



BERJAYA
BERJAYA SPORTS TOTO BERHAD

(Company No. 9109-K)

برجاي سפורتس توتو برحد
成功多多博彩有限公司



Laporan Tahunan

2006
Annual Report



The corporate logo comprises the word BERJAYA in gold and a symbol made up of closely interwoven Bs in rich cobalt blue with gold lining around the circumference and a gold dot in the centre.

BERJAYA means “success” in Bahasa Malaysia and reflects the success and Malaysian character of the Berjaya Corporation’s core businesses. The intertwining Bs of the symbol represent our strong foundations and the constant synergy taking place within the Berjaya Corporation group of companies. Each B faces a different direction, depicting the varied strengths of the companies that make up the Berjaya Corporation group of companies.

our mission and vision

To generate consistently profitable returns for our shareholders from investments in core business activities:-

- By providing direction, financial resources and management support for each operating unit;
- Through establishing a major market presence for each activity;
- Through dynamic and innovative management, teamwork and a commitment to excellence.

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corporate profile

Berjaya Sports Toto Berhad (“BToto”) was incorporated in 1969 as Unilite Electrical Industries Berhad. The Company changed its name to Far East Asset Berhad in 1987. On 31 October 1992, the Company completed its acquisition of the entire issued and paid-up share capital of 112,522,500 ordinary shares of 50 sen each in **Sports Toto Malaysia Sdn Bhd (“Sports Toto”)** for a purchase consideration of RM600 million through an issue of RM390.97 million 9% nominal amount of RM1.00 Redeemable Convertible Unsecured Loan Stocks 1992/97 in the Company and the balance in cash of RM209.03 million. On 17 May 1993, the Company was renamed Berjaya Sports Toto Berhad.

The principal activities of the Group are:

- operations of Toto betting under Section 5 of the Pool Betting Act, 1967;
- leasing of on-line lottery equipment; and
- manufacture and distribution of computerised lottery systems.

The history of Sports Toto began in 1969 when it was incorporated to run the Toto betting business. It was essentially the Government’s effort to raise funds to promote and develop sports, youth and cultural activities.

Sports Toto was privatised in 1985 when its Chief Executive Officer, Tan Sri Dato’ Seri Vincent Tan Chee YOUNG, through his private company acquired 70% of the paid-up capital.

Today, Sports Toto offers 6 games which are drawn 3 days in a week. Sports Toto is the sole national lotto operator in Malaysia.

On the international scene, the Group is supplying and maintaining a computerised on-line lottery system in Luzon Region in the Philippines.

In the USA, BToto’s subsidiary, International Lottery & Totalizer Systems (“ILTS”) is a leading supplier of on-line computerized wagering systems with installations worldwide.

Sports Toto’s financial growth over the past 20 years after its privatisation in 1985 is highlighted below:

	30/4/06 (Million)		31/12/85 (Million)		20 Years’ Annualised Increase (%)
	RM	US\$	RM	US\$	
Revenue	2,890.4	797.4	76.0	21.0	185.2
Pre-tax Profit	541.5	149.4	5.0	1.4	536.5
Shareholder’s Funds	218.0	60.1	1.0	0.3	1,085.0
Total Assets	1,083.8	299.0	12.7	3.5	421.7
Total No. of Employees	604		431		

Exchange rate : US\$1.00 = RM3.625

corporate information

BOARD OF DIRECTORS

Tan Sri Dato' Thong Yaw Hong

Chairman

Tan Sri Dato' Seri Vincent Tan Chee Yioun

Chief Executive Officer

Executive Directors

Ng Foo Leong

Dato' Robin Tan Yeong Ching

Datuk Robert Yong Kuen Loke

Chan Kien Sing

Freddie Pang Hock Cheng

Directors

Tan Sri Dato' Jaffar Bin Abdul

Mohamed Saleh Bin Gomu

SECRETARIES

Su Swee Hong (MAICSA No. 0776729)

Tham Lai Heng, Michelle (MAICSA No.

7013702)

AUDIT COMMITTEE

Chairman/Independent/

Non-Executive Director

- Tan Sri Dato' Jaffar Bin Abdul

Independent/Non-Executive Director

- Mohamed Saleh Bin Gomu

Non-Independent/Executive Director

- Datuk Robert Yong Kuen Loke

SHARE REGISTRAR

Berjaya Registration Services Sdn Bhd

Lot C1-C3, Block C

2nd Floor, KL Plaza

179 Jalan Bukit Bintang

55100 Kuala Lumpur

Tel : 03-2145 0533

Fax: 03-2145 9702

AUDITORS

Ernst & Young

Chartered Accountants

Level 23A, Menara Milenium

Jalan Damanlela

Pusat Bandar Damansara

50490 Kuala Lumpur

REGISTERED OFFICE

Lot 13-01A, Level 13 (East Wing)

Berjaya Times Square

No. 1 Jalan Imbi

55100 Kuala Lumpur

Tel : 03-2149 1999

Fax: 03-2143 1685

PRINCIPAL BANKERS

Malayan Banking Berhad

Commerce International Merchant

Bankers Berhad

The Bank of Nova Scotia Berhad

RHB Bank Berhad

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad

STOCK SHORT NAME

BJTOTO (1562)

PLACE OF INCORPORATION AND DOMICILE

Malaysia



profile of directors

TAN SRI DATO' THONG YAW HONG

丹斯里拿督汤耀鸿

76 years of age, Malaysian

Chairman

Independent/Non-Executive



He was appointed to the Board on 18 October 2001 as the Chairman. He graduated with a Bachelor of Arts (Hons) degree in Economics from University of Malaya, a Master's degree in Public Administration from Harvard University, as well as Advanced Management Program from Harvard Business School. In June 1998, he was appointed a Pro-Chancellor of Universiti Putra Malaysia.

He had a distinguished career with the Government of Malaysia, primarily in the fields of socio-economic development, planning and finance. He served in the Economic Planning Unit in the Prime Minister's Department since 1957 and became its Director-General from 1971 to 1978. From 1979 until his retirement in 1986, he served as the Secretary-General of the Ministry of Finance. He was responsible for setting up Sports Toto Malaysia Sdn Bhd in 1969 under the direction of the Government when he was overall in charge of the Economic Planning Unit in the Prime Minister's Department.

He also holds directorships in several public listed companies namely, Berjaya Land Berhad (Chairman), Batu Kawan Berhad, Glenealy Plantations (Malaya) Berhad, Kuala Lumpur Kepong Berhad and Public Bank Berhad (Co-Chairman). His directorships in other public companies are Public Mutual Berhad (Co-Chairman), Berjaya General Insurance Berhad (Chairman), Malaysian South-South Corporation Berhad, Public Merchant Bank Berhad (Chairman), HHB Holdings Berhad (Chairman) and Public Islamic Bank Berhad. He is also a Director in several other private companies including Sports Toto Malaysia Sdn Bhd (Chairman). He also serves as a member on the Boards of Trustees of Program Pertukaran Fellowship Perdana Menteri Malaysia, Tun Razak Foundation, Sports Toto Foundation and the Malaysian Institute of Economic Research, among others. He is also a member of the Working Group of the Executive Committee for the National Economic Action Council.

Tan Sri Dato' Thong Yaw Hong is the Chairman of the Remuneration Committee and a member of the Nomination Committee of the Company.

TAN SRI DATO' SERI VINCENT TAN CHEE YIOUN

丹斯里拿督斯里陈志远

54 years of age, Malaysian

Chief Executive Officer

Non-Independent



He was appointed to the Board on 1 September 1994 as Chairman and Chief Executive Officer ("CEO") and subsequently, relinquished his position as Chairman on 18 October 2001. He is a businessman and entrepreneur with varied interests in property development and investment, gaming, stockbroking, manufacturing, trading, hospitality, Internet-related businesses, utilities, media, telecommunications, insurance and education through various public and private companies namely, Berjaya Corporation group of companies, Intan Utilities Berhad, Nexnews Berhad, Matrix International Berhad, MOL.com Berhad, MiTV Corporation Sdn Bhd and Sun Media Corporation Sdn Bhd.

He is currently the Chairman/CEO of Berjaya Corporation Berhad and the Chairman of Nexnews Berhad, Dunham-Bush (Malaysia) Berhad, Informatics Education Ltd, Singapore, Berjaya Times Square Sdn Bhd, Convenience Shopping Sdn Bhd, the owner of

the 7-Eleven franchise in Malaysia and MiTV Networks Sdn Bhd, a new 3G mobile phone operator in Malaysia and the Managing Director of Sports Toto Malaysia Sdn Bhd.

He also holds directorships in Berjaya Group Berhad, Berjaya Vacation Club Berhad, Berjaya Hills Berhad (Formerly known as Bukit Tinggi Resort Berhad), KDE Recreation Berhad, Berjaya Golf Resort Berhad, Bukit Kiara Resort Berhad as well as several other private limited companies.

Tan Sri Dato' Seri Vincent Tan Chee Yioun is a member of the Remuneration Committee of the Company.

His son, Dato' Robin Tan Yeong Ching is also a member of the Board.

profile of directors



NG FOO LEONG

吴富亮

55 years of age, Malaysian

Non-Independent/Executive Director

He was appointed to the Board on 1 September 1994 as an Executive Director. He is a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants. Prior to joining Sports Toto Malaysia Sdn Bhd ("STMSB") in 1985, he worked in a public accountants firm, Messrs Azman Wong Salleh from 1970 to 1978 and in a major multinational corporation, Malaysia Vegetable Oil Refinery Sdn Bhd from 1978 to 1985.

Currently, he is also an Executive Director of STMSB and Chairman/President of Prime Gaming Philippines Inc. and Chairman of Philippines Gaming Management Corporation. He also holds directorships in International Lottery & Totalizator Systems, Inc. (USA) and several other private limited companies in the Berjaya Corporation group of companies.



DATO' ROBIN TAN YEONG CHING

拿督陈永钦

32 years of age, Malaysian

Non-Independent/Executive Director

He was appointed to the Board on 21 February 1998 as an Executive Director. He graduated with a Bachelor of Social Science Degree in Accounting/Law from the University of Southampton, United Kingdom, in 1995. He joined Berjaya Group Berhad in 1995 as an Executive and subsequently became the General Manager, Corporate Affairs in 1997.

Currently, he is also the Chairman of MOL.com Berhad, Chief Executive Officer of Berjaya Land Berhad and an Executive Director of Sports Toto Malaysia Sdn Bhd. He also holds directorships in Berjaya General Insurance Berhad, Berjaya Hills Berhad (Formerly known as Bukit Tinggi Resort Berhad), Qinetics Solutions Berhad and several other private limited companies.

His father, Tan Sri Dato' Seri Vincent Tan Chee Yioun is also a member of the Board.



DATUK ROBERT YONG KUEN LOKE

拿督杨群录

54 years of age, Malaysian

Non-Independent/Executive Director

He was appointed to the Board on 1 December 1992. He is a fellow member of The Institute of Chartered Accountants (England and Wales), and a member of Malaysian Institute of Accountants and Institute of Certified Public Accountants of Singapore. He is also a Council Member of the Malaysian Institute of Certified Public Accountants. He has many years of working experience in the fields of accounting, audit, treasury and financial management. He started his career in London in 1973 and worked for more than five years in chartered accounting firms in London including two years with Moore Stephens & Co. Subsequently, he was with Price Waterhouse, Singapore from 1979 to 1982. Prior to joining the Berjaya Group of Companies in 1987, he served as Group Finance Manager in UMW Holdings Berhad and Group Treasurer in Edaran Otomobil Nasional Bhd.

Currently, he is also an Executive Director of Berjaya Corporation Berhad and Berjaya Land Berhad. He also holds directorships in Cosway Corporation Berhad, Berjaya Capital Berhad, Matrix International Berhad, Berjaya Group Berhad, Berjaya Golf Resort Berhad and several other private limited companies.

Datuk Robert Yong Kuen Loke is a member of the Audit Committee of the Company.



CHAN KIEN SING

陈健星

50 years of age, Malaysian

Non-Independent/Executive Director

He was appointed to the Board on 1 December 1992. He is a member of The Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants. Having articulated with Messrs Peat Marwick Mitchell (now known as KPMG) from 1975 to 1981, he subsequently joined Arab-Malaysian Merchant Bank Berhad (now known as AmMerchant Bank Berhad) specialising in corporate finance until 1989 when he joined Berjaya Group Berhad as General Manager, Investments.

Currently, he is the Chief Executive Officer of Berjaya Capital Berhad and an Executive Director of Berjaya Corporation Berhad. He is the Chairman of Matrix International Berhad and Berjaya Holdings (HK) Limited, a Director of Intan Utilities Berhad, Berjaya Group Berhad, Berjaya Vacation Club Berhad and International Lottery & Totalizator Systems, Inc. (USA) and an alternate Director in Nexnews Berhad. He also holds directorships in several other private limited companies.

profile of directors



FREDDIE PANG HOCK CHENG

彭福清

51 years of age, Malaysian

Non-Independent/Executive Director

He was appointed to the Board on 1 December 1992. He began his career with a predecessor firm of Messrs Ernst & Young where he worked for seven years until 1982 during which he qualified for entry as a member of the Malaysian Institute of Certified Public Accountants. He is also a member of the Malaysian Institute of Accountants. Thereafter, he joined the Corporate Advisory Department of Malaysian International Merchant Bankers Berhad where he was actively involved in a wide variety of corporate exercises in an advisory capacity until his departure in 1990 to join Berjaya Group Berhad.

He is currently the Chairman of Intan Utilities Berhad, an Executive Director of Berjaya Corporation Berhad, a Director of Nexnews Berhad, MOL.com Berhad, Dunham-Bush (Malaysia) Berhad, Berjaya Group Berhad, Berjaya Vacation Club Berhad and Informatics Education Ltd, Singapore. He also holds directorships in several other private limited companies.



TAN SRI DATO' JAFFAR BIN ABDUL

丹斯里拿督查化敏阿都

74 years of age, Malaysian

Independent/Non-Executive

He was appointed to the Board on 28 August 1997 as an Independent Non-Executive Director. He joined the Police Force in 1951 and rose to become Director of the Anti-Narcotic Branch, Federal Police Headquarters in 1982. From 1982 to 1984, he was the Chief Police Officer in Johor and between 1984 to 1985, he was the Director of Management, Police Headquarters in Bukit Aman. He was also the Deputy Inspector General of the Royal Malaysian Police since 1985 before retiring from the civil service in May 1989.

He is currently the Chairman of Cosway Corporation Berhad, Mycom Berhad and Yinson Holdings Berhad. He is also a Director in Olympia Industries Berhad, Silverstone Corporation Berhad, Amalgamated Containers Berhad and several other private limited companies.

Tan Sri Dato' Jaffar Bin Abdul is the Chairman of the Audit Committee, Nomination Committee and a member of the Remuneration Committee of the Company.



MOHAMED SALEH BIN GOMU

莫哈末沙烈敏国目

56 years of age, Malaysian

Independent/Non-Executive

He was appointed to the Board on 22 December 1999 as an Independent Non-Executive Director. He joined Polis DiRaja Malaysia (“PDRM”) as an Inspector in June 1970 and left for England to further his studies in 1981. He graduated with a Bachelor of Laws (Hons) Degree in 1982 and obtained a Certificate in Legal Practice in 1984. Upon graduation, he continued to serve PDRM in various capacities including as a Staff Officer in the Special Branch, Officer-in-charge of Prosecution (Lower Courts) Kuala Lumpur and Officer-in-charge of Brickfields Police District. Before his optional retirement in June 1992, he was Head of the INTERPOL/National Central Bureau Secretariat. Soon after his retirement, he went into private legal practice. Currently, he is also a Director in Kumpulan Emas Berhad.

Mohamed Saleh Bin Gomu is a member of the Audit Committee and Nomination Committee of the Company.

Save as disclosed, none of the Directors have:-

1. any family relationship with any Director and/or major shareholder of the Company;
2. any conflict of interest with the Company; and
3. any convictions for offences within the past 10 years other than traffic offences.

chairman's statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements for the financial year ended 30 April 2006.



Toto Draw in Progress.

FINANCIAL RESULTS

For the financial year under review, the Group recorded a revenue of RM2.94 billion, an increase of 10.0% compared to RM2.67 billion in the previous financial year. The increase in revenue was mainly attributed to its subsidiary, Sports Toto Malaysia Sdn Bhd ("Sports Toto") having two additional draws in the financial year under review, seven months' contribution from sales of the 4 Digit *I-Perm* game which was launched at the end of September 2005 and strong sales from the Super 6/49 game which recorded its highest ever Jackpot of RM15.9 million in May 2005. Group pre-tax profit increased 17.3% from RM487.5 million in the previous year to RM571.9 million due to the improved performance of Sports Toto and gain on disposal of the Company's Irredeemable Convertible Unsecured Loan Stocks ("ICULS") that was previously acquired by one of its wholly-owned subsidiary companies. In addition to the improved performance, the write back of overprovision in taxation in prior years also resulted in the increase in profit attributable to shareholders by 41.5% from last year.

DIVIDEND

For the financial year ended 30 April 2006, the Company had declared and paid three interim dividends. The first interim dividend of RM0.125 per share less 28% income tax was paid on 8 November 2005, the second interim dividend of RM0.125 per share less 28% income tax on 12 January 2006 and the third interim dividend of RM0.11 per share less 28% income tax on 7 April 2006. The Board has declared a fourth interim dividend of RM0.15 per share less 28% income tax that is payable on 30 August 2006. Together, the total net dividend distribution for the financial year ended 30 April 2006 would be RM0.51 per share less 28% income tax or a total net dividend of approximately RM467.4 million representing about 100.6% of the attributable profit of the Group for the year. The dividend distribution is consistent with the Company's current dividend policy of distributing at least 75% of its annual net earnings to shareholders. The Company will maintain the 75% payment policy subject to factors such as availability of distributable reserves and tax credits to frank the dividends and the Company's cash flow requirements.



CORPORATE DEVELOPMENTS

1) The proposed First Capital Distribution of RM0.50 cash per share of the Company announced on 7 March 2005 was completed on 28 September 2005. The Capital Distribution which was carried out via a reduction of the Company's share capital pursuant to Section 64 of the Companies Act, 1965 resulted in the reduction of the par value of the ordinary shares from RM1.00 to RM0.50. The share capital of the Company then of RM1,343,728,821 comprising 1,343,728,821 ordinary shares of RM1.00 each including 85,000,000 treasury shares of RM1.00 each was reduced to RM671,864,410.50 comprising 1,343,728,821 ordinary shares of RM0.50 each.



Punters at a Toto outlet.

2) On 25 January 2006, Berjaya Land Berhad ("B-Land") announced that B-Land and the Vendor Subsidiaries (Gateway Benefit Sdn Bhd, Immediate Capital Sdn Bhd and Berjaya Land Development Sdn Bhd) had agreed to mutually terminate the share sale agreement in relation to its proposed disposal of Berjaya Sports Toto Berhad ("BToto") Shares to Intan Utilities Berhad. On the same date, B-Land had announced that its Board of Directors is proposing an alternative proposal to partially repay the amounts owing to BToto by issuing up to RM900 million nominal value of 5-year secured exchangeable bonds. B-Land had advised that based on its current estimation, approximately RM387 million from the gross proceeds raised pursuant to the proposed Exchangeable Bonds issue will be allocated for the part repayment of the outstanding inter-company balance owing to BToto.

As at 30 April 2006, the outstanding inter-company balance owing by B-Land to BToto was RM550.31 million after B-Land's aggregate repayment of RM176.99 million during the year under review. After the year end on 27 July 2006 and 15 August 2006, B-Land partially paid RM80.0 million and RM387.9 million cash respectively to BToto. With the above settlements, the inter-company balance owing by B-Land to BToto is approximately RM91 million as at 15 August 2006.

BToto has also agreed and accepted B-Land's proposed extension to settle the outstanding balance of approximately RM91 million by 4 August 2007.



Toto Draw Venue at Berjaya Times Square, Kuala Lumpur.

3) On 25 January 2006, the Company announced its proposal to undertake a second Capital Repayment of RM0.50 cash per share to all shareholders. The Capital Repayment was undertaken in accordance with the provisions of Section 60(2) and Section 64 of the Companies Act, 1965 via the reduction of the share capital of the Company by RM0.40 per share and reduction of the share premium reserve of the Company by RM0.10 per share respectively. The proposal was approved at an Extraordinary General Meeting held on 25 April 2006 and the Company announced that the High Court of Malaya, Kuala Lumpur had confirmed that the Capital Repayment has been lodged with the Companies Commission of Malaysia on 6 July 2006. The second Capital Repayment was funded by internally generated funds, sale of 41.04 million BToto Treasury Shares and a short term bridging loan. The second Capital Repayment was completed with the cash payment of RM0.50 per share paid on 14 July 2006.

4) During the financial year ended 30 April 2006, the Company bought back a total of 18.74 million ordinary shares from the open market for a total consideration of RM81.17 million or at an average cost of RM4.33 per share. The Company disposed of a total of 41.04 million treasury shares through the open market in the fourth quarter for an aggregate net proceeds of RM183.9 million resulting in a net gain of RM10.10 million. The cumulative total number of treasury shares held by the Company as at 30 April 2006 was 56.3 million.

5) During the financial year ended 30 April 2006, the remaining outstanding ICULS of the Company were fully converted. On 16 November 2005, the ICULS was removed from the Official List of Bursa Malaysia Securities Berhad.



Toto Draw Venue at Berjaya Times Square, Kuala Lumpur.



A Sports Toto Outlet in Malaysia.



PGMC - Live Draw in Progress.



A Lottery Outlet in the Philippines.



Toto's Draw Equipment.

REVIEW OF OPERATIONS

Malaysia

For the financial year under review, Sports Toto Malaysia Sdn Bhd recorded a revenue of RM2.89 billion, an increase of 9.89% from the previous year's revenue of RM2.63 billion. The increase in revenue was mainly attributed to the company having two draws more than the previous financial year, seven months' contribution from the 4-Digit *I-Perm* game which was launched at the end of September 2005 and record sales from the Super 6/49 game which achieved its highest ever Jackpot of RM15.9 million in May 2005. *I-Perm* is a variation to the 4-Digit game which enables customers to cover all possible permutations of a single set of numbers for a minimum bet of RM1.

Pre-tax profit increased by 10.14% to RM541.5 million compared to RM491.63 million in the previous financial year.

In the first quarter of the financial year ended 30 April 2006, the company achieved an important milestone to become the market leader among all the Number Forecast Operators (NFOs) in the country in terms of total revenue.

The Philippines

For the financial year under review, Prime Gaming Philippines Inc. ("PGPI") reported a revenue of Peso 605.4 million, an increase of 46.2% from the previous year's revenue of Peso 414.1 million mainly due to the higher revenue recorded by its wholly-owned subsidiary, Philippine Gaming Management Corporation ("PGMC"). Pre-tax profit increased by 64.5% to Peso 365.3 million compared to Peso 222.0 million in the previous financial year resulting from the higher revenue recorded.

PGMC recorded a revenue of Peso 605.4 million, an increase of 46.2% compared to Peso 414.1 million achieved in the previous financial year. This is due to higher sales from the Lotto games and EZ2 game. Pre-tax profit increased by 54.5% to Peso 333.7 million compared to Peso 216.0 million in the previous financial year as a result of the higher revenue recorded.

There is a total of 6 games being offered namely Lotto 6/42, Megalotto 6/45, Superlotto 6/49, 4-Digit, 6-Digit and EZ 2, through more than 1,700 terminals installed in over 1,300 outlets in Luzon Island.

During the year under review, PGMC signed an agreement with the Philippine Charity Sweepstakes Organisation ("PCSO") to extend the term of the existing Equipment Lease Agreement ("ELA") with PCSO that will expire in August 2007, by a further period of eight years up to August 2015. In consideration for the extension of the ELA, PGMC is to replace the existing on-line lottery system and sales terminals with a new on-line lottery system and sales terminals.

Consequent to the extension of the term of the ELA, PGMC signed a purchase contract with International Lottery & Totalizator Systems, Inc. ("ILTS") on 9 December 2005 for the supply of a new central system, communications processors, application software and 2,000 new sales terminals at a total cost of USD10.2 million. The new central system and 2,000 new sales terminals are expected to replace the existing on-line systems and sales terminals supplied by ILTS in 1995 by December 2006.

InkaVote Plus Precinct Ballot Counter's hardware and software supplied by Unisyn Solutions, wholly-owned subsidiary of ILTS.



The United States of America

For the financial year under review, International Lottery & Totalizator Systems, Inc. ("ILTS") posted a revenue of USD3.44 million, a decrease of 64% compared to USD9.67 million in the previous financial year and a net loss of USD2.34 million compared to the previous year's net loss of USD1.76 million. This was mainly due to lower contract revenues secured as well as lower demand for spare parts compared to the prior year.

Having being in operations for 26 years, ILTS has become a leading supplier of computerized transaction processing systems to 28 government-sanctioned lotteries and racing organizations in 22 countries which operate secure and reliable automated wagering systems. It secured a new contract with PGMC in December 2005 to supply a complete on-line lottery system to replace the ILTS system installed in the Philippines in 1995. Under the terms of the contract, ILTS will deliver a new DataTrak on-line gaming system and approximately 2,000 new Intelimark FLX terminals.

During the financial year, ILTS was also successful in securing new contracts with its election voting product, the InkaVote Plus Precinct Ballot Counter ("PBC"). Following the U.S. presidential election in year 2000, ILTS undertook a program to leverage the company's secure transaction processing gaming technology to help in solving problems facing the election administration officials. This program led to the formation of ILTS's wholly-owned subsidiary, Unisyn Solutions, Inc., and the development of PBC. In consideration of a profit sharing formula, ILTS granted Election Systems & Software ("ES&S"), one of the world's largest and most experienced providers of election management solutions, the exclusive worldwide licence to manufacture, sell and sub-license ILTS's intellectual property pertaining to the PBC hardware and software. In April 2006, ES&S signed an agreement with Los Angeles County, California, the largest voting jurisdiction in the United States and also with Jackson County, Missouri in February 2006. These two Voting Jurisdictions will utilize the voting technology developed by Unisyn Solutions in their future elections.

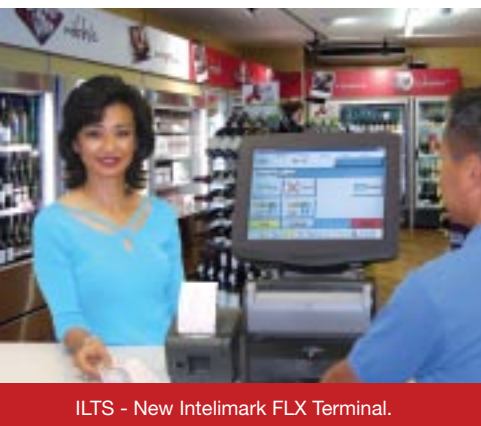
SOCIAL RESPONSIBILITY

As a good corporate citizen, Sports Toto continued to contribute and support worthy causes and sports activities. During the year under review, many good causes and sports events have benefited from the company's donations and sports sponsorship programmes.

Substantial amounts were contributed towards Yayasan Harapan Kanak-Kanak Malaysia, St. John Ambulance Malaysia, Projek Anak Angkat Bakti, Alzheimer's Disease Foundation, Centre for Malaysian Chinese Studies, Huaren Education Foundation, Sabah Kidney Association, Kelab Muhibah Sempalit for Projek Orang Asli, Raub, Pahang, Montfort Girls Centre and many other good causes.

Sports Toto rose to the occasion when it contributed RM192,000 cash to the Pakistani Government to help victims of the earthquake in Pakistan on 8 October 2005.

In the field of sports, Sports Toto continued to be active in the promotion of sports and sports excellence. The company made significant contributions towards a number of mass participation sports activities such as Liga Malaysia 2005 football tournament, Ipoh International Run, Subang Jaya 10km Run, Datuk Bandar Basketball Cup, Sarawak, Kuala Lumpur Rat Race, Petaling Jaya Squash Open Championship, PJ Half Marathon, STM-Morib International Beach Volleyball Tournament, Sabah Cup Basketball Championship, Nanyang Wushu Festival 2005, Berita Harian/Majlis Sukan Negara- Kejohanan Sepak Takraw and Malaysian International Open Bowling Championship, to name a few.



ILTS - New Intelimark FLX Terminal.



At the launching ceremony of Chinese New Year Ang Pow Donation Campaign at Selangor Chinese Assembly Hall.



YB Dato' Dr. Ng Yen Yen giving away ang pows and hampers to old folks. Looking on are Dato' Robin Tan (second from left) and Mr. Ng Foo Leong.



Also, under Sports Toto's "Giving Something Back to Society" charity programme, the annual nationwide Chinese New Year Ang Pow donation drive was organized for the benefit of the poor and needy folks. The company gave away New Year gifts and distributed cash to more than 14,500 needy senior citizens of different races throughout the country.

Besides community services, Sports Toto also organized gatherings during Hari Raya and Deepavali for the underprivileged children and needy folks. Company staff visited child patients in Selayang Hospital, Kuala Lumpur who were showered with gifts and love.

FUTURE PROSPECTS

Sports Toto continues to operate in an environment which is highly regulated by the relevant Ministry in Malaysia. Given this regulatory framework and with good governance practices, the company will seek to capitalize on any increase in discretionary consumer spending to drive its business forward. With its extensive network of outlets, the broad variety of games offered and the conversion to a new on-line system that was completed in July 2004, the company is well positioned to take advantage of any such upward moves. Also, the company will continue to promote its recently launched variation to the 4 Digit game, *I-Perm* and encourage its agents to promote cross selling between the games.

The response to the 4-Digit *I-Perm* game launched by the company at the end of September 2005 has been very encouraging. Since becoming the market leader among the country's NFOs in the early part of the financial year, Sports Toto has been able to extend its market share in the subsequent quarters through continuous efforts to boost revenue. An Account Betting System which will provide additional channels for betting to be made through fixed phones, mobile phones and the internet will be introduced when approval is obtained from the relevant government authority.

In the Philippines, PGMC's revenue and profits are expected to increase following the extension of the term of the ELA with PCSO and plans to increase the frequency of draws for the Superlotto 6/49 game from two draws to three draws a week as well as to launch a 3-Digit game towards the end of 2006.

In the United States of America, ILTS's revenue is expected to increase with the new contract signed with PGMC for the supply of a new on-line lottery system and 2,000 new sales terminals as well as the contracts for an election management system to be supplied to Jackson County in Missouri and LA County in California.

APPRECIATION

On behalf of the Board, I would like to express my appreciation to the management, employees and agents for their commitment and dedication in their work and to all our customers, shareholders, business associates, financiers and the government authorities for their co-operation and support. I would also like to thank my fellow colleagues on the Board for their active participation in the Board and guidance in the past year, and look forward to their continued support in the future.

Tan Sri Dato' Thong Yaw Hong
Chairman
18 August 2006



Goodwill visit to Selayang Hospital Paediatric Wards. Ms. Tan Swee Lian, General Manager of Sales & Marketing of Sports Toto presenting duit raya to a toddler.



YB Dato' G. Palanivel, Deputy Minister of Women, Family & Community Development giving out hampers and cash during Deepavali to deserving Indian families at Kuala Kubu Baru.



Toto game leaflets.