



Dreamgate Corporation Bhd
(603831-K)

ANNUAL REPORT
2003



Vision

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

Mission

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



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Headquarters of
Dreamgate Corporation Bhd.
8, Green Hall, 10200 Penang.





Corporate Information

Board of Directors

Chairman / Independent Non-Executive Director
Ooi Teng Chew

Managing Director
Datuk Chuah Kim Seah

Executive Director
Mazlan Bin Ismail
Chuah Kim Chiew
Steven Lim Tow Boon
Wong Chee Fai

Independent Non-Executive Director
Chng Hee Kok

Company Secretaries

Lee Peng Loon (LS00405)
Lee Yap Kuan (MAICSA7003482)

Registered Office

51-21-A, Menara BHL Bank,
Jalan Sultan Ahmad Shah,
10050 Penang, Malaysia.
Tel : 604-227 6888
Fax: 604-229 8118

Share Registrars

Signet Share Registration Services Sdn. Bhd.
Level 26, Menara Multi Purpose,
Capital Square,
No. 8, Jalan Munshi Abdullah,
50100 Kuala Lumpur, Malaysia.
Tel : 603-2721 2222
Fax : 603-2721 2531

Auditors

UHY Diong (AF 1411)
Chartered Accountants

Principal Bankers

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

Stock Exchange Listing

Mesdaq Market of Bursa Malaysia Securities Berhad

Sponsor

Aseambankers Malaysia Berhad
31st Floor, Menara Maybank,
100, Jalan Tun Perak,
50050 Kuala Lumpur, Malaysia.
Tel : 603-2059 1888

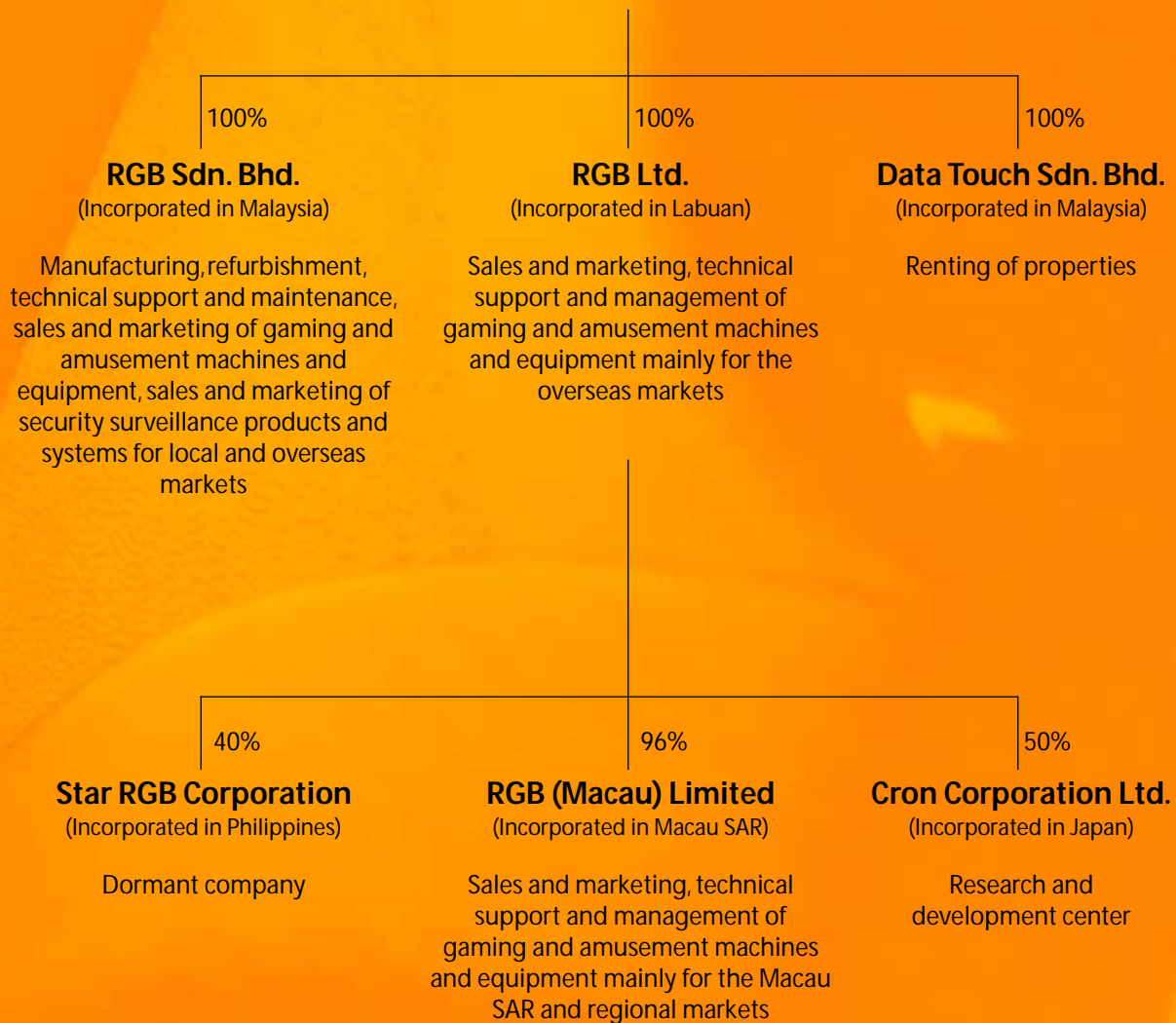


Corporate Structure

Dreamgate Corporation Bhd.

(Incorporated in Malaysia)

Investment Holding Company





Financial Highlights

Proforma Consolidated Income Statement For Year Ended 31 Dec 2001 To 31 Dec 2003[#]

	2001 RM'000	2002 RM'000	2003 RM'000
Revenues	51,549	42,658	80,963
EBITDA*	11,090	12,601	17,069
Depreciation	1,943	2,405	3,051
Interest	360	324	283
Pretax Profit	8,787	9,872	13,735
Taxation	(378)	(425)	(1,076)
Minority Interest	-	-	1
Net Profit	8,409	9,447	12,660
EBITDA* Margin	22%	30%	21%
Pretax Profit Margin	17%	23%	17%
Shares Outstanding**	205,572	205,572	205,572
EPS (Sen)***	4.09	4.60	6.16

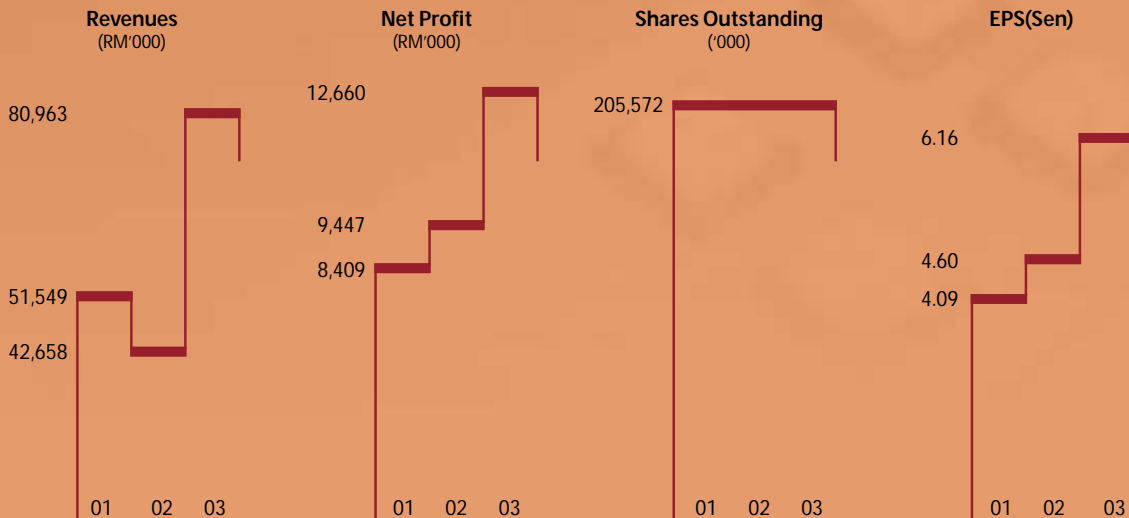
* Earnings Before Interest, Taxation, Depreciation & Amortisation.

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

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

Proforma Consolidated Segmental Information For Year Ended 31 Dec 2001 To 31 Dec 2003[#]

	2001 RM'000	2002 RM'000	2003 RM'000
Sales & Marketing	40,890	28,570	59,887
Technical Support & Management	10,051	13,601	14,796
Others	608	487	6,280
Revenues	<u>51,549</u>	<u>42,658</u>	<u>80,963</u>
Sales & Marketing	4,498	3,571	6,588
Technical Support & Management	4,422	6,393	6,806
Others	(133)	(92)	341
Pretax Profit	<u>8,787</u>	<u>9,872</u>	<u>13,735</u>



[#]On assumption that the Group has been in existence throughout the period under review.



Profile of Directors

Ooi Teng Chew, age 58

Chairman / Independent Non-Executive Director

Mr. Ooi Teng Chew, a Malaysian, is the Chairman / Independent Non-Executive Director of the Company. He is a member of the Institute of Chartered Accountants in England & Wales, the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. He commenced public practice in 1975 and has been a partner in Ernst & Young and its predecessor firms since then. He was the partner in-charge of the Penang office and retired from Ernst & Young in 2001.

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

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

Datuk Chuah Kim Seah, age 51

Managing Director

Datuk Chuah Kim Seah, a Malaysian, is the Managing Director of the Company. He is a member of the Association of Chartered Certified Accountants and the Malaysian Institute of Accountants. He has an extensive experience in the amusement and gaming machines industry.

Currently, he is responsible for the overall management and development of strategic direction of the Group and is a member of the Remuneration Committee of the Company.

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



Profile of Directors

Mazlan Bin Ismail, age 41

Executive Director

En. Mazlan Bin Ismail, a Malaysian, is an Executive Director of the Company. He obtained a Diploma in Management from the Malaysian Institute of Management in 1988. His career started in 1988 as a senior audit assistant at Chuah & Associates.

In 1997, he joined Institute Teknologi Dan Pengurusan Lebu Victoria Sdn. Bhd., a higher learning institute as a director. He is an associate member of the Malaysian Institute of Management since 1999.

He is currently heading the Group's Corporate and Administration Division which takes charge of the compliance issues, investor relations, human resources and property management of the Group and he is a member of the Audit Committee of the Company.

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

Chuah Kim Chiew, age 41

Executive Director

Mr. Chuah Kim Chiew, a Malaysian, is an Executive Director of the Company. He graduated with a Bachelor in Business Administration from the University of Waseda, Tokyo, Japan in 1988. He has 16 years of experience in the gaming and amusement machines industry.

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

He is the youngest brother of Datuk Chuah Kim Seah.

Steven Lim Tow Boon, age 43

Executive Director

Mr. Steven Lim Tow Boon, a Malaysian, is an Executive Director of the Company. He graduated in 1985 with a Bachelor of Arts Degree, majoring in Administrative Studies from Brock University, Canada. He was the general manager of RGB Sdn. Bhd. (RGBSB) before assuming directorships in RGBSB and RGB Ltd. (RGBL) in 1999. Overall, he has accumulated 15 years of experience in the gaming and amusement machines industry.



Profile of Directors

His responsibilities include managing the Sales & Marketing 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.

Wong Chee Fai, age 50

Executive Director

Mr. Wong Chee Fai, a Malaysian, is an Executive Director of the Company. He started his career in 1974 as a director of Yansoon Sdn. Bhd., a trading company before leaving in 1994 to join RGSB and hence has been in the industry for 9 years.

He is currently in charge of the licensing and regulatory compliance of the Group.

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

Chng Hee Kok, age 56

Independent Non-Executive Director

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

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

He is the Chairman of the Remuneration Committee, a member of the Audit Committee and Nomination Committee of the Company.

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



Corporate Governance Statement

INTRODUCTION

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

The Statement below sets out how the Group has applied the Key Principles contained in Part 1 of the Malaysian Code on Corporate Governance (the Code) and the extent of its compliance with the Best Practices as set out in Part 2 of the Code, for the period ended 31 December, 2003 and four months period ended 30 April, 2004.

A) BOARD OF DIRECTORS

The composition equips the Board with the necessary skills, experience 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.

As at 30 April, 2004, the Board consists of seven members; comprising one Chairman / Independent Non-Executive Director, one Managing Director, four Executive Directors and one Independent Non-Executive Director. The Company complied with Bursa Malaysia Listing Requirements for the Mesdaq Market which states that a listed company must have at least two 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 relationship that could materially interfere with the exercise of their independent judgement.

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

i) Board Meetings

During the financial period ended 31 December, 2003, there was no Board of Directors' meeting convened. However, the Board had met four times in the period ended 30 April, 2004.

ii) Supply of Information

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



Corporate Governance Statement

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

iii) The Board and Board Committee

To assist the Board in the discharge of its duties effectively, the Board has delegated certain functions to certain Committees, namely the Nomination Committee, Remuneration Committee and Audit Committee, each operating within its clearly defined terms of reference. The Chairman of the various Committees will report to the Board on the outcome of the Committee meetings.

iv) Nomination Committee

The Board formed the Committee on 25 February, 2004 with the following members: -

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

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

The Nomination Committee will assess the suitability of an individual to be appointed to the Board by taking into account the individual's other commitments, resources and time available for input to the Board before recommendation is made for the Board's approval. The 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.

The Nomination Committee had met once on 3 April, 2004.

v) Remuneration Committee

The Remuneration Committee was established on 25 February, 2004 and its members since the date the Committee was set up are :

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



Corporate Governance Statement

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. Executive Directors are to abstain from deliberations and voting on the decision in respect of their own remuneration package.

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

The Remuneration Committee had met once on 3 April, 2004.

vi) Details of the Directors' Remuneration

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

The aggregate Directors' Remuneration paid or payable to all Directors of the Company by the Group and categorized into appropriate components for the financial period ended 31 December, 2003 are as follows:

Director	Salaries/Bonus RM	Fees RM	Total RM
Executive Directors	224,830	40,000	264,830
Non-Executive Directors	-	5,000	5,000

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

Remuneration Band	Number of Directors	
	Executive	Non-Executive
Up to RM2,500	-	-
RM2,501 – RM25,000	-	1
RM25,001 – RM50,000	-	-
RM50,001 – RM75,000	-	-
RM75,001 – RM100,000	1	-
RM100,001 – RM125,000	-	-
RM125,001 – RM150,000	-	-
RM150,001 – RM175,000	-	-
RM175,001 – RM200,000	1	-



Corporate Governance Statement

vii) Directors' Training

All the Directors have attended the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysts Malaysia, an affiliate of Bursa Malaysia Securities Berhad (Bursa Malaysia). The Directors will attend Continuing Education Programmes (CEP), prescribed by Bursa Malaysia to update themselves on developments in the securities industry, particularly in areas of corporate governance and regulatory changes to enhance their knowledge in discharging their duties.

viii) Re-election of Directors

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

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

B) SHAREHOLDERS

i) Relations With Shareholders and Investors

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

ii) Annual General Meeting (AGM)

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



Corporate Governance Statement

C) ACCOUNTABILITY AND AUDIT

i) Financial Reporting

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

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

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

In the preparation of the financial statements for the period ended 31 December, 2003, the Directors are satisfied that the Group had used appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgement and estimates.

iii) Internal Control

The Board recognizes the importance of internal control systems whereby shareholders' investment and the Company's assets can be safeguarded. As for the application of "Internal Controls", please refer to "Audit Committee Report" on pages 14 to 17, and as for the state of internal controls, please refer to "Internal Control Statement" on pages 18 to 19.

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 14 to 17 of this Annual Report.



Audit Committee Report



The Company established its Audit Committee on 18 November, 2003 with two Independent Non-Executive Directors and one Executive Director as members under approved terms of reference. The members of the Audit Committee are:

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



Audit Committee Report

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 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 months, appoint such number of new members as may be required to make up the minimum of three 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 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 Malaysia's Listing Requirements for the Mesdaq Market, the Committee shall promptly report such matter to Bursa Malaysia.

iii) Responsibility

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



Audit Committee Report

iv) Duties

The duties of the Committee are :

- (i) to review with the external and internal auditors whether the employees of the Group and the Company have given them the appropriate assistance in discharging their duties;
- (ii) to review the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- (iii) to review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken by management on the recommendations of the internal auditors;
- (iv) to appraise the performance of the head of internal audit and review the appraisals of senior staff members of the internal audit;
- (v) to approve any appointment or termination of the head of internal audit and senior staff members of the internal audit function and to review any resignations of internal audit staff members and provide resigning staff members an opportunity to submit reasons for resigning, where necessary;
- (vi) to review the quarterly results and year end financial statements of the Group and the Company, prior to the approval by the Board, whilst ensuring that they are prepared in a timely and accurate manner, focusing particularly on :
 - changes in or implementation of major accounting policy changes;
 - significant and unusual events; and
 - compliance with accounting standards and other legal requirements;
- (vii) to review any related party transaction and conflict of interest situation that may arise within the Group or the Company including any transaction; procedure or course of conduct that raises questions of management integrity;
- (viii) to review with the external auditors, the nature and scope of their audit plan, their evaluation of the system of internal accounting controls;
- (ix) to recommend to the Board on the appointment and the annual re-appointment of external auditors, their audit fees and any questions on resignation and dismissal;
- (x) to review the co-ordination of the audit approach where more than one audit firm of external auditors is involved and the co-ordination between the external and internal auditors; and
- (xi) to perform any other functions as authorized by the Board.

v) Meetings & Minutes

The Committee is to meet at least four times a year and as many times as the Committee deems necessary. In order to form a minimum quorum of two 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.



Audit Committee Report

The Director of Finance of the Company and the Head of Internal Audit shall be in attendance at meetings of the Committee. The Committee may invite the external auditors, the Finance Manager, any other directors or members of the management and employees of the Group to be in attendance during meetings to assist in its deliberations. Upon request by the external auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matters the external auditors believe should be brought to the attention of the directors or shareholders of the Company. At least once a year, the Committee shall meet with the external auditors without the presence of any Executive Director. The Secretary of the Committee shall be the Company Secretary. Minutes of each meeting are to be prepared and sent to the Committee members, and the Company's Directors who are not members of the Committee.

vi) Summary of Activities

There was no Audit Committee Meeting convened during the financial period ended 31 December, 2003. However, the Committee had met two times in the period ended 30 April, 2004.

vii) Internal Audit Function

On 10 February, 2004, the Company has outsourced its internal audit to an independent professional accounting firm to work together with the Group's internal audit team to carry out the internal audit function of the Group in order to assist the Committee in discharging its duties and responsibilities. Please also see "Internal Control Statement" on pages 18 to 19.



Internal Control Statement

The Malaysian Code on Corporate Governance stipulates that the board of directors of listed companies should maintain a sound system of internal control to safeguard shareholders' investment and the group's assets. The Board of Directors of the Company 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" issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Malaysia.

BOARD'S RESPONSIBILITY

The Board recognizes the importance of a sound system of internal control and effective 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 systems of internal control, the Board recognizes that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

RISK MANAGEMENT

The Board recognizes that to ensure the review process for identifying, evaluating and managing the significant risks affecting the Group, the internal control procedures with clear lines of accountability and delegated authority have to be established. Presently, the Board's primary objective and direction in managing the Group's risks are focused on the achievement of the Group's business objectives. The Board has clearly defined the key business environment factors affecting the Group and the business objectives for each of the business components. The Board regularly evaluates and manages the significant risks faced, or potentially exposed to, by the Group through monitoring of the Group's operational efficiency as well as its profitability at the Board meetings.



Internal Control Statement

INTERNAL CONTROL

The Group's systems of internal control include:

- * A defined organizational structure with clear lines of reporting and accountability, and with appropriate levels of delegation and authority;
- * A system of internal control procedures covering financial, human resources, management information system and operational system;
- * A comprehensive business planning and budgeting process which establishes plans and targets against which performance are monitored on an ongoing basis;
- * Regular scheduled meetings on operations, financial and business plans performance; and
- * Regular training and development programmes which are being attended by the employees with the objective to enhance their knowledge and competency.

The Group continues to take measures to strengthen its internal control structure and manage its risks whenever necessary.

INTERNAL AUDIT FUNCTION

The Board acknowledges the importance of internal audit function and has, on 10 February, 2004, appointed an independent professional accounting firm to provide reasonable assurance that the systems of internal control of the Group are properly in place. They will be assisted by the Group's internal audit team.

As such, regular internal audits will be carried out to assess the adequacy and integrity of the systems of internal control of the Group based on the internal audit plan reviewed and approved by the Audit Committee. The internal audit reports will be circulated to the members of the Audit Committee who review the findings with management at the quarterly meetings. All audit findings listed in the internal audit reports will be communicated with recommendations for improvement, and will be incorporated with the management comments and the proposed corrective actions. The internal auditors will subsequently follow-up to determine the extent of their recommendations that have been implemented.



Corporate Highlights

16 Jan '03

Incorporation of Dreamgate Corporation Bhd.

7-18 Jul '03

Approval obtained from :

- Ministry of International Trade and Industry
- Securities Commission
- Bursa Malaysia Securities Berhad

for the listing of and quotation for the entire issued and fully paid-up share capital of Dreamgate on the Mesdaq Market of Bursa Malaysia Securities Berhad.

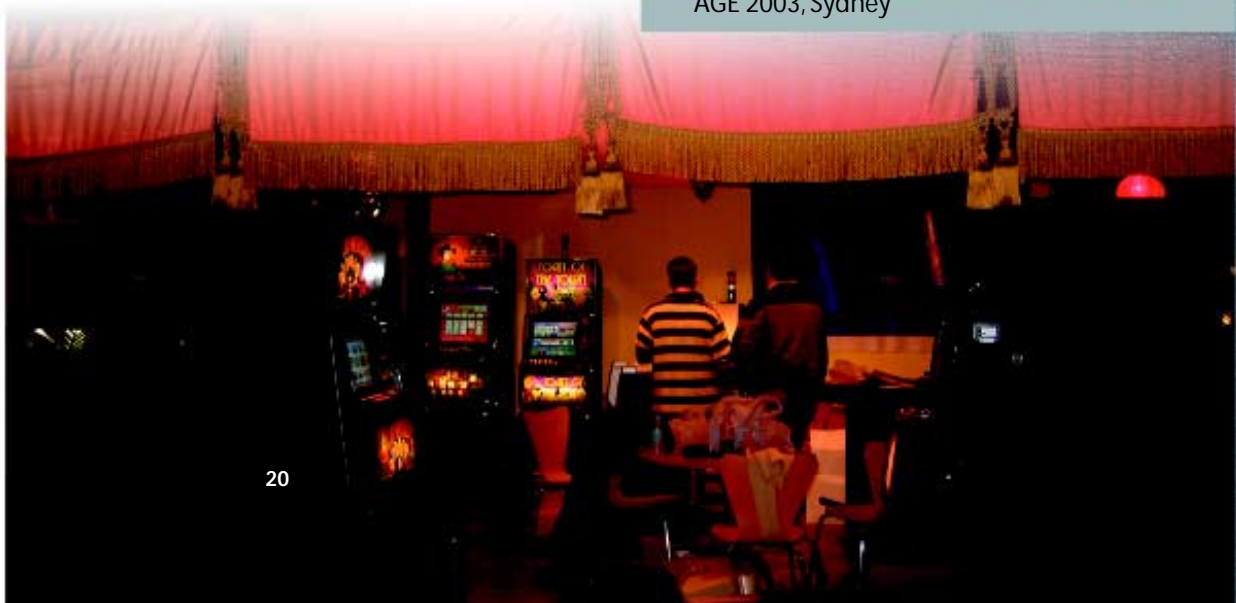
24-26 Aug '03

Australasian Gaming Expo 2003 (AGE) at the Sydney Convention & Exhibition Centre, Darling Harbour, Sydney.

RGB participated in AGE. AGE is the second largest gaming industry expo in the world after Global Gaming Expo held annually in Las Vegas. AGE 2003 recorded 10,886 visitors, the second highest attendance since 1997. The attendees came from countries as far as Argentina, Cambodia, Japan, Macau SAR, Malaysia, Philippines, Singapore, South Africa, the USA, Venezuela and New Zealand.



AGE 2003, Sydney





Corporate Highlights

23 Sep '03

Acquisitions of subsidiary companies namely, RGB Sdn. Bhd., RGB Ltd. and Data Touch Sdn. Bhd.

1-2 Oct '03

8th Annual & Casinos World Asia Pacific 2003 at Swissotel, The Stamford, Singapore.

This is the pre-eminent annual event for the gaming and casinos industry in the Asia Pacific region.

RGB exhibited games that comply with the regulatory requirements in Singapore and other Asian countries.





Corporate Highlights

15-17 Oct '03

Launch of E-motion Cabinet - Hi(!)bility Platform at Westin Philippine Plaza Hotel, Manila.

The launch was jointly organised by RGB and Atronic International of Germany and hosted by Philippine Amusement & Gaming Corporation (PAGCOR).

Over one hundred Asian customers attended this exclusive event.



Welcome note by PAGCOR at Tagaytay, Philippines.

E-motion Cabinet - Hi(!)bility Platform





Corporate Highlights

20 Nov '03

Appointment of Asebankers Malaysia Berhad, Mayban Securities Sendirian Berhad, MIDF Sisma Securities Sdn. Bhd. and Hwang-DBS Securities Berhad to underwrite the 5,428,000 Public Issue Shares.



28 Nov '03

Appointment of Placement Agent, Asebankers Malaysia Berhad to manage the placement of 63,000,000 Dreamgate shares.



Corporate Highlights

19 Dec '03

Issuance of Prospectus pursuant to the listing of the Company on the Mesdaq Market of Bursa Malaysia Securities Berhad.

2 Jan '04

Public Balloting on the 5,428,000 Public Issue Shares.





Corporate Highlights

13 Jan '04

Listing on Mesdaq Market of Bursa Malaysia Securities Berhad.





Chairman's Statement

On behalf of the Board of Directors, it is my pleasure to present the inaugural Annual Report and Financial Statements of Dreamgate Corporation Bhd. for the financial period ended 31 December, 2003.

Financial Review

For the period ended 31 December, 2003, the Group registered audited revenue and profit after tax of RM35.5 million and RM4.5 million respectively. These results however only represent the Group's performance from 23 September, 2003 to 31 December, 2003 as the acquisition of the subsidiaries, RGB Sdn. Bhd., RGB Ltd. and Data Touch Sdn. Bhd., by the Company, was only completed on 23 September, 2003.

The proforma revenue and profit after tax for the Group for the year ended 31 December, 2003 were RM81 million (2002: RM42.6 million) and RM12.7 million (2002: RM9.4 million) respectively, had the Group been in existence during those years. This is an impressive 90% increase in revenue and a 34% increase in profit after tax over the proforma results for the year ended 31 December, 2002 as reported in our Prospectus dated 19 December, 2003.

Net tangible assets as at 31 December, 2003 was 16 sen per share while earnings per share based on proforma net profit for the year ended 31 December, 2003 was 6.2 sen.

The commendable financial performance was as a result of strong earnings in the fourth quarter of the year under review, which correlated with a resurgent economic environment and market growth throughout Asia towards the end of 2003.

Outlook

The growth trend in Asia is expected to strengthen even further this current financial year, buoyed by an imminent rebound of major export markets namely the United States, Europe and Japan and the relentless expansion of India and China, each a giant potential market. This is further compounded by the positive prospects in thriving domestic economies in the various Asian markets where the Group has a presence.

As further testament to these positive trends, Bank Negara Malaysia has reported that the Malaysian Gross Domestic Product is expected to grow between 6% and 6.5% in 2004, surpassing earlier estimates of 5.2% growth.

As such, given that commercial activities in selected Asian markets represent more than 60% of the Group's total revenue, the upward economic growth trend present in the region currently will indeed bode well for the Group. Moreover, as one of Asia's leading gaming and amusement



Chairman's Statement

technology solutions provider, the Group's earnings prospects in the foreseeable future may be further enhanced with the continued liberalization of the gaming industry throughout selected markets in Asia.

Moving forward, the Group will continue to focus its strategies to penetrate even further into the regional markets given current lucrative prospects. In this respect, the Group intends to leverage on its advantage of having established a strong foothold and good reputation in the gaming industries in neighboring Cambodia, Vietnam, Philippines and Macau SAR to grow its existing businesses as well as to venture into new potential liberalized markets, namely Thailand and Singapore.

Fuelled by this optimism, the Board is indeed confident that, barring unforeseen circumstances, the Group will see its satisfactory results continuing in the coming fiscal year.

Acknowledgements

On behalf of the Board, I would like to thank the past Chairman, Mr. Chuah Poh Aun who retired from the Board on 17 March, 2004 and the management and staff for their steadfast commitment and dedication to the success of the Group and to wish Mr. Chuah, a happy retirement. I also wish to express our sincere appreciation to the relevant authorities, institutional shareholders, retail investors, local and foreign customers as well as business associates, bankers and the numerous entities for their invaluable assistance and support in our recent listing exercise and look forward to their continued contribution to the Group's success.

Ooi Teng Chew
Chairman



Review of Operations

Our solid foundation based on a well proven track record over the years has been further strengthened by the Group's restructuring and consolidation exercise for its listing on the Mesdaq Market of Bursa Malaysia Securities Berhad.

The listing, which took place on 13 January, 2004, is a key corporate milestone; it beckons a new era for the Group to enhance its position as one of Asia's leading leisure and amusement technology solutions provider. As a listed entity, the Group looks forward to improving its competitiveness, namely in research and development (R&D), as well as solidifying its brand recognition amongst its target markets.

The Group is indeed well placed to be in a niche industry that requires highly specialised and high standards of technical expertise and experience. Our proven track record to design and implement leisure and amusement technology solutions, complemented with our excellent relationship with our American, European, Japanese and Australian business associates, gives us a keen competitive advantage as one of Asia's full service solutions provider for this sector.

Despite this positive scenario, 2003 proved to be a challenging year given world events from the SARS outbreak to the Iraq war that has impacted a segment of our markets in Asia during the first half of the year. Fortunately, the Group also has markets that are evidently very vibrant. The growth of business in these markets has been fuelled by strong domestic demand.

On this positive platform, the Group registered a Group proforma profit after tax of RM12.7 million on revenue of RM81 million for the year ended 31 December, 2003. This splendid performance was a direct result of the positive contributions from various Divisions of the Group, namely Sales and Marketing and Technical Support and Management Services.

Sales and Marketing Division

Our Sales and Marketing Division, is tasked to source for new customers and markets, supply and distribute the Group's extensive range of products and services as well as to extend the recognition of the Group's branded products and presence in its current and potential markets.



Review of Operations

For the year ended 31 December, 2003, the Division performed exceptionally well by recording a proforma pre-tax profit of RM6.6 million on revenue of RM60 million.

The Division's performance, which contributed 48% to the Group's proforma pre-tax profit, was a result of strong growth in exports of its products and services, which comprise support systems and software to amusement and gaming hardware, in the Group's key markets in Asia.

On the local front, the facilities expansion and upgrading programme of our customers have led to robust sales during the year under review. Additionally, the Group also saw encouraging sales of its electronic machines, accessories, accounting and security system to local leisure and amusement centers. Revenue recognized in 2003 from projects of this nature was well above RM12 million.

On the international front, our growth rates were buoyed by a high sales volume as a result of the opening of new gaming, leisure and amusement parks and establishments in countries where the Group has built a strong presence over the years, namely the Philippines, Cambodia, Macau SAR, Vietnam and Singapore.

With the economies in Asia expected to experience a rebound, if not robust growth across all sectors during this current financial year and beyond, the Group is confident that the Sales and Marketing Division will continue its upward trend of growth for years to come. We also expect this Division's growth to be fuelled by the continuing trend of potential liberalization of the gaming industry throughout key markets in Asia and the continued improvement of the domestic economies in nations where the Group has a strong footing.





Review of Operations

Technical Support and Management Services Division

The Technical Support and Management Services Division provides technical support, maintenance and overall management of the Group's gaming and amusement products for its customers throughout Asia.

For the year ended 31 December, 2003, the Division recorded a proforma pre-tax profit of RM6.8 million on revenue of RM15 million.

In response to the Malaysian government's efforts to strengthen the services sector and to exploit its export potential, the Group's Services Division has developed into one of the top service providers in Asia with the technical expertise and resources to provide a highly specialised service. It recorded an encouraging 50% contribution to the Group's overall profitability. We expect to build on this backbone to strengthen the Division.





Review of Operations

Research and Development (R&D) Division

To secure the future and to ensure that the life-cycle of our products is improved and extended in the years ahead, the Group is placing enormous importance on its R&D Division. Therefore, the Group will be utilizing RM5 million of its proceeds from the listing exercise specifically to enhance and expand its R&D center.

Currently, the Group's R&D team consists of foreign engineers and dedicated local R&D and technical support personnel. In the short to medium term, the primary thrust of the R&D Division would be to focus on emerging technology such as liquid crystal display and plasma display to complement its existing products and services. In addition, the Division will also be focused in developing significant value-add on existing products and services, from technical processes to software upgrades, in order to better meet customers' need.





Review of Operations

Moving Forward

The planning and execution of the Group's strategies and objectives is built on its unwavering commitment to ensure positive contributions from all its Divisions with the intent of enhancing shareholders' value in future.

Hence, the two distinct business focus of the Group's strategic direction in the foreseeable future will be on the Group's Technical Support and Management Services Division and a concentrated effort to tap further into potential liberalized markets.

Due to its improved value generation and customers' appeal, the Technical Support and Management Services Division is expected to contribute higher revenue and profits to the Group. Hence, the Group will be focusing its Marketing and R&D efforts towards this Division in a bid to improving its profitability and revenue base.

In conclusion, with the Group's close to 20 years experience in the industry, its strong relationship with its customers throughout Asia and its excellent relationship with its foreign technical and service providers, who are more business partners than suppliers, we are confident, barring unforeseen circumstances, of improving the Group's financial standing and presence in the region.

Financial Statement

Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial period from **16 January 2003 (Date of incorporation) to 31 December 2003**.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding.

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

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

FINANCIAL RESULTS

	GROUP RM	COMPANY RM
Profit/(Loss) after taxation for the financial period	4,549,449	(12,000)
Minority interest	433	0
Net profit/(loss) for the financial period	<u>4,549,882</u>	<u>(12,000)</u>

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial period were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

No dividend has been paid or declared by the Company since the date of incorporation. The Directors also do not recommend any payment of dividend for the current financial period.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

At the date of incorporation, the Company's authorised share capital was RM100,000 consisting of 100,000 ordinary shares of RM1.00 each. On 7 February 2003, the authorised share capital was split into 1,000,000 ordinary shares of RM0.10 each. Subsequently, the Company increased its authorised share capital to RM50,000,000 through the creation of 499,000,000 ordinary shares of RM0.10 each.

At the date of incorporation, the Company's issued and fully paid-up share capital was RM2.00 consisting of 2 ordinary shares of RM1.00 each. The issued and fully paid-up share capital was subsequently split into 20 ordinary shares of RM0.10 each on 7 February 2003. Subsequent to that, the issued and fully paid-up share capital of the Company was increased from RM2.00 to RM20,557,200 by an issuance of 205,571,980 ordinary shares of RM0.10 each at par for investments in subsidiary companies. The new ordinary shares rank *pari passu* in all respects with the existing ordinary shares.

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

Directors' Report

SHARE OPTIONS

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

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

DIRECTORS

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

Chuah Poh Aun	(Appointed on 30 October 2003)
Datuk Chuah Kim Seah, DMSM	(Appointed on 30 October 2003)
Chuah Kim Chiew	(Appointed on 30 October 2003)
Mazlan Bin Ismail	(Appointed on 30 October 2003)
Lim Tow Boon	(Appointed on 30 October 2003)
Wong Chee Fai	(Appointed on 30 October 2003)
Ooi Teng Chew	(Appointed on 30 October 2003)
Chng Hee Kok	(Appointed on 30 October 2003)
Ooi Yoong Yoong	(Resigned on 31 October 2003)
P'ng Chiew Keem	(Resigned on 31 October 2003)

DIRECTORS' INTERESTS

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

	Number of Ordinary Shares of RM0.10 each			At 31-12-2003
	At 16-01-2003	Bought	Sold	
The Company				
Direct interest				
Chuah Poh Aun	0	915	0	915
Datuk Chuah Kim Seah, DMSM	0	109,906,830	0	109,906,830
Chuah Kim Chiew	0	8,921,398	0	8,921,398
Deemed interest				
<u>Gerak Juara Sdn. Bhd.</u>				
Mazlan Bin Ismail	0	84,000,662	0	84,000,662

By virtue of their interest in shares of the Company, Chuah Poh Aun, Datuk Chuah Kim Seah, DMSM and Chuah Kim Chiew, are deemed interested in its subsidiary companies to the extent that the Company has an interest.

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

Directors' Report

DIRECTORS' BENEFITS

Neither at the end of the financial period, nor at any time during that period, did there subsist any arrangement to which the Group and the Company was a party, whereby the Directors might acquire benefits by means of acquisitions of shares in, or debentures of, the Group and the Company or any other body corporate.

Since the date of incorporation, 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 and shown in Note 19 or the fixed salary of a full-time employees 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 substantial financial interest except as disclosed in Note 23 to the financial statements.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

Directors' Report

SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

During the financial period, the Company acquired the issued and fully paid-up share capital of the following subsidiary companies:-

- a) 1,000,000 ordinary shares of RM1.00 each representing the entire issued and fully paid-up share capital of RGB Sdn. Bhd. for a total purchase consideration of RM9,150,602 satisfied by the issuance of 91,500,400 new ordinary shares in the Company of RM0.10 each at approximately RM0.10 per share;
- b) 1 ordinary share of USD1 representing the entire issued and fully paid-up share capital of RGB Ltd. for a total purchase consideration of RM10,574,226 satisfied by the issuance of 105,742,080 new ordinary shares in the Company of RM0.10 each at approximately RM0.10 per share; and
- c) 550,000 ordinary shares of RM1.00 each representing the entire issued and fully paid-up share capital of Data Touch Sdn. Bhd. for a total purchase consideration of RM832,951 satisfied by the issuance of 8,329,500 new ordinary shares in the Company of RM0.10 each at approximately RM0.10 per share.

SUBSEQUENT EVENTS AFTER BALANCE SHEET DATE

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

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

AUDITORS

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

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

DATUK CHUAH KIM SEAH, DMSM
Director

LIM TOW BOON
Director

Dated: 03 MAR 2004

Statement by Directors

The Directors of **DREAMGATE CORPORATION BHD.**, state that, in their opinion, the financial statements set out on pages 40 to 65 are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at **31 December 2003** and of the results and cash flows of the Group and of the Company for the financial period from **16 January 2003 (Date of incorporation) to 31 December 2003**.

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

DATUK CHUAH KIM SEAH, DMSM
Director

LIM TOW BOON
Director

Dated: **03 MAR 2004**

Statutory Declaration

I, **DATUK CHUAH KIM SEAH, DMSM**, being the Director primarily responsible for the financial management of **DREAMGATE CORPORATION BHD.**, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 40 to 65 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed **DATUK CHUAH KIM SEAH,**)
DMSM at Georgetown in the State of)
Penang this **03 MAR 2004**)

DATUK CHUAH KIM SEAH, DMSM

Before me,

GOVINDASAMY A/L G. MUTTUSAMY, PJM
Commissioner for Oaths
Georgetown, Penang.

Report of the Auditors

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

We have audited the financial statements of **DREAMGATE CORPORATION BHD.** set out on pages 40 to 65. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion :

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and of the Company as at **31 December 2003** and of the results and cash flows of the Group and of the Company for the financial period from **16 January 2003 (Date of incorporation) to 31 December 2003;**

and

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

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

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

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

UHY DIONG
No. AF-1411
Chartered Accountants

KOAY THEAM HOCK
No. 2141/04/05 (J)
Partner

Dated : 3 March 2004

Financial Statements

BALANCE SHEETS AS AT 31 DECEMBER 2003

	NOTE	Group RM	Company RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	20,808,927	0
Investment in subsidiary companies	5	0	20,557,198
Investment in an associated corporation	6	95,380	0
Investments	7	4,000	0
		<u>20,908,307</u>	<u>20,557,198</u>
CURRENT ASSETS			
Inventories	8	14,567,863	0
Receivables	9	16,210,936	677,852
Deposits with licensed banks	10	3,514,813	0
Cash and bank balances		6,639,508	2,580
		<u>40,933,120</u>	<u>680,432</u>
CURRENT LIABILITIES			
Payables	11	24,001,413	692,430
Bank borrowings	12	4,212,230	0
Taxation		131,174	0
		<u>28,344,817</u>	<u>692,430</u>
NET CURRENT ASSETS/ (LIABILITIES)		12,588,303	(11,998)
		<u>33,496,610</u>	<u>20,545,200</u>
CAPITAL AND RESERVES			
Share capital	13	20,557,200	20,557,200
Reserve on consolidation	14	8,110,195	0
Retained profits/(Accumulated loss)		4,549,882	(12,000)
		<u>33,217,277</u>	<u>20,545,200</u>
NON-CURRENT LIABILITIES			
Term loan	15	61,842	0
Deferred taxation	16	217,491	0
		<u>33,496,610</u>	<u>20,545,200</u>

The annexed notes form part of the financial statements.

Financial Statements

INCOME STATEMENTS FOR THE FINANCIAL PERIOD FROM 16 JANUARY 2003 (DATE OF INCORPORATION) TO 31 DECEMBER 2003

	NOTE	Group 23.9.2003 to 31.12.2003 RM	Company 16.1.2003 to 31.12.2003 RM
Revenue	17	35,476,728	0
Cost of sales		(27,310,963)	0
Gross profit		<u>8,165,765</u>	<u>0</u>
Other operating income		345,401	0
Selling and distribution costs		(608,724)	0
Administrative expenses		<u>(3,086,887)</u>	<u>(12,000)</u>
PROFIT/(LOSS) FROM OPERATIONS	18	4,815,555	(12,000)
Finance costs	20	<u>(119,244)</u>	<u>0</u>
PROFIT/(LOSS) BEFORE TAXATION FOR THE FINANCIAL PERIOD		4,696,311	(12,000)
Taxation	21	<u>(146,862)</u>	<u>0</u>
PROFIT/(LOSS) AFTER TAXATION FOR THE FINANCIAL PERIOD		4,549,449	(12,000)
MINORITY INTEREST		<u>433</u>	<u>0</u>
NET PROFIT/(LOSS) FOR THE FINANCIAL PERIOD		<u>4,549,882</u>	<u>(12,000)</u>
BASIC EARNINGS PER SHARE (SEN)	22	<u>7.7</u>	<u>0</u>

The annexed notes form part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD FROM 16 JANUARY 2003 (DATE OF INCORPORATION) TO 31 DECEMBER 2003

	Note	Share capital RM	Non- distributable Reserve on consolidation RM	Distributable Retained profits RM	Total RM
Group					
At 23 September 2003		2	0	0	2
On acquisitions of subsidiary companies	14	0	8,110,195	0	8,110,195
Net gain not recognised in income statement		0	8,110,195	0	8,110,195
Issuance during the financial period	13	20,557,198	0	0	20,557,198
Net profit for the financial period		0	0	4,549,882	4,549,882
At 31 December 2003		<u>20,557,200</u>	<u>8,110,195</u>	<u>4,549,882</u>	<u>33,217,277</u>
Company					
At 16 January 2003		2	0	0	2
Issuance during the financial period	13	20,557,198	0	0	20,557,198
Net loss for the financial period		0	0	(12,000)	(12,000)
At 31 December 2003		<u>20,557,200</u>	<u>0</u>	<u>(12,000)</u>	<u>20,545,200</u>

The annexed notes form part of the financial statements.

Financial Statements

CASH FLOW STATEMENTS FOR THE FINANCIAL PERIOD FROM 16 JANUARY 2003 (DATE OF INCORPORATION) TO 31 DECEMBER 2003

	Group 23.9.2003 to 31.12.2003 RM	Company 16.1.2003 to 31.12.2003 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation for the financial period	4,696,311	(12,000)
Adjustments for:		
Allowance for doubtful debts	16,153	0
Depreciation	928,059	0
Interest expense	88,187	0
Interest income	(50,474)	0
Operating profit/(loss) before working capital changes	<u>5,678,236</u>	<u>(12,000)</u>
Inventories	(2,315,325)	0
Receivables	8,807,909	(677,852)
Payables	2,683,656	692,430
	<u>14,854,476</u>	<u>2,578</u>
Interest paid	(88,187)	0
Taxation paid	(271,371)	0
Minority interest	433	0
Net cash flow from operating activities	<u>14,495,351</u>	<u>2,578</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6,366,262)	0
Proceeds from disposals of property, plant and equipment	3,732	0
Acquisitions of subsidiary companies (Note 5)	(2,802,871)	0
Interest received	50,474	0
Net cash flow from investing activities	<u>(9,114,927)</u>	<u>0</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of bankers' acceptance	(298,000)	0
Repayment of term loan	(4,034)	0
Additional deposits pledged to a licensed bank	(732)	0
Net cash flow from financing activities	<u>(302,766)</u>	<u>0</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,077,658	2,578
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD/DATE OF INCORPORATION	2	2
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>5,077,660</u>	<u>2,580</u>
Represented by :		
Cash and bank balances	6,639,508	2,580
Deposits with a licensed bank	1,422,250	0
Bank overdrafts (Note 12)	(2,984,098)	0
	<u>5,077,660</u>	<u>2,580</u>

The annexed notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD FROM 16 JANUARY 2003 (DATE OF INCORPORATION) TO 31 DECEMBER 2003

1. GENERAL INFORMATION

The Company is principally involved in investment holding.

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

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

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

At the end of the financial period, the total number of employees of the Group and of the Company were sixty-six and nil respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 3 March 2004.

2. BASIS OF PREPARATION

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

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

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

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

3.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.15.

Freehold land is not amortised. Leasehold land is amortised over the lease period of 72 years. Depreciation on other property, plant and equipment are calculated to write off the cost on a straight line basis over the expected useful lives of the assets concerned. The annual rates of depreciation are as follows:

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

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

3.3 Investments

Investments in subsidiary companies and associated corporations are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.15.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Inventories

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

Gaming machines	- specific identification
Spare parts	- weighted average basis

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

3.5 Receivables

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

3.6 Payables

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

3.7 Cash and cash equivalents

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

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

3.8 Interest-bearing borrowings

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Income tax

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

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

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

3.10 Foreign currencies

(i) Foreign currency transactions

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

(ii) Foreign entity

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

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

Notes to the Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Foreign currencies (Continued)

(ii) Closing rates

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

Foreign currency	RM
1 US Dollar	3.800
1 Australian Dollar	2.845
1 Euro	4.769
1 Sterling Pound	6.544
1 Singapore Dollar	2.205
1 New Zealand Dollar	2.492
100 Hong Kong Dollar	48.940
100 Japanese Yen	3.480
100 Philippine Peso	6.843
100 Thai Baht	9.590

3.11 Share capital

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

3.12 Revenue recognition

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

(i) Sale of goods

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

(ii) Revenue from technical support and management

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

(iii) Interest income and rental income

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

3.13 Provision for liabilities

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Employee benefits

(i) Short term benefit

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

(ii) Defined contribution plans

The Group's and the Company's contribution to the Employees Provident Fund are charged to the income statement in the financial period to which they related.

3.15 Impairment of assets

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

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

3.16 Financial instruments

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

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

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

Notes to the Financial Statements

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings RM	Long term leasehold land and buildings RM	Electrical installation RM	Motor vehicles RM	Gaming machines RM	Plant, machinery, fittings and equipment RM	Furniture, fittings and office equipment RM	Total RM
At Cost								
At 23 September 2003	0	0	0	0	0	0	0	0
On acquisitions of subsidiary companies	4,394,400	1,683,930	70,148	883,838	13,494,279	102,621	2,191,266	22,820,482
Additions	0	0	0	0	6,118,851	0	247,411	6,366,262
Disposals	0	0	0	0	0	0	(8,611)	(8,611)
At 31 December 2003	4,394,400	1,683,930	70,148	883,838	19,613,130	102,621	2,430,066	29,178,133
Accumulated depreciation								
At 23 September 2003	0	0	0	0	0	0	0	0
On acquisitions of subsidiary companies	41,574	21,725	46,082	540,451	5,581,711	8,677	1,205,806	7,446,026
Current charge	13,858	7,241	1,754	20,688	806,836	4,453	73,229	928,059
Disposals	0	0	0	0	0	0	(4,879)	(4,879)
At 31 December 2003	55,432	28,966	47,836	561,139	6,388,547	13,130	1,274,156	8,369,206
Net book value								
At 31 December 2003	4,338,968	1,654,964	22,312	322,699	13,224,583	89,491	1,155,910	20,808,927

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

The carrying value of the motor vehicle amounting to RM203,707 is held in the name of a Director of a subsidiary company in trust for the subsidiary company.

Notes to the Financial Statements

5. INVESTMENT IN SUBSIDIARY COMPANIES

	Company RM
Unquoted shares, at cost	<u>20,557,198</u>

Details of the subsidiary companies are as follows:

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

* Audited by firm of auditors other than UHY Diong.

Notes to the Financial Statements

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

Acquisitions of subsidiary companies:

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

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

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

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

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

Notes to the Financial Statements

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

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

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

6. INVESTMENT IN AN ASSOCIATED CORPORATION

	Group RM
Unquoted shares, at cost	<u>95,380</u>

Name of associated corporation	Country of incorporation	Effective equity interest	Principal activity
Star RGB Corporation	Philippines	40%	Dormant

As at 31 December 2003, neither audited financial statements nor management financial statements are available for the share of post acquisition results of the associated corporation as the associated corporation is still dormant.

7. INVESTMENTS

	Group RM
Unquoted shares, at cost	<u>4,000</u>

8. INVENTORIES

	Group RM
At cost	
Gaming and amusement machines, coin and notes counting machines, binding machines and amusement machines	666,511
Spare parts, gaming and amusement accessories and table equipment	9,650,968
Goods-in-transit	<u>4,250,384</u>
	<u>14,567,863</u>

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

The cost of inventories recognised as an expense during the financial period amounted to RM27,310,963.

Notes to the Financial Statements

9. RECEIVABLES

	Group RM	Company RM
Trade receivables	14,241,005	0
Less: Allowance for doubtful debts	(16,153)	0
	<u>14,224,852</u>	<u>0</u>
Other receivables	944,760	0
Advances paid to suppliers	10,613	0
Deposits	204,180	0
Prepayments	826,531	677,852
	<u>16,210,936</u>	<u>677,852</u>

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

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

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

The prepayments incurred are in respect of the expenditure for the listing of the Company's shares on the MESDAQ Market of the Malaysian Securities Exchange Berhad.

10. DEPOSITS WITH LICENSED BANKS

Certain deposits amounting to RM2,092,563 are pledged to a licensed bank as securities for the banking facilities granted to the Group.

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

	%
Licensed banks	<u>2.7</u>

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

	Days
Licensed banks	<u>186</u>

11. PAYABLES

	Group RM	Company RM
Trade payables	12,757,308	0
Other payables	386,617	14,150
Advances received from customers	8,753,516	0
Accruals	2,012,035	0
Deposits received	51,282	0
Interest payable	32,195	0
Unclaimed monies	8,460	0
Amount owing to a subsidiary company	0	678,280
	<u>24,001,413</u>	<u>692,430</u>

Credit terms of trade payables granted to the Group range from 30 to 90 days.

The amount owing to a subsidiary company is unsecured, interest free and has no fixed terms repayment.

Notes to the Financial Statements

12. BANK BORROWINGS

	Group RM
Secured:	
Bank overdrafts	2,984,098
Bankers' acceptance	1,212,000
Term loan (Note 15)	16,132
	<u>4,212,230</u>

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

	%
Bank overdrafts	7.91
Bankers' acceptance	2.96
Term loan	<u>7.00</u>

The bank overdrafts and term loan are secured by way of fixed charges over the leasehold and freehold properties and joint and several guarantees of certain Directors of the Group.

13. SHARE CAPITAL

	Group/Company RM
Authorised	
At 16 January 2003	
100,000 ordinary shares of RM1.00 each	<u>100,000</u>
100,000 ordinary shares of RM1.00 each was split into 1,000,000 ordinary shares of RM0.10 each	100,000
Created during the period,	
499,000,000 ordinary shares of RM0.10 each	49,900,000
At 31 December, 500,000,000 ordinary shares of RM0.10 each	<u>50,000,000</u>
Issued and fully paid-up	
At 16 January 2003	
2 ordinary shares of RM1.00 each	<u>2</u>
2 ordinary shares of RM1.00 each was split into 20 ordinary shares of RM0.10 each	2
Allotment during the period,	
205,571,980 ordinary shares of RM0.10 each	20,557,198
At 31 December, 205,572,000 ordinary shares of RM0.10 each	<u>20,557,200</u>

14. RESERVE ON CONSOLIDATION

	Group RM
At 23 September 2003	0
Arising from acquisitions of subsidiary companies	8,110,195
At 31 December 2003	<u>8,110,195</u>

Notes to the Financial Statements

15. TERM LOAN

	Group RM
Representing term loan:	
- current (Note 12)	16,132
- non-current	61,842
	<u>77,974</u>
The term loan of the Group is repayable as follows:	
- Within one year	16,132
- More than 1 year and less than 2 years	16,133
- More than 2 years and less than 5 years	45,709
	<u>77,974</u>

The term loan is secured on the same terms and conditions as disclosed in Note 12. The weighted average effective interest rates has been disclosed in Note 12.

16. DEFERRED TAXATION

	Group RM
At 23 September 2003	0
On acquisitions of subsidiary companies	268,741
Deferred tax recognised in the income statement (Note 21)	12,750
Overprovision of deferred taxation in pre-acquisition period of subsidiary companies (Note 21)	(64,000)
At 31 December	<u>217,491</u>
Taxable temporary differences:	
Property, plant and equipment:	
- capital allowances in excess of depreciation	214,000
- revaluation, net of related depreciation	3,491
	<u>217,491</u>

17. REVENUE

	Group 23.9.2003 to 31.12.2003 RM
Rental income	45,000
Sales and marketing	30,869,723
Technical support and management	4,562,005
	<u>35,476,728</u>

Notes to the Financial Statements

18. PROFIT/(LOSS) FROM OPERATIONS

	Group 23.9.2003 to 31.12.2003 RM	Company 16.1.2003 to 31.12.2003 RM
Profit/(Loss) from operations is arrived at after charging:		
Allowance for doubtful debts	16,153	0
Auditors' remuneration:		
- statutory audit	40,000	12,000
- other services	5,000	0
Depreciation	928,059	0
Realised loss on foreign exchange	82,724	0
Rental of premises	12,397	0
Staff costs	<u>955,280</u>	<u>0</u>
and crediting:		
Interest income	50,474	0
Realised gain on foreign exchange	196,176	0
Rental income	51,497	0
Unrealised gain on foreign exchange	<u>174,371</u>	<u>0</u>

Included in staff costs of the Group are Executive Directors' fees and other emoluments amounting to RM40,000 and RM224,830 respectively.

19. DIRECTORS' REMUNERATION

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

	Group 23.9.2003 to 31.12.2003 RM
Directors of the Company:	
Executive:	
- fees	40,000
- salaries and bonus	<u>224,830</u>
	264,830
Non-executive:	
- fees	<u>5,000</u>
	269,830
Directors of the subsidiary companies	
Non-executive:	
- fees	<u>5,000</u>
	<u>274,830</u>

Notes to the Financial Statements

20. FINANCE COSTS

	Group 23.9.2003 to 31.12.2003 RM
Bank charges	19,030
Bank overdraft interest	79,167
Bankers' acceptance charges	12,027
Term loan interest	9,020
	<u>119,244</u>

21. TAXATION

	Group 23.9.2003 to 31.12.2003 RM
The major components of the tax expense are:	
Current tax expense based on profit for the period	198,112
Deferred tax expense relating to origination and reversal of temporary differences (Note 16)	12,750
Overprovision of deferred taxation in pre-acquisition period of subsidiary companies (Note 16)	(64,000)
	<u>146,862</u>

Reconciliation of tax expense and accounting profit:

Accounting profit before taxation	<u>4,696,311</u>
Tax calculated at the Malaysia tax rate of 28% and Labuan Offshore Business Activity Tax Act, 1990	343,338
Tax effect of:	
- expenses not deductible for tax purposes	54,972
- income not subject to tax	(59,000)
- overprovision of tax expense in pre-acquisition period of subsidiary companies	(128,448)
- overprovision of deferred tax in pre-acquisition period of subsidiary companies (Note 16)	(64,000)
Tax expense	<u>146,862</u>

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

22. BASIC EARNINGS PER SHARE

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

		Group 23.9.2003 to 31.12.2003	Company 16.1.2003 to 31.12.2003
Net profit/(loss) for the period	(RM)	4,549,882	(12,000)
Weighted average number of ordinary shares in issue		58,734,871	58,734,871
Basic earnings per share	(sen)	<u>7.7</u>	<u>0</u>

Notes to the Financial Statements

23. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group 23.9.2003 to 31.12.2003 RM
Sales of gaming machines and accessories to	
- Sigma Gaming Technology Pte Ltd	817,700
- Standard RGB Pte Ltd	4,655,800
- IGM Gaming Consultancy Pte Ltd	176,000
Purchase of gaming machines from	
- RGB System Sdn. Bhd.	18,500
- Standard RGB Pte Ltd	1,498,000
Purchase of property, plant and equipment from Standard RGB Pte Ltd	812,700
Purchase of spare part and services from Standard RGB Pte Ltd	151,600
Repair and maintenance services provided to	
- RGB System Sdn. Bhd.	22,100
- Euro Computer Engineering & Parts Sdn. Bhd.	11,100
- Dreamgate (Malaysia) Sdn. Bhd.	18,200
- Sigma Gaming Technology Pte Ltd	12,600
Renting of premises to	
- RGB System Sdn. Bhd.	13,500
- Euro Computer Engineering & Parts Sdn. Bhd.	<u>16,500</u>

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

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

24. CAPITAL COMMITMENT

	Group RM
Authorised but not contracted for:	
Plant and equipment	<u>7,500,000</u>

25. CONTINGENT LIABILITIES (UNSECURED)

- (a) As at 31 December 2003, a corporate guarantee amounting to RM582,000 was given to a finance company for a leasing facility granted to RGB Games Sdn. Bhd. by RGB Sdn. Bhd..
- (b) RGB Sdn. Bhd. had given an undertaking to Mpumalanga Gaming Board, South Africa, on 26 November 1998 to provide funding for Magna Eden Sdn. Bhd. for whatever amount is required in respect of Magna Eden Sdn. Bhd.'s investment in Magic Slots South Africa (Pty) Ltd in relation to the South Africa slot gaming operations. As at todate, the Company has not been requested to provide any funding whatsoever in respect of the above undertaking. As at 31 December 2003, the investment in Magic Slots South Africa (Pty) Ltd is RM241, being the amount subscribed for shares in Magic Slots South Africa (Pty) Ltd by Magna Eden Sdn. Bhd..

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group is exposed to the following financial risks:

Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Group has no substantial long term interest-bearing assets as at 31 December 2003. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits or occasionally, in short term commercial papers which yield better returns than cash at bank.

Credit risk

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

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

Foreign currency exchange risk

The Group is exposed to various currencies as stated in Note 3.10 (iii). Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

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

Notes to the Financial Statements

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency exchange risk (Continued)

The net unhedged financial assets and financial liabilities of the Group as at 31 December 2003 that are not denominated their functional currencies are as follows:

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

Functional currency US Dollar	Receivables Trade RM	Cash and bank balances RM	Payables Trade RM
Singapore Dollar	0	4,141	25,969
Thai Baht	3,184,054	63,738	0
Euro	209,840	0	255,470
Sterling Pound	0	102,753	0
Australian Dollar	1,262	0	3,039,658
Phillippine Peso	0	237	0
Ringgit Malaysia	0	112,185	0
	<u>3,395,156</u>	<u>283,054</u>	<u>3,321,097</u>

Liquidity and cash flow risk

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

Notes to the Financial Statements

27. FINANCIAL INSTRUMENTS

Financial assets

The Group's principal financial assets are unquoted investment, deposits with licensed banks, cash and bank balances, trade receivables, other receivables, advances paid to suppliers and deposits.

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

Financial liabilities and equity instruments

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

Equity instruments are recorded at the proceeds received.

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

Fair values

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

The fair value of amount owing to a subsidiary company has not been computed as the timing of the repayment of this balance cannot be reasonably determined.

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

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

	Carrying amount RM	Fair value RM
At 31 December 2003		
Term loan (Note 15)	<u>77,974</u>	<u>65,285</u>

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

Notes to the Financial Statements

28. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

During the financial period, the Company acquired the issued and fully paid-up share capital of the following subsidiary companies:-

- a) 1,000,000 ordinary shares of RM1.00 each representing the entire issued and fully paid-up share capital of RGB Sdn. Bhd. for a total purchase consideration of RM9,150,602 satisfied by the issuance of 91,500,400 new ordinary shares in the Company of RM0.10 each at approximately RM0.10 per share;
- b) 1 ordinary share of USD1 representing the entire issued and fully paid-up share capital of RGB Ltd. for a total purchase consideration of RM10,574,226 satisfied by the issuance of 105,742,080 new ordinary shares in the Company of RM0.10 each at approximately RM0.10 per share; and
- c) 550,000 ordinary shares of RM1.00 each representing the entire issued and fully paid-up share capital of Data Touch Sdn. Bhd. for a total purchase consideration of RM832,951 satisfied by the issuance of 8,329,500 new ordinary shares in the Company of RM0.10 each at approximately RM0.10 per share.

29. SIGNIFICANT EVENT POST BALANCE SHEET DATE

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

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

30. SUPPLEMENTARY CASH FLOW DISCLOSURES

Non-cash transactions

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

31. SEGMENT REPORTING

(a) Business segments:

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

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

Other business segment is investment holding which has no sufficient size to be reported separately.

Notes to the Financial Statements

31. SEGMENT REPORTING (CONTINUED)

(a) Business segments (Continued):

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

	Sales and Marketing RM	Technical Support and Management RM	Others RM	Eliminations RM	Group RM
23.9.2003 to 31.12.2003					
Revenue					
External revenue	30,869,723	4,562,005	0	0	35,431,728
Intersegment revenue	0	0	105,000	(60,000)	45,000
	<u>30,869,723</u>	<u>4,562,005</u>	<u>105,000</u>	<u>(60,000)</u>	<u>35,476,728</u>
Results					
Segment results	3,770,306	4,350,459	105,000	(60,000)	8,165,765
Other operating income	0	0	345,401	0	345,401
Administration and general expenses	(639,912)	(1,984,215)	(522,760)	60,000	(3,086,887)
Selling and distribution expenses	(596,014)	(12,710)	0	0	(608,724)
Profit from operations	<u>2,534,380</u>	<u>2,353,534</u>	<u>(72,359)</u>	<u>0</u>	<u>4,815,555</u>
Finance costs					(119,244)
Taxation					(146,862)
Minority interest					433
Net profit for the period					<u>4,549,882</u>
At 31 December 2003					
Net assets					
Segment assets	22,048,863	21,508,026	18,284,538	0	61,841,427
Segment liabilities	(17,795,622)	(4,887,683)	(5,514,206)	0	(28,197,511)
Unallocated liabilities					(426,639)
					<u>33,217,277</u>
23.9.2003 to 31.12.2003					
Other information					
Capital expenditure	0	6,176,543	189,719	0	6,366,262
Depreciation	90,759	788,200	49,100	0	928,059
Other non cash expenses	16,153	0	0	0	16,153

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

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

Notes to the Financial Statements

31. SEGMENT REPORTING (CONTINUED)

(b) Geographical segments

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

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

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

	Revenue 23.9.2003 to 31.12.2003 RM	Total assets 23.9.2003 to 31.12.2003 RM	Capital expenditure 23.9.2003 to 31.12.2003 RM
Philippines	14,725,223	1,414,850	624,348
Malaysia	6,176,548	38,214,668	639,501
Singapore	5,890,369	2,982,080	0
Cambodia	3,570,818	17,434,279	4,950,322
Macau	2,842,041	611,081	152,091
Vietnam	1,970,213	919,605	0
Other countries	301,516	264,864	0
	<u>35,476,728</u>	<u>61,841,427</u>	<u>6,366,262</u>

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

32. COMPARATIVE FIGURES

As this is the first set of financial statements being prepared since the date of incorporation, no comparative figures are available.

List of Properties

Registered Owner / Location	Description	Tenure	Age (Years)	Built up Area	Existing Use	Audited Net Book Value as at 31 December 2003 RM	Date of Last Revaluation
RGB Sdn. Bhd.							
65 Sims Avenue #08-04 Yi Xiu Factory Building Singapore	Building	Freehold	21	113 sq metres	Office cum factory	680,512	30 December 2002
No. 2017 Solok Perusahaan 3 Kawasan Perusahaan Perai 13600 Perai Penang	Land & Building	Leasehold- 99 years expiring on 12 December 2074	30	1,035.03 sq metres	Factory	1,654,964	31 December 2002
Data Touch Sdn. Bhd.							
No. 8 Green Hall 10020 Penang	Land & Building	In perpetuity	25	2,387.16 sq metres	Office	3,658,456	31 December 2002

Statistics on Shareholdings

ANALYSIS OF SHAREHOLDINGS AS AT 7 APRIL, 2004

Authorised Share Capital	:	RM 50,000,000
Paid-Up Share Capital	:	RM 28,000,000
Class of Shares	:	Ordinary Shares of RM0.10 each
Voting Right	:	1 vote per Ordinary Share

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
Less than 100	8	0.51	320	0.00
100 to 999	72	4.61	30,300	0.01
1,000 to 4,999	715	45.77	1,360,900	0.49
5,000 to 10,000	402	25.74	2,885,900	1.03
10,001 to 100,000	280	17.92	9,925,115	3.54
100,001 to 1,000,000	61	3.91	25,064,000	8.95
Above 1,000,000	24	1.54	240,733,465	85.98
TOTAL	1,562	100.00	280,000,000	100.00

TOP TWENTY SHAREHOLDERS AS AT 7 APRIL, 2004

No.	Name of Shareholders	No. of Shares Held	% of Issued Capital
1.	Datuk Chuah Kim Seah	109,906,830	39.25
2.	PAB Nominee (Tempatan) Sdn. Bhd. (Pledged Securities Account For Gerak Juara Sdn. Bhd.)	67,907,000	24.25
3.	Gerak Juara Sdn. Bhd.	16,093,662	5.75
4.	Chuah Kim Chiew	8,921,398	3.19
5.	Goh Sin Tien	5,000,000	1.79
6.	Allianz Life Insurance Malaysia Berhad	3,942,700	1.41
7.	HSBC Nominees (Asing) Sdn. Bhd. (JPMCB For Drienhaus International Discovery)	3,389,600	1.21
8.	Malaysia Nominees (Tempatan) Sendirian Berhad (Amanah SSCM Asset Management Berhad For Amanah Smallcap Fund Berhad) (JM730)	3,024,600	1.08
9.	Mayban Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account For Steven Lim Tow Boon) (407040103862G1S)	2,898,000	1.03
10.	HSBC Nominees (Tempatan) Sdn. Bhd. (HSBC (M) Trustee Bhd For The Hwang DBS Select Opportunity Fund) (3969)	2,400,000	0.86
11.	Chuah Seong Whan	2,292,175	0.82
12.	BHLB Trustee Berhad (TA Small Cap Fund)	2,004,700	0.72

Statistics on Shareholdings

TOP TWENTY SHAREHOLDERS AS AT 7 APRIL, 2004 (CONTINUED)

No.	Name of Shareholders	No. of Shares Held	% of Shares
13.	HSBC Nominees (Asing) Sdn. Bhd. (DZ Bank Intl For UNI EM Fernost Treuhandkonto, Luxembourg)	2,000,000	0.71
14.	Yii Yeang Ping	1,798,000	0.64
15.	Wong Yoke Fong @ Wong Nyok Fing	1,519,000	0.54
16.	First Genesis Sdn. Bhd.	1,450,000	0.52
17.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. (Pledged Securities Account For Wong Chee Fai) (100579)	1,400,000	0.50
18.	Kam Chooi Suan	1,270,400	0.45
19.	HSBC Nominees (Asing) Sdn. Bhd. (BNY Brussels For Merchant Investors Assurance Co. Ltd (Far East))	1,250,000	0.45
20.	Yeong Bee Bee	1,235,400	0.44
	TOTAL	239,703,465	85.61

SUBSTANTIAL SHAREHOLDERS AS AT 7 APRIL, 2004

No.	Name of Substantial Shareholders	No. of Shares of RM0.10 Each Held			
		Direct	%	Indirect	%
1.	Datuk Chuah Kim Seah	109,906,830	39.25	-	-
2.	Gerak Juara Sdn Bhd*	84,000,662	30.00	-	-
3.	Mazlan Bin Ismail**	-	-	84,000,662	30.00
4.	Ahmad Anwar Bin Mohd Nor**	-	-	84,000,662	30.00

Notes:

* Inclusive of 67,907,000 shares held by PAB Nominee (Tempatan) Sdn. Bhd.

** Deemed interested via their substantial shareholdings in Gerak Juara Sdn. Bhd.

DIRECTORS' SHAREHOLDINGS AS AT 7 APRIL, 2004

No.	Name of Directors	No. of Shares of RM0.10 Each Held			
		Direct	%	Indirect	%
1.	Datuk Chuah Kim Seah	109,906,830	39.25	-	-
2.	Mazlan Bin Ismail*	-	-	84,000,662	30.00
3.	Chuah Kim Chiew	8,921,398	3.19	-	-
4.	Steven Lim Tow Boon**	2,898,000	1.04	-	-
5.	Wong Chee Fai***	1,450,000	0.52	-	-

Notes:

* Deemed interested via their substantial shareholdings in Gerak Juara Sdn. Bhd.

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

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the First Annual General Meeting of **Dreamgate Corporation Bhd.** will be held at Laurel 1, Level 1, Evergreen Laurel Hotel at 53, Persiaran Gurney, 10250 Penang on Thursday, 3 June, 2004 at 10.00 a.m. for the following purposes :-

1. To receive the Audited Financial Statements for the financial period from 16 January, 2003 (Date of Incorporation) to 31 December, 2003 together with the Reports of Directors and Auditors thereon. **(Ordinary Resolution 1)**
2. To re-elect the following Directors retiring pursuant to Article 100(1) of the Company's Articles of Association and who, being eligible, offer themselves for re-election :
 - i) Ooi Teng Chew **(Ordinary Resolution 2)**
 - ii) Mazlan Bin Ismail **(Ordinary Resolution 3)**
 - iii) Chuah Kim Chiew **(Ordinary Resolution 4)**
 - iv) Lim Tow Boon **(Ordinary Resolution 5)**
 - v) Wong Chee Fai **(Ordinary Resolution 6)**
 - vi) Chng Hee Kok **(Ordinary Resolution 7)**
3. To re-appoint Messrs. UHY Diong 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 8)**
4. As special business :

To consider and, if thought fit, to pass with or without modifications the following resolution as an ordinary resolution :

"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 conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital for the time being and that the Directors are empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation for the additional shares to be issued.

(Ordinary Resolution 9)
5. To transact any other business of which due notices shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order of the Board

Lee Peng Loon (LS 00405)
Lee Yap Kuan (MAICSA 7003482)
Joint Secretaries
Penang
Date : 12 May, 2004

Notice of Annual General Meeting

Notes :

1. *A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b)&(c) of the Companies Act, 1965 shall not apply to the Company.*
2. *For a proxy to be valid, the Proxy Form must be duly completed and 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 hours before the time appointed for holding the meeting.*
3. *A member shall be entitled to appoint more than one proxy to attend and vote at the same meeting.*
4. *Where a member appoints two 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 Proxy Form must be executed under the corporation's seal or under the hand of an officer or attorney duly authorised.*
6. *Explanatory Note on Special Business (Ordinary Resolution 9)*

The proposed ordinary resolution 9, 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.

Proxy Form

DREAMGATE CORPORATION BHD.

Company Number 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 First Annual General Meeting of the Company to be held at Laurel 1, Level 1, Evergreen Laurel Hotel at 53, Persiaran Gurney, 10250 Penang on Thursday, 3 June, 2004 at 10.00 a.m. 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 thisday of 2004.

No. of shares held

.....
Signature of member (s)

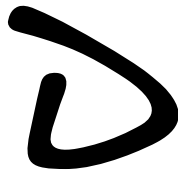
** Strike out whichever is not desired.*

Notes:

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b)&(c) of the Companies Act, 1965 shall not apply to the Company.
2. For a proxy to be valid, 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 hours before the time appointed for holding the meeting.
3. A member shall be entitled to appoint more than one proxy to attend and vote at the same meeting.
4. Where a member appoints two 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.

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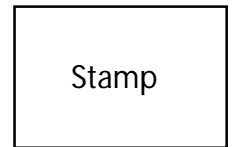
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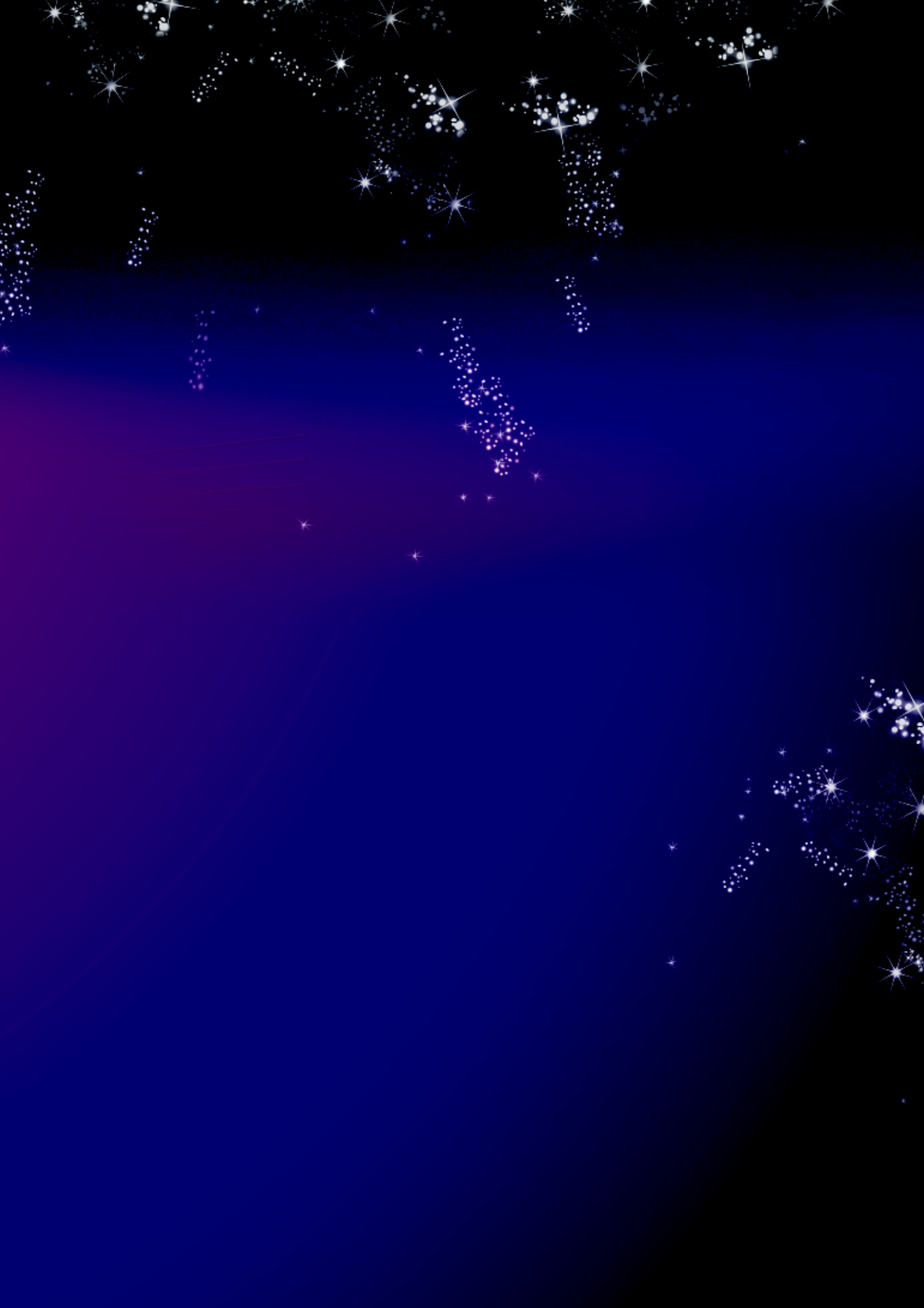
Dreamgate Corporation Bhd (603831-K)

The Secretary

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



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Dreamgate Corporation Bhd (603831-k)

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