machines at TSM Concessions in Philippines”



# Corporate Highlights

TSM Concessions

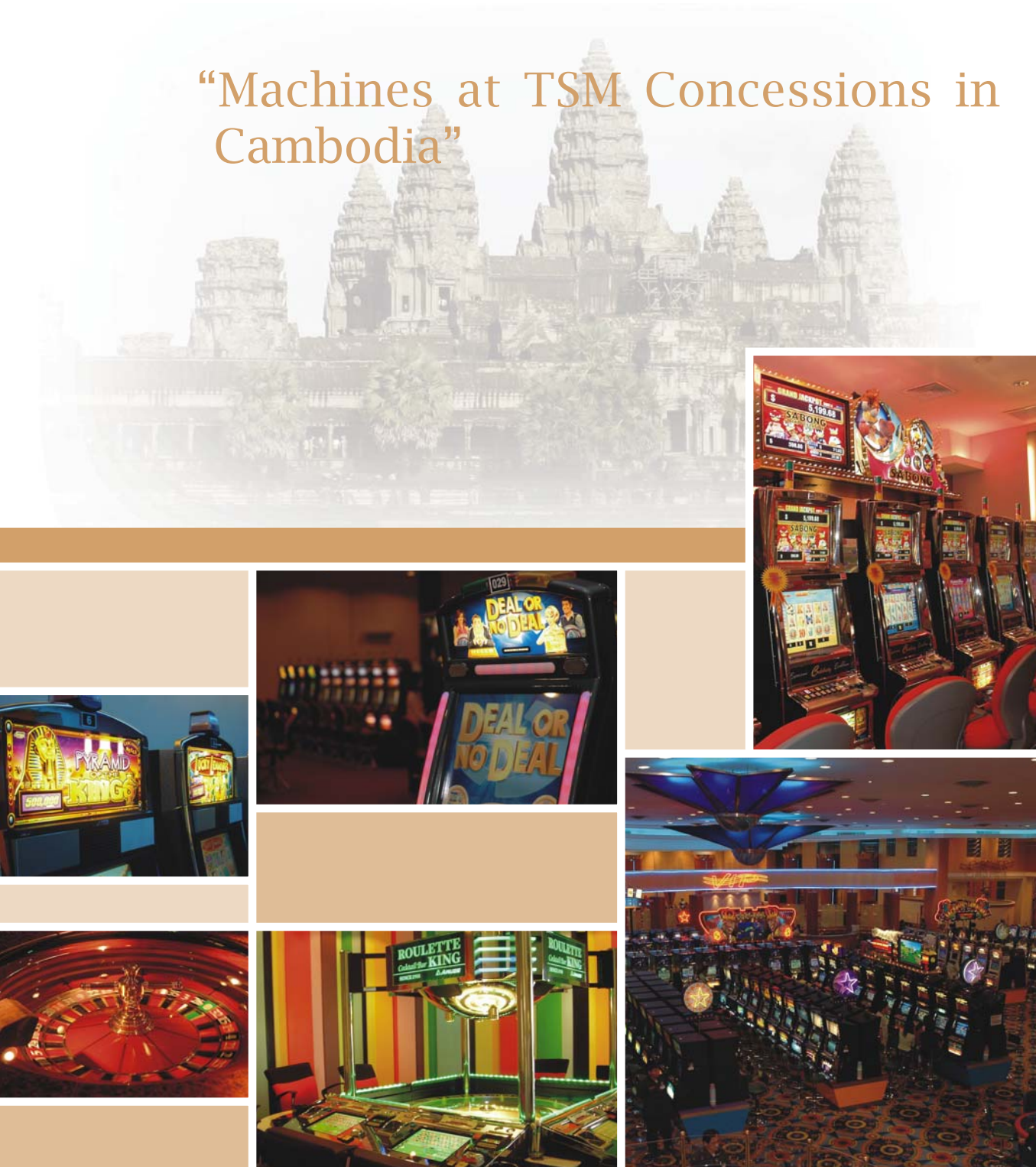
## “Machines at TSM Concessions in Vietnam”



# Corporate Highlights

TSM Concessions

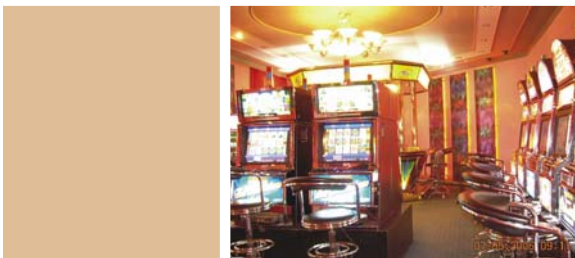
## “Machines at TSM Concessions in Cambodia”



# Corporate Highlights

TSM Concessions

## “Machines at TSM Concessions in Mongolia”



Directors' Report and  
Audited Financial Statements

# Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended **31 December 2005**.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are set out in Note 13 to the financial statements.

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

## RESULTS

	Group RM	Company RM
Net profit for the year	28,088,827	3,571,723

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

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.

## DIVIDENDS

The amount of dividend paid by the Company since 31 December 2004 were as follows:

	RM
In respect of the financial year ended 31 December 2004 as reported in the directors' report of that year:	
First and final dividend of 10% less 28% taxation on 280,000,000 ordinary shares, declared on 28 June 2005 and paid on 18 August 2005	2,016,000

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 31 December 2005, of 15% less 28% taxation 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 equity as an appropriation of retained profits in the financial year ending 31 December 2006. Pursuant to Income Tax (Exemption) (No. 10) Order 2000, this dividend is tax exempt in the hands of the shareholders.



# Directors' Report

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## **DIRECTORS**

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

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Ooi Teng Chew

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Datuk Chuah Kim Seah, JP

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Mazlan Bin Ismail

---

Chuah Kim Chiew

---

Lim Tow Boon

---

Wong Chee Fai

---

Chng Hee Kok

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## **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, other than those arising from the share options granted to the directors under the Employee Share Options Scheme.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 7 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 29 to the financial statements and those directors who may be deemed to derive a benefit by virtue of those transactions entered into in the normal course of business with companies in which certain directors have substantial financial interest.

# Directors' Report

## DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM0.10 each			
	1 January 2005	Acquired	Sold	31 December 2005
<b>The Company</b>				
<b>Direct interest:</b>				
Datuk Chuah Kim Seah, JP	110,033,830	110,000	-	110,143,830
Chuah Kim Chiew	8,921,398	-	-	8,921,398
Lim Tow Boon	2,898,000	-	(311,000)	2,587,000
Wong Chee Fai	1,450,000	100,000	-	1,550,000
<b>Indirect interest:</b>				
Datuk Chuah Kim Seah, JP	-	534,600	-	534,600
Mazlan Bin Ismail	54,000,662	10,000	-	54,010,662
Chuah Kim Chiew	-	534,600	-	534,600

	Number of Ordinary Shares of MOP1,000 each			
	1 January 2005	Acquired	Sold	31 December 2005
<b>Subsidiary</b>				
<b>- RGB (Macau) Limited</b>				
<b>Direct interest:</b>				
Lim Tow Boon	1	-	-	1

	Number of Options Over Ordinary Shares of RM0.10 each			
	Grant date, 19 October 2005	Exercised	Lapsed	31 December 2005
<b>The Company</b>				
Ooi Teng Chew	900,000	-	-	900,000
Datuk Chuah Kim Seah, JP	2,000,000	-	-	2,000,000
Mazlan Bin Ismail	1,200,000	-	-	1,200,000
Chuah Kim Chiew	1,200,000	-	-	1,200,000
Lim Tow Boon	1,200,000	-	-	1,200,000
Wong Chee Fai	1,200,000	-	-	1,200,000
Chng Hee Kok	900,000	-	-	900,000

# Directors' Report

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## **DIRECTORS' INTERESTS (continued)**

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

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

## **EMPLOYEE SHARE OPTIONS SCHEME**

The Company's Employee Share Options Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 28 June 2005. The ESOS was implemented on 19 October 2005 and is to be in force for a period of 5 years from the date of implementation.

The salient features and other terms of the ESOS are disclosed in Note 26 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of employees who have been granted options to subscribe for less than 900,000 ordinary shares of RM0.10 each.

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

## **OTHER STATUTORY INFORMATION**

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

# Directors' Report

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## OTHER STATUTORY INFORMATION (continued)

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) the amount written off for bad debts or the amount of provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

# Directors' Report

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## **OTHER SIGNIFICANT EVENT**

On 1 July 2005, the Company acquired 60% equity interest in CDI Corporation Sdn. Bhd. ("CDI"), a company incorporated in Malaysia, for a total cash consideration of RM60,000. The principal activities of CDI are the designing and trading of signages and systems for gaming and amusement machines.

## **AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors:

**DATUK CHUAH KIM SEAH, JP**

**MAZLAN BIN ISMAIL**

Penang, Malaysia  
Date: 12 April 2006

# Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, **DATUK CHUAH KIM SEAH, JP** and **MAZLAN BIN ISMAIL**, being two of the directors of **DREAMGATE CORPORATION BHD.**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 61 to 112 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed in accordance with a resolution of the directors:

**DATUK CHUAH KIM SEAH, JP**

**MAZLAN BIN ISMAIL**

Penang, Malaysia  
Date: 12 April 2006

# Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

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 the accompanying financial statements set out on pages 61 to 112 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared by the )  
abovenamed **DATUK CHUAH KIM SEAH, JP** )  
at Georgetown in the state of the Penang )  
on 12 April 2006 )

**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 set out on pages 61 to 112. These financial statements are the responsibility of the Company's directors.

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 applicable Approved Standards on Auditing 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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act.

# Report of the Auditors

Report of the Auditors to the Members of Dreamgate Corporation Bhd.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the 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 subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

**ERNST & YOUNG**

AF: 0039

Chartered Accountants

Penang, Malaysia

Date: 12 April 2006

**LIM FOO CHEW**

No. 1748/01/08(J)

Partner



# Income Statements

for the year ended 31 December 2005

	NOTE	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Revenue	3	154,099,508	115,346,563	3,698,395	570,000
Cost of sales	4	(105,821,765)	(86,158,133)	-	-
Gross profit		48,277,743	29,188,430	3,698,395	570,000
Other operating income		1,829,792	2,131,363	1,633,033	568,036
Administrative and general expenses		(14,632,531)	(7,729,205)	(1,789,501)	(1,231,559)
Selling and marketing expenses		(4,547,269)	(3,872,121)	-	-
Other operating expenses		(538,471)	(656,547)	-	-
Profit/(Loss) from operations	5	30,389,264	19,061,920	3,541,927	(93,523)
Finance costs	8	(2,134,559)	(511,919)	(204)	(440)
Share of results of associates		(42,318)	(100,653)	-	-
Profit/(Loss) before taxation		28,212,387	18,449,348	3,541,723	(93,963)
Taxation:					
Company and subsidiaries		(79,754)	(202,541)	30,000	(90,000)
Associates		(43,806)	(8,706)	-	-
	9	(123,560)	(211,247)	30,000	(90,000)
Profit/(Loss) after taxation		28,088,827	18,238,101	3,571,723	(183,963)
Earnings per share (sen)					
- Basic	10(a)	10.03	6.53		
- Diluted	10(b)	10.02			
Net dividends per ordinary share (sen)	11	1.00	-	1.00	-

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

# Balance Sheets

as at 31 December 2005

		Group		Company	
	NOTE	2005 RM	2004 RM	2005 RM	2004 RM
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	12	127,845,245	69,317,153	43,485	28,660
Investments in subsidiaries	13	-	-	20,617,198	20,557,198
Investments in associates	14	913,679	700,643	-	-
Other investment	15	4,000	4,000	-	-
Negative goodwill		(8,110,195)	(8,110,195)	-	-
Development costs	16	502,679	389,413	-	-
Other receivables	19	676,377	676,377	-	-
Due from a subsidiary	20	-	-	12,000,000	15,000,000
		121,831,785	62,977,391	32,660,683	35,585,858
<b>CURRENT ASSETS</b>					
Inventories	17	15,119,004	14,533,188	-	-
Trade receivables	18	63,473,417	40,779,349	-	-
Other receivables	19	17,282,258	4,174,942	323,672	149,382
Due from subsidiaries	20	-	-	18,281,260	3,833,266
Due from an associate	21	2,772,322	2,794,381	-	-
Deposits with licensed banks	22	8,636,672	11,574,776	6,375,000	9,375,000
Cash and bank balances		8,872,496	13,563,776	60,848	7,233,627
		116,156,169	87,420,412	25,040,780	20,591,275
<b>CURRENT LIABILITIES</b>					
Borrowings	23	19,405,372	17,223,745	-	-
Trade payables	24	49,251,944	35,098,090	-	-
Other payables	25	22,316,210	10,462,750	324,191	325,584
Tax payable		730,000	20,836	690,000	-
		91,703,526	62,805,421	1,014,191	325,584
<b>NET CURRENT ASSETS</b>					
		24,452,643	24,614,991	24,026,589	20,265,691
		146,284,428	87,592,382	56,687,272	55,851,549

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

# Balance Sheets

as at 31 December 2005

	NOTE	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
<b>FINANCED BY:</b>					
Share capital	26	28,000,000	28,000,000	28,000,000	28,000,000
Share premium		28,017,512	28,017,512	28,017,512	28,017,512
Foreign exchange reserve		217,500	(2,709)	-	-
Retained profits/ (Accumulated losses)	27	48,170,810	22,787,983	669,760	(195,963)
Shareholders' equity		104,405,822	78,802,786	56,687,272	55,821,549
Borrowings	23	41,583,606	8,536,905	-	-
Deferred tax liabilities	28	295,000	252,691	-	30,000
Non-current liabilities		41,878,606	8,789,596	-	30,000
		146,284,428	87,592,382	56,687,272	55,851,549

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

# Statements of Changes in Equity

for the year ended 31 December 2005

	NOTE	← Non-distributable →			Distributable	Total RM
		Share capital RM	Share premium RM	Foreign exchange reserve RM	Retained profits RM	
<b>Group</b>						
<b>At 1 January 2004</b>		20,557,200	-	-	4,549,882	25,107,082
Foreign exchange differences, representing net losses not recognised in income statement		-	-	(2,709)	-	(2,709)
Issue of ordinary shares during the year	26	7,442,800	28,017,512	-	-	35,460,312
Net profit for the year		-	-	-	18,238,101	18,238,101
<b>At 31 December 2004</b>		28,000,000	28,017,512	(2,709)	22,787,983	78,802,786
Foreign exchange differences, representing net gains not recognised in income statement		-	-	220,209	-	220,209
Net profit for the year		-	-	-	28,088,827	28,088,827
Dividends	11	-	-	-	(2,706,000)	(2,706,000)
<b>At 31 December 2005</b>		28,000,000	28,017,512	217,500	48,170,810	104,405,822

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

# Statements of Changes in Equity

for the year ended 31 December 2005

	NOTE	Share capital RM	Non- distributable Share premium RM	Distributable (Accumulated losses) / Retained Profit RM	Total RM
<b>Company</b>					
<b>At 1 January 2004</b>		20,557,200	-	(12,000)	20,545,200
Issue of ordinary shares during the year	26	7,442,800	28,017,512	-	35,460,312
Net loss for the year		-	-	(183,963)	(183,963)
<b>At 31 December 2004</b>		28,000,000	28,017,512	(195,963)	55,821,549
Net profit for the year		-	-	3,571,723	3,571,723
Dividends	11	-	-	(2,706,000)	(2,706,000)
<b>At 31 December 2005</b>		28,000,000	28,017,512	669,760	56,687,272

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

# Cash Flow Statements

for the year ended 31 December 2005

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/(Loss) before taxation	28,212,387	18,449,348	3,541,723	(93,963)
Adjustments for:				
Amortisation of development costs	71,430	-	-	-
Bad debts recovered	-	(1,405)	-	-
Depreciation	19,304,659	7,780,469	8,805	2,820
Goodwill written off	254,053	-	-	-
Gain on disposal of property, plant and equipment	(28,640)	(126,673)	-	-
Gain on disposal of other investment	(1,496)	-	(1,496)	-
Provision for doubtful debts	301,600	5,462	-	-
Provision for impairment loss of property, plant and equipment	207,350	-	-	-
Property, plant and equipment written off	5,557	4,386	-	-
Interest expense	1,937,191	251,522	-	-
Interest income	(428,849)	(675,672)	(1,631,038)	(565,052)
Dividend income	-	-	(3,038,395)	-
Share of results of associates	42,318	100,653	-	-
Operating profit/(loss) before working capital changes	49,877,560	25,788,090	(1,120,401)	(656,195)
(Increase)/decrease in inventories	(399,027)	34,675	-	-
(Increase)/decrease in receivables	(35,613,840)	(28,639,803)	(13,495)	654,792
Increase in amount due from subsidiaries	-	-	(10,097,994)	(18,833,266)
Increase in amount due from an associate	(137,822)	(2,794,381)	-	-
Increase in payables	25,979,401	21,571,711	688,607	311,434
Decrease in amount due to a subsidiary	-	-	-	(678,280)
Cash generated from/(used in) operations	39,706,272	15,960,292	(10,543,283)	(19,201,515)
Interest paid	(1,940,662)	(263,806)	-	-
Taxes paid	(345,133)	(950,343)	(68,749)	(75,000)
Net cash from/(used in) operating activities	37,420,477	14,746,143	(10,612,032)	(19,276,515)

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

# Cash Flow Statements

for the year ended 31 December 2005

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(78,071,935)	(56,873,095)	(23,630)	(31,480)
Proceeds from disposal of property, plant and equipment	233,402	693,321	-	-
Expenditure on development costs	(168,523)	(376,047)	-	-
Proceeds from disposal of other investment	1,001,496	-	1,001,496	-
Acquisition of a subsidiary (Note 13)	(59,680)	-	(60,000)	-
Investment in other investment	(1,000,000)	-	(1,000,000)	-
Investment in an associate	-	(714,622)	-	-
Interest received	336,803	564,350	188,992	453,730
Net dividend received	-	-	3,038,395	-
Net cash (used in)/from investing activities	(77,728,437)	(56,706,093)	3,145,253	422,250
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of ordinary shares	-	35,460,312	-	35,460,312
Drawdown of term loans	42,993,607	15,011,349	-	-
Repayment of term loans	(4,427,032)	(16,132)	-	-
Proceeds from onshore foreign currency loan	-	2,972,212	-	-
Repayment of onshore foreign currency loan	(638,134)	(2,334,078)	-	-
Proceeds from bankers' acceptances	20,301,000	12,660,000	-	-
Repayment of bankers' acceptances	(22,321,000)	(7,002,000)	-	-
Repayment of hire purchase	(8,304)	-	-	-
Dividends paid	(2,706,000)	-	(2,706,000)	-
Net cash from/(used in) financing activities	33,194,137	56,751,663	(2,706,000)	35,460,312

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

# Cash Flow Statements

for the year ended 31 December 2005

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(7,113,823)	14,791,713	(10,172,779)	16,606,047
<b>EFFECTS ON EXCHANGE RATE CHANGES</b>	220,209	(2,709)	-	-
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	21,959,227	7,170,223	16,608,627	2,580
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	15,065,613	21,959,227	6,435,848	16,608,627
Cash and cash equivalents comprise:				
Cash and bank balances	8,872,496	13,563,776	60,848	7,233,627
Deposits with licensed banks	8,636,672	11,574,776	6,375,000	9,375,000
Bank overdrafts (Note 23)	(2,443,555)	(3,179,325)	-	-
	15,065,613	21,959,227	6,435,848	16,608,627

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



# Notes to the Financial Statements

31 December 2005

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## **1. CORPORATE INFORMATION**

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are set out in Note 13 to the financial statements.

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 12 April 2006.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Basis of Preparation**

The financial statements of the Group and of the Company have been prepared under the historical cost convention.

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

### **(b) Basis of Consolidation**

#### **(i) Subsidiaries**

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

# Notes to the Financial Statements

31 December 2005

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Basis of Consolidation (continued)

#### (i) Subsidiaries (continued)

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial 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 the subsidiaries are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill.

Intra-group 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.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

#### (ii) Associates

Associates are those entities in which the Group exercises significant influence but not control, through participation in the financial and operating policy decisions of the entities.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of profits less losses of associates during the financial year is included in the consolidated income statement. The Group's interest in associates 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.

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

# Notes to the Financial Statements

31 December 2005

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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Negative Goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition over the cost of acquisition. Negative goodwill is not amortised.

### (d) Investments in Subsidiaries and Associates

The Company's investments in subsidiaries and associates are stated at cost less impairment losses.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised in the income statement.

### (e) Property, Plant and Equipment, and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss.

Freehold land is not depreciated. Leasehold land is depreciated over the period of the lease of 99 years. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

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

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

# Notes to the Financial Statements

31 December 2005

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Research and Development Costs

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 incurred except when the expenditure meets the following criteria where it will be capitalised as intangible assets:

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

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.

### (g) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its 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 the 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.

# Notes to the Financial Statements

31 December 2005

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## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) 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
Trading merchandise	-	weighted average basis

Cost of inventories consists of the purchase price plus the cost of bringing the inventories to their present location. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and estimated costs necessary to make the sale.

### (i) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership. All other leases are classified as operating leases.

#### Finance Leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2(e).

# Notes to the Financial Statements

31 December 2005

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (j) Provisions 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 provision is the present value of the expenditure expected to be required to settle the obligation.

### (k) Income Tax

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

Deferred tax is provided for, using the liability method, 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 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, in which case the deferred tax is also charged or credited 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 negative goodwill.

# Notes to the Financial Statements

31 December 2005

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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Employee Benefits

#### i. Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### ii. Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

#### iii. Equity Compensation Benefits

The Company's Employee Share Options Scheme ("ESOS") allows the Group's employees to acquire ordinary shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

### (m) Financial Instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

#### i. Other Non-Current Investments

Non-current investments other than investments in subsidiaries and associates are stated at cost less impairment losses. On disposal of an investment, the difference between the net disposal proceeds and its carrying amount is recognised in the income statement.

# Notes to the Financial Statements

31 December 2005

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (m) Financial Instruments (continued)

#### ii. Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

#### iii. 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.

#### iv. Interest-Bearing Borrowings

Interest-bearing borrowings are recorded at the amount of proceeds received, net of transaction costs.

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

#### v. Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the year in which they are declared.

### (n) 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 discounts upon the 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.



# Notes to the Financial Statements

31 December 2005

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## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(n) Revenue Recognition (continued)**

#### **iii. Interest Income**

Interest income is recognised on a time proportion basis that reflects the effective yield on the asset.

#### **iv. Rental Income**

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

#### **v. Management Fee**

Revenue from management fee is recognised on an accrual basis.

### **(o) Foreign Currencies**

#### **i. Foreign Currency Transactions**

Transactions in foreign currencies are initially recorded in the reporting currencies at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into the reporting currencies at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

#### **ii. Foreign Entities**

Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the assets and liabilities, and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences are recognised in 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.

# Notes to the Financial Statements

31 December 2005

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### ii. Foreign Entities (continued)

The principal exchange rates used for every unit of foreign currency ruling at the balance sheet date used are as follows:

	2005	2004
	RM	RM
1 United States Dollar	3.778	3.800
1 Australian Dollar	2.767	2.959
1 Euro	4.480	5.173
1 Pound Sterling	6.512	7.317
1 Singapore Dollar	2.273	2.326
100 Hong Kong Dollar	48.740	48.878
100 Japanese Yen	3.210	3.703
100 Philippine Peso	7.130	6.755
100 Thai Baht	9.215	9.705
100 Mongolia Tughrik	0.306	-
100 Macau Pataca	50.202	50.344

### (p) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in values, net of outstanding bank overdrafts.

## 3. REVENUE

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Sales and marketing	93,144,787	89,046,560	-	-
Technical support and management	60,826,472	26,133,503	-	-
Rental income	69,000	166,500	-	-
Management fee	-	-	660,000	570,000
Dividend income	-	-	3,038,395	-
Others	59,249	-	-	-
	154,099,508	115,346,563	3,698,395	570,000

# Notes to the Financial Statements

31 December 2005

## 4. COST OF SALES

	Group	
	2005 RM	2004 RM
Sales and marketing	81,184,983	75,538,939
Technical support and management	24,535,955	10,619,194
Others	100,827	-
	105,821,765	86,158,133

## 5. PROFIT/(LOSS) FROM OPERATIONS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM

Profit/(Loss) from operations is stated:

After charging:

Amortisation of development costs (Note 16)	71,430	-	-	-
Auditor's remuneration	81,000	52,852	18,000	12,000
Depreciation	19,304,659	7,780,469	8,805	2,820
Goodwill written off	254,053	-	-	-
Net foreign exchange losses:				
Unrealised	277,256	-	-	-
Realised	-	266,376	-	-
Non-executive directors' remuneration (Note 7)	123,000	136,000	118,000	121,000
Property, plant and equipment written off	5,557	4,386	-	-
Provision for doubtful debts	301,600	5,462	-	-
Provision for impairment loss of property, plant and equipment	207,350	-	-	-
Rental of premises	713,394	154,129	-	-
Staff costs (Note 6)	7,862,909	5,063,974	1,012,008	507,032

and crediting:

Gain on disposal of property, plant and equipment	28,640	126,673	-	-
Gain on disposal of other investment	1,496	-	1,496	-
Interest income	428,849	675,672	1,631,038	565,052
Net foreign exchange gains:				
Unrealised	-	631,093	-	-
Realised	1,204,408	-	-	2,984
Rental income	96,095	193,139	-	-

# Notes to the Financial Statements

31 December 2005

## 6. STAFF COSTS AND NUMBER OF EMPLOYEES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Staff costs:				
Wages and salaries	6,780,818	4,386,336	897,139	431,887
Social security costs	57,956	32,002	3,105	1,026
Short term accumulating compensated absence	349,094	303,641	4,672	22,524
Employees Provident Fund - defined contribution plan	740,707	479,865	107,092	51,595
	7,928,575	5,201,844	1,012,008	507,032
Less:				
Capitalised in development costs (Note 16)	(65,666)	(137,870)	-	-
	7,862,909	5,063,974	1,012,008	507,032
Number of employees	162	107	9	9

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM1,439,023 (2004: RM1,132,661) and RM625,757 (2004: RM416,263) respectively, as further disclosed in Note 7.

## 7. DIRECTORS' REMUNERATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
<b>Directors of the Company:</b>				
Executive:				
Salaries and bonus	1,301,943	1,031,311	503,687	314,913
Non-executive:				
Fees	90,000	93,000	90,000	93,000
Other emoluments	28,000	28,000	28,000	28,000
	118,000	121,000	118,000	121,000
	1,419,943	1,152,311	621,687	435,913

# Notes to the Financial Statements

31 December 2005

## 7. DIRECTORS' REMUNERATION (continued)

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
<b>Directors of Subsidiaries:</b>				
Executive:				
Salaries and bonus	137,080	101,350	122,070	101,350
Non-executive:				
Fees	5,000	15,000	-	-
	142,080	116,350	122,070	101,350
<b>Total</b>	<b>1,562,023</b>	<b>1,268,661</b>	<b>743,757</b>	<b>537,263</b>

Analysis:

Total executive directors' remuneration (Note 6)	1,439,023	1,132,661	625,757	416,263
Total non-executive directors' remuneration (Note 5)	123,000	136,000	118,000	121,000
<b>Total</b>	<b>1,562,023</b>	<b>1,268,661</b>	<b>743,757</b>	<b>537,263</b>

Directors of the Group and of the Company have been granted the following number of options under the Employee Share Options Scheme:

	Group		Company	
	2005	2004	2005	2004
At 1 January	-	-	-	-
Granted	9,000,000	-	8,600,000	-
At 31 December	9,000,000	-	8,600,000	-

The share options were granted on the same terms and conditions as those offered to other employees of the Group, other than as disclosed in Note 26(v).

## 8. FINANCE COSTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Included in finance costs are:				
Bank overdraft interest	203,559	204,643	-	-
Bankers' acceptance charges	122,970	19,758	-	-
Hire purchase interest	1,370	-	-	-
Term loans interest	1,609,292	27,121	-	-

# Notes to the Financial Statements

31 December 2005

## 9. TAXATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Income tax:				
Malaysian income tax	40,000	169,000	-	60,000
Overprovided in prior year	(55)	(1,659)	-	-
	39,945	167,341	-	60,000
Deferred tax (Note 28):				
Relating to origination and reversal of temporary differences	64,809	31,200	(30,000)	30,000
(Over)/Underprovided in prior year	(25,000)	4,000	-	-
	39,809	35,200	(30,000)	30,000
Share of taxation of associates	43,806	8,706	-	-
	123,560	211,247	(30,000)	90,000

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2004 : 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

# Notes to the Financial Statements

31 December 2005

## 9. TAXATION (continued)

A reconciliation of the statutory income tax rate to the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Profit/(Loss) before taxation	28,212,387	18,449,348	3,541,723	(93,963)
Tax calculated at the Malaysian tax rate of 28% (2004 : 28%)	7,899,468	5,165,817	991,682	(26,000)
Effect of different tax rates in other countries and for Labuan offshore business activities	(7,916,876)	(5,090,832)	-	-
Effect of income subject to tax rate of 20%	(8,000)	(35,500)	-	-
Effect of expenses not deductible for tax purposes	401,907	154,121	111,086	117,000
Effect of income not subject to tax	(386,109)	(8,000)	(1,229,309)	(1,000)
Effect of expenses not allowed to be carried forward	19,677	23,300	-	-
Deferred tax asset not recognised in respect of current year's tax loss and unabsorbed capital allowances	138,548	-	96,541	-
Overprovision of income tax in respect of prior year	(55)	(1,659)	-	-
(Over)/Underprovision for deferred tax in respect of prior year	(25,000)	4,000	-	-
Tax expense/(income) for the year	123,560	211,247	(30,000)	90,000

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

# Notes to the Financial Statements

31 December 2005

## 10. EARNINGS PER SHARE

### (a) Basic

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

	<b>2005</b>	<b>Group</b> 2004
Net profit for the year (RM)	28,088,827	18,238,101
Weighted average number of ordinary shares in issue	280,000,000	279,184,351
Basic earnings per share (sen)	10.03	6.53

### (b) Diluted

For the purpose of calculating diluted earnings per share, the net profit for the year and the weighted average number of ordinary shares in issue during the year have been adjusted for the dilutive effects of share options granted to employees.

	<b>Group</b> 2005
Net profit for the year (RM)	28,088,827
Weighted average number of ordinary shares in issue	280,000,000
Effect of dilution of share options	228,000
Adjusted weighted average number of ordinary shares in issue and issuable	280,228,000
Diluted earnings per share (sen)	10.02



# Notes to the Financial Statements

31 December 2005

## 11. DIVIDENDS

	Amount		Net Dividends per Ordinary Share	
	2005 RM	2004 RM	2005 Sen	2004 Sen
<b>First and final</b>				
10% less 28% taxation, on 280,000,000 ordinary shares, declared on 28 June 2005 and paid on 18 August 2005:				
- net dividend payable to shareholders	2,016,000	-		
- income tax payable to Inland Revenue Board, Malaysia	690,000	-		
	2,706,000	-	1.00	-

The first and final dividend is paid out of income received by the Company which is exempted from income tax under paragraph 2(b) of the Income Tax (Exemption)(No. 16) Order 1991 and is exempted from income tax in Malaysia in the hands of shareholders under paragraph 3(1) of the Income Tax (Exemption) (No. 10) Order 2000. Since neither order exempts the payment of this dividend by the Company from the provisions of Section 108 of the Income Tax Act, 1967, income tax of 28% amounting to RM784,000 has been deducted from the gross amount of the dividend. The tax deducted of RM784,000 less available tax credit under Section 108 of the Income Tax Act, 1967 amounting to RM94,000 is recognised in the equity.

Since the dividend is tax exempt in the hands of the shareholders, dividend per ordinary share is calculated by dividing the gross amount of dividend of RM2,800,000 by the number of ordinary shares in issue of 280,000,000 ordinary shares.

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 31 December 2005, of 15% less 28% taxation 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 equity as an appropriation of retained profits in the financial year ending 31 December 2006. Pursuant to Income Tax (Exemption) (No. 10) Order 2000, this dividend is tax exempt in the hands of the shareholders.

# Notes to the Financial Statements

31 December 2005

## 12. 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>Cost</b>									
At 1 January 2005	4,394,400	1,683,930	323,787	70,148	1,049,670	73,274,939	182,661	4,255,821	85,235,356
Additions	-	-	1,444,626	-	119,111	73,712,304	140,272	2,655,622	78,071,935
Disposals/written off	-	-	-	-	(58,074)	(219,320)	-	(14,850)	(292,244)
Reclassification	-	-	-	-	-	-	15,003	(15,003)	-
Acquisition of subsidiary (Note 13)	-	-	-	-	93,000	-	-	151,574	244,574
At 31 December 2005	4,394,400	1,683,930	1,768,413	70,148	1,203,707	146,767,923	337,936	7,033,164	163,259,621
<b>Accumulated Depreciation and Impairment Losses</b>									
At 1 January 2005									
Accumulated									
depreciation	110,866	57,940	14,463	54,851	643,141	13,333,292	37,707	1,665,943	15,918,203
Depreciation charge									
for the year:	55,433	28,974	89,751	7,015	101,794	18,305,810	44,352	687,703	19,320,832
Recognised in income statement (Note 5)									
	55,433	28,974	89,751	7,015	101,794	18,305,810	44,352	671,530	19,304,659
Capitalised in development costs (Note 16)									
	-	-	-	-	-	-	-	16,173	16,173
Impairment losses for									
the year (Note 5)	-	-	-	-	-	207,350	-	-	207,350
Disposals/written off	-	-	-	-	(56,599)	(14,560)	-	(10,766)	(81,925)
Reclassification	-	-	-	-	-	-	4,156	(4,156)	-
Acquisition of subsidiary (Note 13)	-	-	-	-	12,400	-	-	37,516	49,916
At 31 December 2005	166,299	86,914	104,214	61,866	700,736	31,831,892	86,215	2,376,240	35,414,376

# Notes to the Financial Statements

31 December 2005

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

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
Analysed as:									
Accumulated									
depreciation	166,299	86,914	104,214	61,866	700,736	31,624,542	86,215	2,376,240	35,207,026
Accumulated									
impairment losses	-	-	-	-	-	207,350	-	-	207,350
At 31 December 2005	166,299	86,914	104,214	61,866	700,736	31,831,892	86,215	2,376,240	35,414,376
<b>Net book value</b>									
At 31 December 2005	4,228,101	1,597,016	1,664,199	8,282	502,971	114,936,031	251,721	4,656,924	127,845,245
At 31 December 2004	4,283,534	1,625,990	309,324	15,297	406,529	59,941,647	144,954	2,589,878	69,317,153

# Notes to the Financial Statements

31 December 2005

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

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>Details at 1 January 2004</b>									
Cost	4,394,400	1,683,930	-	70,148	883,838	19,613,130	102,621	2,430,066	29,178,133
Accumulated depreciation	55,432	28,966	-	47,836	561,139	6,388,547	13,130	1,274,156	8,369,206
<b>Depreciation charge for 2004</b>									
Recognised in income statement (Note 5)	55,434	28,974	14,463	7,015	82,002	7,154,916	24,582	413,083	7,780,469
Capitalised in development costs (Note 16)	-	-	-	-	-	-	-	13,366	13,366
	55,434	28,974	14,463	7,015	82,002	7,154,916	24,582	426,449	7,793,835

# Notes to the Financial Statements

31 December 2005

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

<b>Company</b>	<b>Furniture, fittings and office equipment RM</b>
<b>Cost</b>	
At 1 January 2005	31,480
Additions	23,630
At 31 December 2005	55,110
<b>Accumulated depreciation</b>	
At 1 January 2005	2,820
Depreciation charge for the year	8,805
At 31 December 2005	11,625
<b>Net book value</b>	
At 31 December 2005	43,485
At 31 December 2004	28,660
<b>Details at 1 January 2004</b>	
Cost	-
Accumulated depreciation	-
<b>Depreciation charge for 2004</b>	<b>2,820</b>
<p>(a) The freehold and long term leasehold land and buildings of the Group have been charged to licensed banks as securities for term loans and banking facilities granted to the subsidiaries.</p> <p>(b) The motor vehicles of the Group with net carrying amount of RM141,042 (2004: RM172,374) are held in trust in the name of a director of the Company.</p> <p>(c) The motor vehicles of the Group with net book value of RM71,300 (2004: Nil) are held under hire purchase agreements.</p>	

## 13. INVESTMENTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2005</b>	2004
	<b>RM</b>	RM
Unquoted shares at cost	20,617,198	20,557,198

# Notes to the Financial Statements

31 December 2005

## 13. INVESTMENTS IN SUBSIDIARIES (continued)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Equity interest held		Principal activities
		2005	2004	
RGB Sdn. Bhd.	Malaysia	100%	100%	Manufacturing, refurbishment, technical support, and maintenance, sales and marketing of gaming and amusement machines and equipment, sales and marketing of security surveillance products and systems for local and overseas markets.
RGB Ltd.	Malaysia	100%	100%	Investment holding, sales and marketing, technical support and management of gaming and amusement machines and equipment solely for the overseas markets.
Data Touch Sdn. Bhd.	Malaysia	100%	100%	Renting of property.
CDI Corporation Sdn. Bhd.	Malaysia	60%	-	Designing and trading of signages and systems.
<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 surrounding market.

# Notes to the Financial Statements

31 December 2005

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## 13. INVESTMENTS IN SUBSIDIARIES (continued)

### Acquisition of A Subsidiary

On 1 July 2005, the Group acquired 60% equity interest in CDI Corporation Sdn. Bhd., a company incorporated in Malaysia, for a total cash consideration of RM60,000.

The acquisition had the following effect on the Group's financial results for the year:

	<b>2005</b>
	<b>RM</b>
Revenue	134,337
Loss from operations	(577,670)
Net loss for the year	(576,986)

The acquisition had the following effect of the financial position of the Group as at end of the year:

	<b>2005</b>
	<b>RM</b>
Property, plant and equipment	180,796
Inventories	8,628
Trade and other receivables	351,957
Cash and bank balances	8,938
Trade and other payables	(517,087)
Borrowings	(55,657)
Group's share of net liabilities	(22,425)

# Notes to the Financial Statements

31 December 2005

## 13. INVESTMENTS IN SUBSIDIARIES (continued)

### Acquisition of A Subsidiary (continued)

The fair values of the assets acquired and liabilities assumed from the acquisition of the subsidiary were as follows:

	<b>2005</b>
	<b>RM</b>
Property, plant and equipment (Note 12)	194,658
Inventories	326,068
Trade and other receivables	72,746
Cash and bank balances	320
Trade and other payables	(721,384)
Borrowings	(63,961)
Deferred tax liabilities (Note 28)	(2,500)
Fair value of total net liabilities	(194,053)
Less: Minority interests	-
Group's share of net liabilities	(194,053)
Goodwill on consolidation	254,053
Cost of acquisition	60,000
Purchase consideration satisfied by cash	60,000
Cash outflow arising on acquisition:	
Purchase consideration satisfied by cash	60,000
Cash and cash equivalents of subsidiary acquired	(320)
Net cash outflow of the Group	59,680

There were no acquisitions in the financial year ended 31 December 2004.



# Notes to the Financial Statements

31 December 2005

## 14. INVESTMENTS IN ASSOCIATES

	<b>Group</b>	
	<b>2005</b>	2004
	<b>RM</b>	RM
Unquoted shares at cost	810,002	810,002
Share of post-acquisition profit/ (loss)	103,677	(109,359)
	<b>913,679</b>	<b>700,643</b>
Represented by:		
Share of net assets	913,679	700,643

Details of the associates are as follows:

Name of subsidiaries	Country of incorporation	Equity interest held		Principal activities
		2005	2004	
Star RGB Corporation	Philippines	40%	40%	Dormant
Cron Corporation	Japan	50%	50%	Research and development, manufacturing, sales and marketing of gaming and amusement machines and equipment.

## 15. OTHER INVESTMENT

	<b>Group</b>	
	<b>2005</b>	2004
	<b>RM</b>	RM
Unquoted shares at cost	4,000	4,000

## 16. DEVELOPMENT COSTS

	<b>Group</b>	
	<b>2005</b>	2004
	<b>RM</b>	RM
<b>Cost</b>		
At 1 January	389,413	-
Additions	184,696	389,413
At 31 December	<b>574,109</b>	<b>389,413</b>
<b>Accumulated Amortisation</b>		
At 1 January	-	-
Amortisation charge for the year (Note 5)	71,430	-
At 31 December	<b>71,430</b>	<b>-</b>
Balance at end of year	<b>502,679</b>	<b>389,413</b>

# Notes to the Financial Statements

31 December 2005

## 16. DEVELOPMENT COSTS (continued)

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

	<b>2005</b>	<b>Group</b>
	<b>RM</b>	<b>2004</b>
		<b>RM</b>
Depreciation charge (Note 12)	16,173	13,366
Staff costs (Note 6)	65,666	137,870

## 17. INVENTORIES

	<b>2005</b>	<b>Group</b>
	<b>RM</b>	<b>2004</b>
		<b>RM</b>
<b>Cost</b>		
Gaming and amusement machines, coin and notes counting machines and binding machines	2,468,186	2,383,296
Spare parts, gaming and amusement accessories, table game equipment and accessories	3,372,962	2,313,895
Trading merchandise	139,342	-
Goods-in-transit	9,138,514	9,835,997
	15,119,004	14,533,188

## 18. TRADE RECEIVABLES

	<b>2005</b>	<b>Group</b>
	<b>RM</b>	<b>2004</b>
		<b>RM</b>
Trade receivables	63,795,227	40,799,559
Provision for doubtful debts	(321,810)	(20,210)
	63,473,417	40,779,349

The Group's normal trade credit term ranges from 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 76% (2004 : 69%) of the total trade receivables as at balance sheet date. These customers contributed approximately 47% (2004 : 41%) of the total revenue of the Group.

# Notes to the Financial Statements

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## 18. TRADE RECEIVABLES (continued)

Included in trade receivables are the following significant amounts due from related parties:

	<b>Group</b>	
	<b>2005</b>	2004
	<b>RM</b>	RM
Eurocomputer Engineering & Parts Sdn. Bhd.	54,278	26,416
Sigma Gaming Technology Pte. Ltd.	124,122	-
Standard RGB Pte. Ltd.	929,437	944,560
Dreamgate (M) Sdn. Bhd.	-	461,371
	1,107,837	1,432,347

The abovementioned corporations are regarded as related parties of the Group as certain directors of the Company, Datuk Chuah Kim Seah, JP and/or Chuah Kim Chiew and family members of Datuk Chuah Kim Seah, JP and Chuah Kim Chiew have substantial interest in these corporations.

## 19. OTHER RECEIVABLES

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	2004	<b>2005</b>	2004
	<b>RM</b>	RM	<b>RM</b>	RM
Advances paid to suppliers	4,003,418	225,933	-	-
Deposits	9,525,789	171,815	-	50
Interest receivable	203,368	111,322	203,368	111,322
Prepayments	2,475,525	27,016	35,755	15,007
Tax recoverable	997,016	672,664	83,749	15,000
Sundry receivables	753,519	3,642,569	800	8,003
	17,958,635	4,851,319	323,672	149,382
Representing receivables:				
- Current	17,282,258	4,174,942	323,672	149,382
- Non-current	676,377	676,377	-	-
	17,958,635	4,851,319	323,672	149,382

Non-current receivables are non-trade in nature, secured by unquoted shares pledged to the Group, interest free, have no fixed terms of repayment and are not repayable within the next one year.

# Notes to the Financial Statements

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## 20. DUE FROM SUBSIDIARIES

The amounts due from subsidiaries are non-trade in nature, unsecured, interest free and have no fixed terms of repayment except for an amount due from a subsidiary of RM15,000,000 (2004: RM15,000,000) which is charged interest at 6% (2004: 6%) per annum and repayable over 3 years commencing year 2006. Subsequent to the balance sheet date, the Company has extended the commencement of repayment period to 2009.

## 21. DUE FROM AN ASSOCIATE

The amount due from an associate is non-trade in nature, interest free and has no fixed terms of repayment.

## 22. DEPOSITS WITH LICENSED BANKS

Certain deposits of the Group and of the Company amounting to RM5,636,672 (2004: RM2,199,776) and RM3,375,000 (2004: Nil) respectively are pledged to licensed banks as securities for the banking facilities granted to the Group.

The average effective interest rates per annum of deposits at the balance sheet date was 3.2% (2004 : 3.4%) per annum.

The average maturities of deposits as at the end of the financial year was 365 (2004 : 365) days.

## 23. BORROWINGS

	2005	Group	2004
	RM		RM
<b>Short term borrowings (secured)</b>			
Bank overdrafts	2,443,555		3,179,325
Bankers' acceptances	4,850,000		6,870,000
Onshore foreign currency loan	-		638,134
Term loans (Note 23.1)	12,095,212		6,536,286
Hire purchase payables (Note 23.2)	16,605		-
	<u>19,405,372</u>		<u>17,223,745</u>
<b>Long term borrowings (secured)</b>			
Term loans (Note 23.1)	41,544,554		8,536,905
Hire purchase payables (Note 23.2)	39,052		-
	<u>41,583,606</u>		<u>8,536,905</u>

# Notes to the Financial Statements

31 December 2005

## 23. BORROWINGS (continued)

	Group	
	2005	2004
	RM	RM
<b>Total borrowings (secured)</b>		
Bank overdrafts	2,443,555	3,179,325
Bankers' acceptances	4,850,000	6,870,000
Onshore foreign currency loan	-	638,134
Term loans (Note 23.1)	53,639,766	15,073,191
Hire purchase payables (Note 23.2)	55,657	-
	60,988,978	25,760,650

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

	2005	2004
	%	%
Bank overdrafts	7.48	7.48
Bankers' acceptances	3.89	3.86
Onshore foreign currency loan	-	3.70
Term loans	6.55	6.06
Hire purchase	3.30	-

The bank borrowings are secured by way of fixed charges over the leasehold and freehold properties, fixed deposits with licensed banks, joint and several guarantee by certain directors of the Company and corporate guarantees of RM94.13 million (2004 : RM60.2 million) by the Company.

### 23.1 Maturity of term loan

	Group	
	2005	2004
	RM	RM
Within one year	12,095,212	6,536,286
More than 1 year and less than 2 years	12,095,212	5,351,333
More than 2 years and less than 5 years	29,449,342	3,185,572
	53,639,766	15,073,191

### 23.2 Hire Purchase Payables

<b>Minimum hire purchase repayments:</b>		
Not later than 1 year	19,344	-
Later than 1 year and not later than 2 years	19,344	-
Later than 2 years and not later than 5 years	24,154	-
	62,842	-
Future finance charges on hire purchase	(7,185)	-
Present value of hire purchase	55,657	-

# Notes to the Financial Statements

31 December 2005

## 23. BORROWINGS (continued)

### 23.2 Hire Purchase Payables (continued)

	Group	
	2005	2004
	RM	RM
<b>Present value of hire purchase liability:</b>		
Not later than 1 year	16,605	-
Later than 1 year and not later than 2 years	16,605	-
Later than 2 years and not later than 5 years	22,447	-
	55,657	-
<b>Analysed as:</b>		
Due within 12 months	16,605	-
Due after 12 months	39,052	-
	55,657	-

## 24. TRADE PAYABLES

The normal trade credit term granted to the Group ranges from 30 to 90 days.

Included in trade payables are the following significant amounts due to related parties:

	Group	
	2005	2004
	RM	RM
Standard RGB Pte. Ltd.	280,446	1,356,616
Sigma Gaming Technology Pte. Ltd.	-	25,966
	280,446	1,382,582

The abovementioned corporations are regarded as related parties of the Group as certain directors of the Company, Datuk Chuah Kim Seah, JP and/or Chuah Kim Chiew have substantial interest in these corporations.

## 25. OTHER PAYABLES

	Group		Company	
	2005	2004	2005	2004
	RM	RM	RM	RM
Advances received from customers	13,197,380	573,979	-	-
Accruals	6,230,048	4,087,415	323,756	325,584
Deposits received	267,420	106,920	-	-
Interest payable	16,440	19,911	-	-
Sundry payables	2,604,922	5,674,525	435	-
	22,316,210	10,462,750	324,191	325,584

# Notes to the Financial Statements

31 December 2005

## 25. OTHER PAYABLES (continued)

Included in sundry payables are the following significant amounts due to related parties:

	<b>Group</b>	
	<b>2005</b>	2004
	<b>RM</b>	<b>RM</b>
Dreamgate (M) Sdn. Bhd.	67,745	-
Denver System Sdn. Bhd.	235,414	146,568
Standard RGB Pte. Ltd.	1,321,848	2,787
	<b>1,625,007</b>	<b>149,355</b>

The abovementioned corporations are regarded as related parties of the Group as certain directors of the Company, Datuk Chuah Kim Seah, JP and/or Chuah Kim Chiew have substantial interest in these corporations.

## 26. SHARE CAPITAL

	<b>Number of ordinary</b>		<b>Amount</b>	
	<b>shares of RM0.10 each</b>		<b>2005</b>	2004
	<b>2005</b>	2004	<b>RM</b>	<b>RM</b>
<b>Authorised</b>				
At 1 January and 31 December	500,000,000	500,000,000	50,000,000	50,000,000
<b>Issued and fully paid</b>				
At 1 January	280,000,000	205,572,000	28,000,000	20,557,200
Issued and paid-up during the year	-	74,428,000	-	7,442,800
At 31 December	280,000,000	280,000,000	28,000,000	28,000,000

### Employee Share Options Scheme ("ESOS")

The Company's Employee Share Options Scheme ("ESOS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 28 June 2005. The ESOS was implemented on 19 October 2005 and is to be in force for a period of five years from the date of implementation.

# Notes to the Financial Statements

31 December 2005

## 26. SHARE CAPITAL (continued)

The salient features of the ESOS are as follows:

- (i) The ESOS Committee appointed by the Board of Directors to administer the ESOS may at any time and from time to time recommend to the Board any addition or amendment to or deletion of these Bye-Laws as it shall in its discretion think fit and the Board shall have the power by resolution to add, to amend or delete all or any of these Bye-Laws upon such recommendation.
- (ii) Subject to the discretion of the ESOS Committee, any employee who is at least eighteen years of age, whose employment has been confirmed and any executive directors or non-executive directors of the Group, shall be eligible to participate in the ESOS.
- (iii) The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point of time during the tenure of the ESOS and out of which not more than 50% of the shares shall be allocated, in aggregate, to executive and non-executive directors and senior management. In addition, not more than 10% of the shares available under the ESOS shall be allocated to any individual director or eligible employee who, either singly or collectively through persons connected with the eligible employees, holds 20% or more in the issued and paid-up capital of the Company.
- (iv) The option price for each share shall be based on the higher of the following:
  - (a) the weighted average market price of the Company's shares for five market days preceding the date of offer, with a discount that does not exceed 10% or such other percentage of discount as may be permitted by Bursa Malaysia Securities Berhad or any other relevant authorities from time to time during the period of the scheme; or
  - (b) the par value of the Company's shares.
- (v) The options allocated to the eligible employee shall become exercisable to the extent of one-quarter of the shares granted on each of the first four anniversaries from the date of grant provided that the employee has been in continuous service with the Group throughout the period unless it falls under Clause 18 of the Bye-Laws of the ESOS. The employees' entitlements to the options are vested as soon as they become exercisable. The options allocated to the directors of the Company are exercisable from the grant date.
- (vi) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company other than as may be specified in a resolution approving the distribution of dividends prior to their exercise dates.



# Notes to the Financial Statements

31 December 2005

## 26. SHARE CAPITAL (continued)

The terms of share options outstanding as at 31 December 2005 are as follows:

Grant Date / Expiry Date	Exercise Price RM	Number of Options Over Ordinary Shares of RM0.10 each			31 December 2005
		19 October 2005	Exercised	Lapsed	
19 October 2005/ 18 October 2010	1.06	19,300,000	-	(500,000)	18,800,000

## 27. RETAINED PROFITS

The Company has no tax credit under Section 108 of the Income Tax Act, 1967 to frank dividend. Any dividend paid will be subject to tax at 28%.

## 28. DEFERRED TAX LIABILITIES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
At 1 January	252,691	217,491	30,000	-
Acquisition of subsidiary (Note 13)	2,500	-	-	-
Recognised in the income statement (Note 9)	39,809	35,200	(30,000)	30,000
At 31 December	295,000	252,691	-	30,000

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

### Deferred Tax Liabilities of the Group

	Property, plant and equipment	Development costs	Receivables	Total
	RM	RM	RM	RM
At 1 January 2005	149,691	73,000	30,790	253,481
Recognised in the income statement	149,309	(73,000)	(30,790)	45,519
Acquisition of subsidiary	2,500	-	-	2,500
At 31 December 2005	301,500	-	-	301,500
At 1 January 2004	217,491	-	-	217,491
Recognised in the income statement	(67,800)	73,000	30,790	35,990
At 31 December 2004	149,691	73,000	30,790	253,481

# Notes to the Financial Statements

31 December 2005

## 28. DEFERRED TAX LIABILITIES (continued)

### Deferred Tax Assets of the Group

	Tax losses and unabsorbed capital allowances RM	Total RM
At 1 January 2005	(790)	(790)
Recognised in the income statement	(5,710)	(5,710)
At 31 December 2005	(6,500)	(6,500)
At 1 January 2004	-	-
Recognised in the income statement	(790)	(790)
At 31 December 2004	(790)	(790)

### Deferred Tax Liabilities / (Assets) of the Company:

	Tax losses and unabsorbed capital allowances RM	Receivables RM	Total RM
At 1 January 2005	(790)	30,790	30,000
Recognised in the income statement	790	(30,790)	(30,000)
At 31 December 2005	-	-	-
At 1 January 2004	-	-	-
Recognised in the income statement	(790)	30,790	30,000
At 31 December 2004	(790)	30,790	30,000

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

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Unused tax losses	456,000	-	306,000	-
Unabsorbed capital allowances	39,000	-	39,000	-
	495,000	-	345,000	-

The availability of the unused tax losses and unabsorbed capital allowances for offsetting against future taxable profits of the companies are subject to no substantial changes in shareholdings of the companies under Section 44(5A) & (5B) of Income Tax Act, 1967.

# Notes to the Financial Statements

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## 29. SIGNIFICANT RELATED PARTY TRANSACTIONS

	2005 RM	2004 RM
<b>Group</b>		
Sales of gaming machines, spare parts and accessories to:		
- Denver System Sdn. Bhd.	20,659	80,142
- Dreamgate (Malaysia) Sdn. Bhd.	264,479	786,376
- Euro Computer Engineering & Parts Sdn. Bhd.	110,902	26,993
- Manju Sdn. Bhd.	124,444	11,691
- Sigma Gaming Technology Pte. Ltd.	141,300	1,591,944
- Standard RGB Pte. Ltd.	2,843,111	2,070,634
Purchase of gaming and amusement machines and accessories from:		
- Chuah Amusement Sales & Services Sdn. Bhd.	17,500	40,800
- Standard RGB Pte. Ltd.	237,081	516,245
Purchase of plant and equipment from:		
- Standard RGB Pte. Ltd.	377,278	985,207
Purchase of spare parts and services from:		
- Standard RGB Pte. Ltd.	1,244,244	426,962
Repair and maintenance services provided to:		
- Denver System Sdn. Bhd.	85,982	101,540
- Dreamgate (Malaysia) Sdn. Bhd.	83,049	71,435
- Euro Computer Engineering & Parts Sdn. Bhd.	46,560	44,120
Renting of premises to:		
- Denver System Sdn. Bhd.	15,000	44,000
- Euro Computer Engineering & Parts Sdn. Bhd.	18,000	53,500
<b>Company</b>		
Gross dividends from a subsidiary	3,038,395	-
Interest on unsecured loan from a subsidiary	1,350,000	-
Management fees from subsidiaries	660,000	570,000

The abovementioned corporations are regarded as related parties of the Group as certain directors of the Company, Datuk Chuah Kim Seah, JP and/or Chuah Kim Chiew and family members of Datuk Chuah Kim Seah, JP and Chuah Kim Chiew have substantial interest in these corporations.

The directors are of the opinion that the related party transactions above 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.

# Notes to the Financial Statements

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## 30. CAPITAL COMMITMENT

	<b>2005</b>	<b>Group</b>
	<b>RM</b>	<b>2004</b>
		<b>RM</b>
Capital expenditure authorised but not contracted for plant and equipment	36,000,000	17,000,000

## 31. CONTINGENT LIABILITIES (UNSECURED)

- (a) 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 balance sheet date, the company has not been requested to provide any funding whatsoever in respect of the above undertaking.
- (b) The Company has given corporate guarantees to certain financial institutions for banking facilities granted to its subsidiaries for a limit up to RM94.13 million (2004: RM60.2 million) of which RM62,254,661 (2004: RM23,425,180) was utilised at balance sheet date.

## 32. FINANCIAL INSTRUMENTS

### (a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

### (b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debts; the Group had no substantial long term interest-bearing assets as at balance sheet date. 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 deposits.

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.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

# Notes to the Financial Statements

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## 32. FINANCIAL INSTRUMENTS (continued)

### (c) Foreign Exchange Risk

The Group operates internationally and is exposed to various currencies, mainly United States Dollar, Australian Dollar, Euro, Pound Sterling, Singapore Dollar, Hong Kong Dollar, Japanese Yen, Philippine Peso, Thai Baht, Mongolia Tughrik and Macau Pataca. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

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

Functional Currency of Group Companies	Net Financial Assets/(Liabilities) Held in Non-Functional Currency												Total RM
	United						Hong						
	States Dollar	Australian Dollar	Euro	Pound Sterling	Singapore Dollar	Ringgit Malaysia	Kong Dollar	Japanese Yen	Philippine Peso	Thai Baht	Mongolia Tughrik	Macau Pataca	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
<b>At 31 December 2005:</b>													
Ringgit Malaysia	646,320	(1,496,806)	(653,303)	(11,246)	416,673	-	4,867	3,960	-	(476)	-	-	(1,090,011)
United States Dollar	-	(4,119,329)	(1,365,207)	2,635	(507,634)	(550,070)	6,133	(11,140)	2,554,593	3,592,833	1,241,321	-	844,135
Hong Kong Dollar	-	-	-	-	(19,551)	179,393	-	-	-	-	-	12,840	172,682
	646,320	(5,616,135)	(2,018,510)	(8,611)	(110,512)	(370,677)	11,000	(7,180)	2,554,593	3,592,357	1,241,321	12,840	(73,194)
<b>At 31 December 2004:</b>													
Ringgit Malaysia	7,333,787	2,569,078	181,737	51,212	143,961	-	4,915	426	-	-	-	-	-10,285,116
United States Dollar	-	(7,382,458)	(264,750)	15,075	(83,782)	(299,090)	977	728,593	460,268	4,757,959	-	-	(2,067,208)
Hong Kong Dollar	-	-	-	-	-	(3,666)	-	-	-	-	-	12,782	9,116
	7,333,787	(4,813,380)	(83,013)	66,287	60,179	(302,756)	5,892	729,019	460,268	4,757,959	-	12,782	8,227,024

# Notes to the Financial Statements

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## 32. FINANCIAL INSTRUMENTS (continued)

### (d) Liquidity Risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash equivalents to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

### (e) 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 by 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, other than as disclosed in Note 18.

### (f) Fair Values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximated their fair values except the followings:

	Group		Company	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
<b>Financial liabilities</b>				
<b>At 31 December 2005</b>				
Due from subsidiaries (Note 20)				
- current	-	-	18,281,260	*
- non-current	-	-	12,000,000	11,921,474
Hire purchase (Note 23)	55,657	57,473	-	-
<b>At 31 December 2004</b>				
Due from subsidiaries (Note 20)				
- current	-	-	3,833,266	*
- non-current	-	-	15,000,000	14,862,822
Hire purchase (Note 23)	-	-	-	-

\* It is not practicable to estimate the fair values of amounts due from subsidiaries due principally to a lack of fixed repayment terms entered into by the parties involved and without incurring excessive costs.

# Notes to the Financial Statements

31 December 2005

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## 32. FINANCIAL INSTRUMENTS (continued)

### (f) Fair Values (continued)

The following methods and assumptions are used to estimate the fair values of each class of financial instruments:

#### i. Cash and Cash Equivalents, Receivables/Payables and Short Term Borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

#### ii. Due From Subsidiary

The fair value of long term receivable due from a subsidiary is estimated by discounting the expected future cash flows using the incremental borrowing rate.

#### iii. Borrowings

The fair value of borrowings is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

## 33. SEGMENT INFORMATION

### (a) Business Segments

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

- |  |  |
|--|--|
| (i) Sales and marketing                        | Sales and marketing of gaming and amusement machines and systems and related products.         |
| (ii) Technical support and management services | Technical support, maintenance, and management of gaming and amusement machines and equipment. |

Other business segments include renting of property, manufacturing, and research and development which have no sufficient size to be reported separately.

The directors are of the opinion that all inter-segment 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.

# Notes to the Financial Statements

31 December 2005

## 33. SEGMENT INFORMATION (continued)

### (a) Business Segments (continued)

	Sales and marketing RM	Technical support and management RM	Others RM	Eliminations RM	Consolidated RM
<b>2005</b>					
<b>Revenue</b>					
External sales	93,144,787	60,826,472	128,249	-	154,099,508
Inter-segment sales	-	534,869	900,000	(1,434,869)	-
Total revenue	93,144,787	61,361,341	1,028,249	(1,434,869)	154,099,508
<b>Results</b>					
Segment results	5,152,983	27,961,998	(158,252)		32,956,729
Unallocated corporate expenses					(2,567,465)
Profit from operations					30,389,264
Finance costs					(2,134,559)
Share of results of associates					(42,318)
Taxation					(123,560)
Profit after taxation					28,088,827
<b>Assets</b>					
Segment assets	69,494,779	155,176,473	6,469,080		231,140,332
Investments in associates					913,679
Unallocated corporate assets					5,933,943
Consolidated total assets					237,987,954
<b>Liabilities</b>					
Segment liabilities	42,361,835	28,204,051	-		70,565,886
Unallocated corporate liabilities					63,016,246
Consolidated total liabilities					133,582,132
<b>Other information</b>					
Capital expenditure	4,227,474	73,015,074	210,908		77,453,456
Unallocated capital expenditure					618,479
					78,071,935
Depreciation	122,595	18,623,682	86,675		18,832,952
Unallocated depreciation					471,707
					19,304,659
Amortisation	-	-	71,430		71,430
Impairment losses	-	207,350	-		207,350
Non-cash expenses other than depreciation, amortisation and impairment losses	404,853	150,800	5,557		561,210



# Notes to the Financial Statements

31 December 2005

## 33. SEGMENT INFORMATION (continued)

### (a) Business Segments (continued)

	Sales and marketing RM	Technical support and management RM	Others RM	Eliminations RM	Consolidated RM
<b>2004</b>					
<b>Revenue</b>					
External sales	89,046,560	26,133,503	166,500	-	115,346,563
Inter-segment sales	-	221,688	810,000	(1,031,688)	-
Total revenue	89,046,560	26,355,191	976,500	(1,031,688)	115,346,563
<b>Results</b>					
Segment results	8,539,225	12,799,805	(191,152)		21,147,878
Unallocated corporate expenses					(2,085,958)
Profit from operations					19,061,920
Finance costs					(511,919)
Share of results of associates					(100,653)
Taxation					(211,247)
Profit after taxation					18,238,101
<b>Assets</b>					
Segment assets	50,673,687	77,440,397	6,054,637		134,168,721
Investments in associates					700,643
Unallocated corporate assets					15,528,439
Consolidated total assets					150,397,803
<b>Liabilities</b>					
Segment liabilities	31,002,649	12,811,023	4,398		43,818,070
Unallocated corporate liabilities					27,776,947
Consolidated total liabilities					71,595,017
<b>Other information</b>					
Capital expenditure	42,769	56,184,844	148,590		56,376,203
Unallocated capital expenditure					496,892
					56,873,095
Depreciation	90,161	7,197,540	53,555		7,341,256
Unallocated depreciation					439,213
					7,780,469
Non-cash expenses other than depreciation	5,462	-	4,386		9,848

# Notes to the Financial Statements

31 December 2005

## 33. SEGMENT INFORMATION (continued)

### (b) Geographical Segments

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

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

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

	Revenue from external customers	
	2005 RM	2004 RM
Macau	52,991,517	25,916,708
Cambodia	51,243,282	30,357,049
Malaysia	21,534,305	26,747,835
Philippines	11,212,709	17,446,405
Vietnam	5,395,148	7,104,001
Singapore	3,639,740	2,637,469
Mongolia	2,427,127	-
South Korea	1,905,157	-
Other countries	3,750,523	5,137,096
	154,099,508	115,346,563

# Notes to the Financial Statements

31 December 2005

## 33. SEGMENT INFORMATION (continued)

### (b) Geographical Segments (continued)

	Segment assets	
	2005	2004
	RM	RM
Macau	41,747,642	18,832,011
Cambodia	98,697,704	43,989,251
Malaysia	33,911,528	30,539,774
Philippines	36,417,622	32,784,376
Vietnam	7,403,261	2,763,213
Singapore	2,037,912	2,186,100
Mongolia	3,096,019	-
South Korea	54,575	-
Other countries	7,774,069	3,073,996
	231,140,332	134,168,721

	Capital expenditure	
	2005	2004
	RM	RM
Macau	205,137	64,796
Cambodia	60,340,409	25,546,070
Malaysia	6,247,704	191,362
Philippines	9,772,909	27,881,059
Vietnam	223,935	2,692,916
Mongolia	662,561	-
Other countries	801	-
	77,453,456	56,376,203

# Notes to the Financial Statements

31 December 2005

## 34. COMPARATIVES

(a) The following comparative amounts have been reclassified to conform with current year's presentation:

	As Reclassified RM	Re- classification RM	As previously Stated RM
<b>Group</b>			
<b>Income statement</b>			
Cost of sales	86,158,133	(8,960,769)	77,197,364
Other operating income	2,131,363	613,371	2,744,734
Administrative and general expenses	7,729,205	10,310,511	18,039,716
Selling and marketing expenses	3,872,121	(1,089,345)	2,782,776
Other operating expenses	656,547	613,371	1,269,918
Finance costs	511,919	(260,397)	251,522
<b>Balance sheet</b>			
Trade receivables	40,779,349	(597,018)	40,182,331
Other receivables	4,174,942	(672,664)	3,502,278
Tax recoverable	-	672,664	672,664
Cash and bank balances	13,563,776	597,018	14,160,794
Trade payables	35,098,090	(10,844,425)	24,253,665
Other payables	10,462,750	10,844,425	21,307,175
<b>Company</b>			
<b>Income statement</b>			
Administrative and general expenses	1,231,559	440	1,231,999
Finance costs	440	(440)	-
<b>Balance sheet</b>			
Due from a subsidiary (Non-current)	15,000,000	(15,000,000)	-
Due from subsidiaries (Current)	3,833,266	15,000,000	18,833,266
Other receivables	149,382	(15,000)	134,382
Tax recoverable	-	15,000	15,000

(b) The comparative figures have been audited by a firm of chartered accountants other than Ernst & Young.

# List of Properties

held as at 31 December 2005

Registered Owner / Location	Description	Tenure	Age (Years)	Built up Area	Existing Use	Audited Net Book Value as at 31 December 2005 RM	Date of Last Revaluation
<b>RGB Sdn. Bhd.</b>							
65 Sims Avenue #08-04 Yi Xiu Factory Building Singapore	Building	Freehold	23	113 sq metres	Office cum factory	652,736	30 December 2002
No. 2017 Solok Perusahaan 3 Kawasan Perusahaan Perai 13600 Perai Penang	Land & Building	Leasehold - 99 years expiring on 12 December 2074	32	1,035.03 sq metres	Factory	1,597,016	31 December 2002
<b>Data Touch Sdn. Bhd.</b>							
No. 8 Green Hall 10200 Penang	Land & Building	In perpetuity	27	2,387.16 sq metres	Office	3,575,365	31 December 2002

# Analysis of Shareholdings

as at 26 April 2006

Authorised Share Capital	:	RM50,000,000/-
Paid-Up Share Capital	:	RM28,076,250/-
Class of Shares	:	Ordinary Share of RM0.10 each
Voting Right	:	1 vote per Ordinary Share

## Analysis by Size of Shareholdings as at 26 April 2006

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100	8	0.51	320	0.00
100 to 999	61	3.93	23,600	0.01
1,000 to 4,999	666	42.86	1,304,000	0.46
5,000 to 10,000	398	25.61	2,816,500	1.00
10,001 to 100,000	325	20.91	11,416,292	4.07
100,001 to 1,000,000	61	3.93	21,160,969	7.54
Above 1,000,000	35	2.25	244,040,819	86.92
<b>TOTAL</b>	<b>1,554</b>	<b>100.00</b>	<b>280,762,500</b>	<b>100.00</b>

## Substantial Shareholders as at 26 April 2006

No.	Name of Substantial Shareholders	No. of Ordinary Shares of RM0.10 Each Held			
		Direct Interest	%	Deemed Interest	%
1.	Datuk Chuah Kim Seah, JP	110,143,830	39.23	534,600 <sup>+</sup>	0.19
2.	Gerak Juara Sdn. Bhd.	54,010,662	19.24	-	-
3.	Mazlan Bin Ismail	-	-	54,010,662 <sup>*</sup>	19.24
4.	Ahmad Anwar Bin Mohd Nor	-	-	54,010,662 <sup>*</sup>	19.24

### Notes:

<sup>+</sup> By virtue of his substantial shareholding in RGB (Sabah) Sdn. Bhd., a substantial shareholder of Manju Sdn. Bhd.

<sup>\*</sup> By virtue of their substantial shareholdings in Gerak Juara Sdn. Bhd.

## Directors' Shareholdings as at 26 April 2006

No.	Name of Directors	No. of Ordinary Shares of RM0.10 Each Held			
		Direct Interest	%	Deemed Interest	%
1.	Datuk Chuah Kim Seah, JP	110,143,830	39.23	534,600 <sup>+</sup>	0.19
2.	Mazlan Bin Ismail	-	-	54,010,662 <sup>#</sup>	19.24
3.	Chuah Kim Chiew	8,921,398	3.18	534,600 <sup>*</sup>	0.19
4.	Lim Tow Boon	2,587,000	0.92	-	-
5.	Wong Chee Fai	1,550,000	0.55	-	-
6.	Ooi Teng Chew	-	-	-	-
7.	Chng Hee Kok	-	-	-	-
8.	Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T. (appointed w.e.f. 28.04.2006)	-	-	-	-

### Notes:

<sup>+</sup> By virtue of his substantial shareholding in RGB (Sabah) Sdn. Bhd., a substantial shareholder of Manju Sdn. Bhd.

<sup>\*</sup> By virtue of his substantial shareholding in Manju Sdn. Bhd. and RGB (Sabah) Sdn. Bhd., a substantial shareholder of Manju Sdn. Bhd.

<sup>#</sup> By virtue of his substantial shareholding in Gerak Juara Sdn. Bhd.

# Analysis of Shareholdings

as at 26 April 2006

## Top Twenty Shareholders as at 26 April 2006

(based on Record of Depositors retained by the Share Registrar)

No.	Name of Shareholders	No. of Shares Held	% of Shares
1.	Chuah Kim Seah	110,143,830	39.23
2.	Gerak Juara Sdn. Bhd.	54,010,662	19.24
3.	Chuah Kim Chiew	8,921,398	3.18
4.	Citigroup Nominees (Asing) Sdn. Bhd. [Exempt an for American International Assurance Company Limited]	7,940,000	2.83
5.	Goh Sin Tien	4,623,000	1.65
6.	Malaysia Nominees (Tempatan) Sendirian Berhad [Amanah SSCM Asset Management Berhad for Amanah Millenia Fund Berhad (JM730)]	4,574,600	1.63
7.	HSBC Nominees (Tempatan) Sdn. Bhd. [HSBC (M) Trustee Bhd. for Hwang-DBS Select Small Caps Fund (4579)]	3,842,200	1.37
8.	Allianz Life Insurance Malaysia Berhad	3,810,700	1.36
9.	Cartaban Nominees (Asing) Sdn. Bhd. [SSBT Fund AHY8 for AIG Global Emerging Markets Fund Plc]	3,470,154	1.24
10.	HSBC Nominees (Asing) Sdn. Bhd. [BNY Brussels for Mat Asia Pacific Funds]	3,000,000	1.07
11.	HSBC Nominees (Tempatan) Sdn. Bhd. [HSBC (M) Trustee Bhd. for Hwang-DBS Select Opportunity Fund (3969)]	2,900,000	1.03
12.	Citigroup Nominees (Asing) Sdn. Bhd. [Goldman Sachs International]	2,720,000	0.97
13.	Lim Tow Boon	2,587,000	0.92
14.	HSBC Nominees (Tempatan) Sdn. Bhd. [HSBC (M) Trustee Bhd. for OSK-UOB Emerging Opportunity Unit Trust (4611)]	2,317,100	0.83
15.	HSBC Nominees (Asing) Sdn. Bhd. [TNTC for DBS Malaysia Equity Fund]	2,210,000	0.79
16.	Chuah Seong Whan	2,000,375	0.71
17.	HSBC Nominees (Asing) Sdn. Bhd. [DZ Bank Intl for Uni Em Fernost Treuhandkonto, Luxembourg]	2,000,000	0.71
18.	Cartaban Nominees (Tempatan) Sdn. Bhd. [Exempt an for Amanah SSCM Nominees (Tempatan) Sdn. Bhd.] (Account 1)	1,954,800	0.70
19.	Yii Yeang Ping	1,953,500	0.70
20.	Citigroup Nominees (Asing) Sdn. Bhd. [Citibank Singapore Global Window for Savers Malaysia Fund]	1,862,500	0.66
	<b>TOTAL</b>	<b>226,841,819</b>	<b>80.82</b>

# Notice of Annual General Meeting

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NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of the Company will be held at Sri Perak, Level 4, The City Bayview Hotel, 25-A Farquhar Street, 10200 Penang on Wednesday, 28 June 2006 at 10.00 am for the following purposes :-

## AGENDA

### As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2005 together with the Reports of Directors and Auditors thereon. **Ordinary Resolution 1**
2. To approve the payment of a first and final dividend of 1.5 sen per ordinary share of 10 sen each, less income tax of 28% for the financial year ended 31 December 2005. **Ordinary Resolution 2**
3. To approve the payment of Directors' Fees for the financial year ended 31 December 2005. **Ordinary Resolution 3**
4. 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) Encik Mazlan Bin Ismail **Ordinary Resolution 4**
  - (ii) Mr. Lim Tow Boon **Ordinary Resolution 5**
5. To re-elect the following Director retiring pursuant to Article 107 of the Company's Articles of Association and who, being eligible, offers himself for re-election:
  - (i) Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T. **Ordinary Resolution 6**
6. To re-appoint Messrs Ernst & Young as Auditors of the Company until the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**



# Notice of Annual General Meeting

---

## **As Special Business**

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

### **7. AUTHORITY 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 to such person or persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deemed 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 for the listing and quotation for the additional shares to be issued."

### **Ordinary Resolution 8**

### **8. PROPOSED GRANT OF OPTIONS TO THE INDEPENDENT NON-EXECUTIVE DIRECTOR OF THE COMPANY, DATO' MAHINDER SINGH DULKU, D.S.P.N., P.K.T.**

"THAT, subject always to the Articles of Association of the Company and the Employee Share Option Scheme ("the Scheme") as approved by an ordinary resolution passed at the Extraordinary General Meeting of the Company held on 28 June 2005, the Company be and is hereby authorised to specifically offer and grant to Dato' Mahinder Singh Dulku, being the Independent Non-Executive Director of the Company, options to subscribe for up to a maximum of 1,000,000 new ordinary shares of RM0.10 each in the Company, subject always to such terms and conditions of the Scheme as may, from time to time be modified, varied and/or amended in accordance with the provisions of the Bye-Laws governing and constituting the Scheme."

### **Ordinary Resolution 9**

9. 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 1.5 sen per ordinary share of 10 sen each, less income tax of 28% tax for the financial year ended 31 December 2005, if approved, will be paid on 18 August 2006 to depositors registered in the Record of Depositors of the Company on 28 July 2006.

A depositor shall qualify for entitlement only in respect of :

- a. Shares transferred into the depositor's securities account before 4.00p.m. on 28 July 2006 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 (MACS 01258)**  
**LEE YAP KUAN (MAICSA 7003482)**  
Joint Secretaries

Penang  
Date: 6 June 2006

## Notes :

### Appointment of Proxy

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b)&(c) of the Companies Act, 1965 shall not apply to the Company.
2. For a proxy to be valid, the Form of Proxy duly completed must be deposited at the Registered Office of the Company, 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.

### Explanatory Notes on Special Business

#### **Ordinary Resolution 8 – Authority to Issue Shares**

The Ordinary Resolution 8 proposed under agenda 7, if passed, will give the Directors of the Company authority to issue shares in the Company up to an amount not exceeding 10% of the total issued capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting will expire at the conclusion of the next Annual General Meeting.

#### **Ordinary Resolution 9 – Proposed Grant of Options to Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T.**

The Ordinary Resolution 9 proposed under Agenda 8, if passed, will authorise the Company to offer and grant to Dato' Mahinder Singh Dulku, D.S.P.N., P.K.T. the Independent Non-Executive Director of the Company, options to subscribe from time to time new ordinary shares in the Company under the Scheme subject to the terms and conditions and/or adjustment which may be made in accordance with the provisions of the Bye-Laws of the Scheme. The rationale of the proposed resolution is to attract and retain capable individuals to act as Non-Executive Directors of the Company, who will contribute to the overall strategic direction of the Group.

# 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 as \* my/our proxy to vote for \* me/us on \* my/our behalf at the Third Annual General Meeting of the Company to be held at Sri Perak, Level 4, The City Bayview Hotel, 25-A Farquhar Street, 10200 Penang on Wednesday, 28 June 2006 at 10.00 am and at any adjournment thereof.

ORDINARY RESOLUTION	1	2	3	4	5	6	7	8	9
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 ....., 2006.

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 applicable.

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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, Malaysia.

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