

12. ACCOUNTANTS' REPORT

(Prepared for the inclusion in this Prospectus)



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16 DEC 2003

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

Dear Sirs,

DREAMGATE CORPORATION BHD ACCOUNTANTS' REPORT

This report has been prepared by UHY Diong, an approved company auditor, for inclusion in the Prospectus of Dreamgate Corporation Bhd (hereinafter referred to as "DCB" or "the Company" to be dated 19 DEC 2003 in connection with the placement of 63,000,000 new ordinary shares of RM0.10 each to identified investors which constitutes the public portion at placement price of RM0.50 per ordinary share and the public issue of 11,428,000 new ordinary shares at an issue price of RM0.50 per share of which 6,000,000 new ordinary shares of RM0.10 each is to be allocated to eligible Directors and employees of DCB, its subsidiary companies and associated corporations and the remaining 5,428,000 new ordinary shares of RM0.10 to be offered to the Malaysian public of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions pursuant to the listing of and quotation for DCB's entire enlarged issued and fully paid-up share capital on the MESDAQ Market of the Kuala Lumpur Stock Exchange ("MESDAQ Market").

1.0 GENERAL INFORMATION

1.1 Incorporation

- (a) The Company was incorporated on 16 January 2003 in Malaysia under the Companies Act, 1965 as a public company limited by share under the name of Dreamgate Corporation Bhd.
- (b) At the date of incorporation, DCB's authorized share capital was RM100,000 consisting of 100,000 ordinary shares of RM1.00 each. Subsequently, on 7 February 2003, the authorized share capital was split into 1,000,000 ordinary shares of RM0.10 each. At the date of incorporation, DCB's issued and fully paid-up share capital was RM2 consisting of 2 ordinary shares of RM1 each. The fully paid-up share capital was subsequently split into 20 ordinary shares of RM0.10 each on 7 February 2003.

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12. ACCOUNTANTS' REPORT (Cont'd)**DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)**
Accountants' Report**1.0 GENERAL INFORMATION (CONTINUED)****1.2 Principal activity**

The Company was dormant from 16 January 2003 (date of incorporation) until it became an investment holding company pursuant to the acquisitions of RGB Sdn. Bhd. ("RGBSB"), RGB Ltd. ("RGL") and Data Touch Sdn. Bhd. ("DTSB"), in conjunction with the listing of DCB's shares on the MESDAQ Market.

1.3 Flotation Scheme

In conjunction with the listing of DCB on the MESDAQ Market, DCB is proposing to undergo the flotation scheme as set out below, which involves the following exercises:

(i) Acquisitions

In conjunction with, and as an integral part of the listing of and quotation for the entire enlarged issued and fully paid-up ordinary shares of DCB on the MESDAQ Market, the Company's acquisitions of the entire issued and fully paid-up share capital of RGBSB, RGL and DTSB as stated below for a purchase consideration of RM20,557,779 satisfied through an issue of 205,571,980 new ordinary shares of RM0.10 each in DCB as set out below:

Company	Par value	No. of ordinary shares acquired	Issued and fully paid-up share capital acquired %	Purchase consideration RM	No. of new ordinary shares of RM0.10 each to be issued
RGBSB	RM1	1,000,000	100	9,150,602	91,500,400
RGL	USD1	1	100	10,574,226	105,742,080
DTSB	RM1	550,000	100	832,951	8,329,500
TOTAL				20,557,779	205,571,980

The purchase consideration was based on the net tangible assets of RGBSB, RGL and DTSB as at 31 December 2002 after taking into account the revaluation surplus. Revaluation of landed properties of the following companies resulted in a revaluation surplus of RM271,994.

	RM
Surplus on revaluation of landed properties:	
RGBSB	23,286
DTSB	248,708
	<u>271,994</u>

12. ACCOUNTANTS' REPORT (Cont'd)**DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)**
Accountants' Report**1.0 GENERAL INFORMATION (CONTINUED)****1.3 Flotation Scheme (Continued)****(i) Acquisitions (Continued)**

Upon completion of the above flotation scheme exercise, DCB has interest in the following subsidiaries:

Name	Date of incorporation	Country	Effective interest	Issued and fully paid-up share capital	Business activities
RGBSB	4 December 1986	Malaysia	100%	RM1,000,000	manufacturing , refurbishment, technical support and maintenance 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.
RGBL	6 January 1999	Malaysia	100%	USD 1	sales and marketing, technical support and management of gaming and amusement machines and equipment mainly for the overseas markets.
DTSB	18 June 1994	Malaysia	100%	RM550,000	Renting of properties.

(ii) Placement

Placement of 63,000,000 new ordinary shares of RM0.10 each in DCB to identified investors which also constitutes the public portion at placement price of RM0.50 per ordinary share.

(iii) Public Issue

11,428,000 new ordinary shares at an issue price of RM0.50 per share of which 6,000,000 new ordinary shares of RM0.10 each is to be allocated to eligible Directors and employees of DCB, its subsidiary companies and associated corporations and the remaining 5,428,000 new ordinary shares of RM0.10 to be offered to the Malaysian public of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

(iv) Listing

Listing and quotation of the enlarged issued and fully paid-up share capital of DCB on the MESDAQ Market.

The above scheme was approved by the Securities Commission ("SC") on 17 July 2003, the MESDAQ Market on 18 July 2003 and Ministry of International Trade and Industry ("MITI") on 20 May 2003 and 7 July 2003.

12. ACCOUNTANTS' REPORT *(Cont'd)*

DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)
Accountants' Report



2.0 AUDITORS AND AUDITED FINANCIAL STATEMENTS

The financial statements of RGSB for the financial years ended 31 January 1999 to 31 January 2002, the financial period ended from 1 February 2002 to 31 December 2002 and the financial period ended from 1 January 2003 to 30 June 2003 were audited by another firm of accountants.

RGBL was incorporated in Labuan and is not required to produce annual audited financial statements. The audited financial statements of RGBL from the date of incorporation to the financial year ended 31 December 2002 and for the financial period ended from 1 January 2003 to 30 June 2003 were prepared for the purpose of the submission to the Securities Commission in connection with the new issue and subsequent listing and quotation of the entire issued and fully paid-up share capital of DCB on the MESDAQ Market. We have been the auditors of RGBL for all the financial periods covered in this report.

We have been also the auditors of DTSB for the financial year ended 31 December 2002 and for the financial period ended from 1 January 2003 to 30 June 2003. DTSB's financial statements for the financial years ended 31 December 1998 to 31 December 2001 were audited by another firm of accountants.

We have been the auditors of DCB since its incorporation and the financial statements for the financial period ended from 1 January 2003 to 30 June 2003 were prepared for the purpose of the submission to the Securities Commission.

All the audited financial statements mentioned above for the relevant financial years/period were reported without any audit qualifications.

3.0 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This report is based on audited financial statements which have been prepared in accordance with the applicable approved accounting standards issued by the Malaysian Accounting Standards Board ("MASB") as well as generally accepted accounting principles in Malaysia and is presented on a basis consistent with the accounting policies normally adopted by the Group.

12. ACCOUNTANTS' REPORT (Cont'd)**DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)**
Accountants' Report**4.0 PROFORMA HISTORICAL CONSOLIDATED FINANCIAL RESULTS AND PROFORMA CONSOLIDATED BALANCE SHEETS****4.1 DCB – The Group****4.1.1 Proforma historical consolidated financial results**

The proforma historical consolidated financial results of the Group for the financial years ended 31 December 1998 to 31 December 2002 and for the financial period from 1 January 2003 to 30 June 2003 set out below are based on audited financial statements of the respective companies and have been presented on the assumption that the Group structure has been in existence throughout the period under review. DCB, was incorporated on 16 January 2003. Accordingly, there are no financial results for this company to be included in the proforma historical consolidated financial results for the financial years ended 31 December 1998 to 31 December 2002.

	← Financial years ended 31 December →					1 January
	1998	1999	2000	2001	2002	2003 to 30 June
	RM'000	RM'000	RM'000	RM'000	RM'000	2003
						RM'000
Revenue	32,228	35,368	33,791	51,549	42,658	36,619
Profit before interest, depreciation and taxation	5,799	6,196	3,779	11,090	12,601	8,397
Depreciation	(329)	(352)	(701)	(1,943)	(2,405)	(1,377)
Interest expense	(566)	(475)	(421)	(360)	(324)	(74)
Profit before taxation	4,904	5,369	2,657	8,787	9,872	6,946
Taxation	16	(901)	(145)	(378)	(425)	(896)
Profit after taxation	4,920	4,468	2,512	8,409	9,447	6,050
Minority interest	-	-	-	-	-	-
Profit after taxation and minority interest	4,920	4,468	2,512	8,409	9,447	6,050
Number of ordinary shares in issue ('000) *	205,572	205,572	205,572	205,572	205,572	205,572
Gross earnings per share (sen)	2.39	2.61	1.29	4.27	4.80	3.38
Net earnings per share (sen)	2.39	2.17	1.22	4.09	4.60	2.94

* The number of ordinary shares in issue refers to the number of ordinary shares issued after the Acquisitions but before the completion of Placement and Public Issue.

12. ACCOUNTANTS' REPORT (Cont'd)

DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)
Accountants' Report



4.0 PROFORMA HISTORICAL CONSOLIDATED FINANCIAL RESULTS AND PROFORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)

4.1 DCB – The Group (Continued)

4.1.1 Proforma historical consolidated financial results (Continued)

- a) The revenue of the Group mainly comprises revenue generated from the sales and marketing of gaming and amusement machines and equipment, technical support and management of gaming and amusement machines and equipment as well as sales and marketing of security surveillance products and systems for local and overseas markets.
- b) The growth in revenue in year 2001 was mainly due to a full year operation in the provision of the technical support and management of gaming and amusement machines and equipment as compared to only one month operation in year 2000 in RGLB.
- c) The revenue for the period of 2003 was RM15.4 million higher than the corresponding period of 2002, mainly derived from the increase in sales and marketing of gaming machines to existing and new customers in RGLSB and RGLB.
- d) The increase in the profit before taxation in year 2002, despite a decrease in revenue, was due to higher profit margin contributed from the business activity of technical support and management of gaming and amusement machines and equipment in RGLB.
- e) Depreciation has increased progressively throughout the period under review. It was mainly due to the purchase of gaming and amusement machines stationed at various overseas gaming establishments which is in tandem with the growth of technical support and management activity in RGLB.
- f) There were no exceptional or extraordinary items noted during the financial years/period under review.

Note:

- i) RGLSB's financial statements with financial years ended 31 January 1999 to 31 January 2002 and financial period from 1 February 2002 to 31 December 2002 were deemed consolidated as financial year ended 31 December in the proforma historical consolidated financial results of DCB for the financial years ended 31 December 1998 to 31 December 2002 and for the financial period from 1 January 2003 to 30 June 2003.
- ii) RGLB's financial statements for the financial period/years ended 31 December 1999 to 31 December 2002 and financial period ended 30 June 2003 which denominated in USD Dollar were converted at a rate of RM3.80 in the proforma historical consolidated financial results of DCB for the financial years ended 31 December 1999 to 31 December 2002 and for the financial period from 1 January 2003 to 30 June 2003.

12. ACCOUNTANTS' REPORT (Cont'd)

DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)
Accountants' Report4.0 PROFORMA HISTORICAL CONSOLIDATED FINANCIAL RESULTS AND
PROFORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)

4.1 DCB – The Group (Continued)

4.1.2 Proforma consolidated balance sheet

The proforma consolidated balance sheets have been prepared for illustrative purposes only after taking into account the Acquisitions, Placement, Public Issue and the utilization of the proceed from the Placement and Public Issue; and are based on the audited financial statements of the respective companies as at 30 June 2003 and on the accounting policies consistent with those normally adopted in the preparation of the audited financial statements.

	NOTE	The Company As at 30 June 2003 RM'000	The Group Proforma (1) After Acquisition RM'000	The Group Proforma (2) After (1) and Placement RM'000	The Group Proforma (3) After (2), Public Issue and Proceeds Utilisation RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	12.0	-	15,417	15,417	40,417
Investments	13.0	-	99	99	99
CURRENT ASSETS					
Inventories	14.0	-	7,861	7,861	7,861
Trade receivables		-	7,578	7,578	7,578
Other receivables and deposits	15.0	447	6,415	6,415	6,415
Tax refundable		-	9	9	9
Fixed deposits with licensed banks	16.0	-	10,392	10,392	10,392
Cash and bank balances		*	4,335	35,835	13,549
		447	36,590	68,090	45,804
CURRENT LIABILITIES					
Trade payables		-	11,004	11,004	11,004
Other payables and accruals	17.0	447	11,304	11,304	11,304
Bank overdrafts (secured)	18.0	-	2,389	2,389	2,389
Term loans (secured)	19.0	-	16	16	16
Taxation		-	443	443	443
		447	25,156	25,156	25,156
NET CURRENT ASSETS					
		*	11,434	42,934	20,648
		*	26,950	58,450	61,164
SHARE CAPITAL					
	20.0	*	20,557	26,857	28,000
SHARE PREMIUM					
		-	1	25,201	26,772
RETAINED PROFITS					
		-	5,975	5,975	5,975
SHAREHOLDERS' EQUITY					
		*	26,533	58,033	60,747
NON-CURRENT LIABILITIES					
Term loans	19.0	-	70	70	70
Deferred taxation		-	347	347	347
		*	26,950	58,450	61,164
* This represents RM2					
Net tangible assets per share (RM)					
		0.10	0.13	0.22	0.22

12. ACCOUNTANTS' REPORT (Cont'd)**DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)***Accountants' Report***4.0 PROFORMA HISTORICAL CONSOLIDATED FINANCIAL RESULTS AND PROFORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)****4.1 DCB – The Group (Continued)****4.1.3 Proforma consolidated cash flow statement**

The proforma consolidated cash flow statement has been prepared for illustrative purposes only and is based on the audited financial statements of the respective companies for the six months period from 1 January 2003 to 30 June 2003 and on the assumption that the Group structure has been in existence throughout the period under review.

	1 January 2003 to 30 June 2003 RM'000
CASH FLOW FROM OPERATING ACTIVITIES	
Profit before taxation for the financial period	6,946
Adjustments for:	
Depreciation	1,377
Interest expense	74
Interest income	(42)
Deficit on revaluation of freehold building	3
Gain on disposal of property, plant and equipment	(2)
Operating profit before working capital changes	<u>8,356</u>
Inventories	(5,711)
Receivables	67
Payables	<u>7,050</u>
Cash generated from operations	9,762
Interest paid	(74)
Taxation paid	<u>(385)</u>
Net cash flow from operating activities	<u>9,303</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of property, plant and equipment	(2,545)
Proceeds from disposal of property, plant and equipment	2
Interest received	42
Net cash flow from investing activities	<u>(2,501)</u>
CASH FLOW FROM FINANCING ACTIVITIES	
Repayment of term loans	(8)
Additional fixed deposits pledged	<u>(532)</u>
Net cash flow from financing activities	<u>(540)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,262
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	4,002
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>10,264</u>
Represented by:	
Cash and bank balances	4,335
Fixed deposits with licensed banks (Note 16.0)	8,318
Bank overdrafts	<u>(2,389)</u>
	<u>10,264</u>

12. ACCOUNTANTS' REPORT (Cont'd)**DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)**
Accountants' Report**4.0 PROFORMA HISTORICAL CONSOLIDATED FINANCIAL RESULTS AND PROFORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)****4.1 DCB – The Group (Continued)****4.1.4 Notes to the proforma consolidated balance sheets**

- i) The balance sheet of DCB, which was incorporated on 16 January 2003 is included in the proforma consolidated balance sheet.
- ii) The following transactions are assumed to have been effected on 30 June 2003 :-
- a) Proforma 1
Acquisitions of the issued and fully paid-up share capital of the following companies:

Company	Par value	No. of ordinary shares acquired	Issued and fully paid-up share capital acquired %	Purchase consideration RM	No. of new ordinary shares of RM0.10 each to be issued
RGBSB	RM1	1,000,000	100	9,150,602	91,500,400
RGBL	USD1	1	100	10,574,226	105,742,080
DTSB	RM1	550,000	100	832,951	8,329,500
Total				<u>20,557,779</u>	<u>205,571,980</u>

b) Proforma 2

Placement of 63,000,000 new ordinary shares of RM0.10 each in DCB to identified investors which also constitutes the public portion at placement price of RM0.50 per ordinary shares.

c) Proforma 3

11,428,000 new ordinary shares at an issue price of RM0.50 per share of which 6,000,000 new ordinary shares of RM0.10 each is to be allocated to eligible Directors and employees of DCB, its subsidiary companies and associated corporations and the remaining 5,428,000 new ordinary shares of RM0.10 to be offered to the Malaysian public of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions

The estimated listing expenses of approximately RM3 million will be charged against the share premium account.

12. ACCOUNTANTS' REPORT (Cont'd)**DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)**
Accountants' Report**4.0 PROFORMA HISTORICAL CONSOLIDATED FINANCIAL RESULTS AND PROFORMA CONSOLIDATED BALANCE SHEETS (CONTINUED)****4.1 DCB – The Group (Continued)****4.1.4 Notes to the proforma consolidated balance sheets (Continued)****c) Proforma 3 (Continued)**

The proceeds from the Placement and Public Issue is expected to be utilised in the following manner:

Proceeds:	RM'000
Proceeds from Placement	31,500
Proceeds from Public Issue	5,714
	<u>37,214</u>
Utilisation:	
Purchase of plant and machinery	4,000
Research and development	5,000
Overseas expansions	15,000
Regional trademark registration	1,000
Working capital	9,214
Listing expenses	3,000
	<u>37,214</u>

The movements in share capital and share premium are as follows:

	Share capital RM	Share premium RM
Upon incorporation of DCB	2	-
Proforma 1- Acquisitions	20,557,198	580
	<u>20,557,200</u>	<u>580</u>
Proforma 2 – Placement	6,300,000	25,200,000
	<u>26,857,200</u>	<u>25,200,580</u>
Proforma 3 - Public Issue	1,142,800	4,571,200
	<u>28,000,000</u>	<u>29,771,780</u>
Less: Estimated listing expenses	-	(3,000,000)
	<u>28,000,000</u>	<u>26,771,780</u>

12. ACCOUNTANTS' REPORT (Cont'd)**DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)**
Accountants' Report**5.0 DREAMGATE CORPORATION BHD.****5.1 Summarised income statement**

	16 January 2003 to 30 June 2003 RM
Revenue	-
Other expenses	-
Profit for the financial period	<u>-</u>

5.2 Summarised balance sheet

	As at 30 June 2003 RM
CURRENT ASSETS	447,137
CURRENT LIABILITIES	447,135
NET CURRENT ASSETS	<u>2</u>
Financed by:	
SHARE CAPITAL	2
ACCUMULATED LOSS	-
SHAREHOLDERS' EQUITY	<u>2</u>
Net tangible assets	2
NTA per ordinary share	0.10

Dreamgate Corporation Bhd. was incorporated on 16 January 2003 and the financial statements as at 30 June 2003 was the first set of financial statements since its incorporation.

12. ACCOUNTANTS' REPORT (Cont'd)**DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)**
Accountants' Report**6.0 RGB SDN. BHD.****6.1 Summarised income statements**

	← Financial years ended 31 January →				1 February	1 January
	1999	2000	2001	2002	2002 to 31	2003 to 30
	RM'000	RM'000	RM'000	RM'000	December	June
Revenue	31,956	22,314	13,450	13,180	19,027	26,059
Profit before interest, depreciation and taxation	5,390	3,032	258	1,505	1,717	3,001
Depreciation	(265)	(288)	(351)	(518)	(408)	(214)
Interest expense	(207)	(177)	(168)	(155)	(105)	(27)
Profit/(Loss) before taxation	4,918	2,567	(261)	832	1,204	2,760
Taxation	16	(881)	(87)	(277)	(345)	(880)
Profit/(Loss) after taxation	4,934	1,686	(348)	555	859	1,880
Minority interest	-	-	-	-	-	-
Profit/(Loss) after taxation and minority interest	4,934	1,686	(348)	555	859	1,880
Number of ordinary shares of RM1.00 each in issue ('000)	1,000	1,000	1,000	1,000	1,000	1,000
Gross earnings/ (loss) per share (RM)	4.92	2.57	(0.26)	0.83	1.20	2.76
Net earnings/ (loss) per share (RM)	4.93	1.69	(0.35)	0.56	0.86	1.88

- a) Revenue decreased from financial year ended 31 January 2000 to 31 January 2002. It was mainly due to decrease in the overseas revenue from the sales and marketing of gaming machines, table games and amusement machines and equipment. Apart from this, the decline in the demand from two local major customers and the soft market conditions in Malaysia had also affected the demand from customers.

12. ACCOUNTANTS' REPORT (Cont'd)

DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)
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6.0 RGB SDN. BHD. (CONTINUED)

6.1 Summarised income statements (Continued)

- b) Revenue substantially increased to RM19.03 million for the financial period ended 31 December 2002 as compared to previous financial years. It was mainly due to the increase in sales and marketing of gaming machines primarily to the local clubs and existing and new customers from Philippines.
- c) Revenue for the financial period ended 30 June 2003 increased significantly by RM12.7 million as compared to the corresponding financial period of 2002. It was mainly due to the increase in sales and marketing of gaming machines and systems to existing and new customers from both local and overseas markets.
- d) There were no exceptional or extraordinary items noted during the financial years/period under review.

12. ACCOUNTANTS' REPORT (Cont'd)**DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)**
Accountants' Report**6.0 RGB SDN. BHD. (CONTINUED)****6.2 Summarised balance sheets**

	← As at 31 January →				As at 31	As at 30
	1999	2000	2001	2002	December	June
	RM'000	RM'000	RM'000	RM'000	2002	2003
					RM'000	RM'000
PROPERTY, PLANT AND EQUIPMENT	3,978	4,129	4,481	4,439	3,742	3,793
INVESTMENT IN SUBSIDIARY COMPANIES	400	400	400	400	-	-
INVESTMENTS	86	86	86	86	4	4
CURRENT ASSETS	20,912	21,673	22,457	20,919	12,216	26,342
CURRENT LIABILITIES	6,829	5,901	7,409	5,298	6,579	18,790
NET CURRENT ASSETS	14,083	15,772	15,048	15,621	5,637	7,552
	18,547	20,387	20,015	20,546	9,383	11,349
Financed by:						
SHARE CAPITAL	1,000	1,000	1,000	1,000	1,000	1,000
RETAINED PROFITS	17,375	19,061	18,713	19,268	8,127	10,026
SHAREHOLDERS' EQUITY	18,375	20,061	19,713	20,268	9,127	11,026
NON-CURRENT LIABILITIES						
Term loan	172	148	124	100	78	70
Deferred taxation	-	178	178	178	178	253
	18,547	20,387	20,015	20,546	9,383	11,349
Net tangible assets (RM'000)	18,375	20,061	19,713	20,268	9,127	11,026
NTA per ordinary share (RM)	18.38	20.06	19.71	20.27	9.13	11.03

12. ACCOUNTANTS' REPORT (Cont'd)**DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)**
Accountants' Report**7.0 RGB LTD.****7.1 Summarised income statements**

	6 January 1999 to 31 December 1999 USD'000	← Financial years ended 31 December →			1 January 2003 to 30 June 2003 USD'000
	2000 USD'000	2001 USD'000	2002 USD'000		
Revenue	3,389	5,305	10,042	6,164	2,754
Profit before interest, depreciation and taxation	732	835	2,413	2,741	1,375
Depreciation	-	(75)	(358)	(508)	(295)
Interest expense	-	(10)	(5)	-	-
Profit before taxation	732	750	2,050	2,233	1,080
Taxation	(5)	(5)	(5)	(5)	-
Profit after taxation	727	745	2,045	2,228	1,080
Minority interest	-	-	-	-	-
Profit after taxation and minority interest	727	745	2,045	2,228	1,080
Number of ordinary shares of USD1 in issue	1	1	1	1	1
Gross earnings per share (USD'000)	732	750	2,050	2,233	1,080
Net earnings per share (USD'000)	727	745	2,045	2,228	1,080

- a) The revenue of RGBL is mainly derived from export sales. The growth of RGBL's revenue in financial year 2000 as compared to year 1999 was not only due to revenue from sales and marketing of gaming machines and table games activities, but also from the new business activity of RGBL from various overseas gaming establishments which involve RGBL in the technical support and management of gaming and amusement machines and equipment.

12. ACCOUNTANTS' REPORT (Cont'd)

DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)
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7.0 RGB LTD. (CONTINUED)

7.1 Summarised income statements (Continued)

- b) The revenue growth in year 2001 as compared to previous years was mainly contributed by the substantial increase in the revenue from sales and marketing of gaming machines and revenue from technical support and management activities. The increase in revenue from sales and marketing of gaming machines activity was the result of higher demands from existing customers. Other than that, the growth in the revenue from technical support and management was not only due to more gaming and amusement machines placed at overseas gaming establishments but also due to a full year of operation in the technical support management activity as compared to one month operations in year 2000.
- c) The revenue for year 2002 was lower mainly due to lower demand from sales and marketing of gaming machines from existing customers. However, the decline of sales and marketing of gaming machines was offset by an increase in revenue from technical support and management activities.
- d) The revenue for the financial period ended 30 June 2003 was USD704,219 (approximate RM2.7 million) higher as compared to the corresponding period of 2002. It was mainly due to higher demand of sales and marketing of gaming machines from existing and new overseas customers.

12. ACCOUNTANTS' REPORT (Cont'd)**DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)**
Accountants' Report**7.0 RGB LTD. (CONTINUED)****7.2 Summarised balance sheets**

	← As at 31 December →				As at 30 June
	1999 USD'000	2000 USD'000	2001 USD'000	2002 USD'000	2003 USD'000
PROPERTY, PLANT AND EQUIPMENT	-	1,079	1,535	1,739	2,050
INVESTMENTS	-	30	185	25	25
CURRENT ASSETS	1,925	2,927	6,620	2,445	2,806
CURRENT LIABILITIES	1,259	2,625	4,984	1,426	1,019
NET CURRENT ASSETS	666	302	1,636	1,019	1,787
	666	1,411	3,356	2,783	3,862
Financed by:					
SHARE CAPITAL*	-	-	-	-	-
RETAINED PROFITS	666	1,411	3,356	2,783	3,862
SHAREHOLDERS' EQUITY	666	1,411	3,356	2,783	3,862
Net tangible assets (USD'000)	666	1,411	3,356	2,783	3,862
NTA per ordinary share (USD'000)	666	1,411	3,356	2,783	3,862

*This represents USD 1

12. ACCOUNTANTS' REPORT (Cont'd)**DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)**
Accountants' Report**8.0 DATA TOUCH SDN. BHD.****8.1 Summarised income statements**

	← Financial years ended 31 December →					1 January
	1998	1999	2000	2001	2002	2003 to 30 June 2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	488	470	480	478	446	216
Profit before interest, depreciation and taxation	409	384	346	418	468	171
Depreciation	(64)	(64)	(65)	(65)	(64)	(41)
Interest expense	(359)	(298)	(215)	(186)	(220)	(47)
(Loss)/Profit before taxation	(14)	22	66	167	184	83
Taxation	-	-	(38)	(81)	(60)	(17)
(Loss)/Profit after taxation	(14)	22	28	86	124	66
Minority interest	-	-	-	-	-	-
(Loss)/Profit after taxation and minority interest	(14)	22	28	86	124	66
Number of ordinary shares of RM1.00 each in issue ('000)	550	550	550	550	550	550
Gross (loss)/earnings per share (RM)	(0.03)	0.04	0.12	0.30	0.33	0.15
Net (loss)/earnings per share (RM)	(0.03)	0.04	0.05	0.16	0.23	0.12

Revenue of DTSB represents rental income. There have been no significant fluctuations noted for the financial years/period under review.

12. ACCOUNTANTS' REPORT (Cont'd)**DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)**
Accountants' Report**8.0 DATA TOUCH SDN. BHD. (CONTINUED)****8.2 Summarised balance sheets**

	← As at 31 December →					As at 30
	1998	1999	2000	2001	2002	June
	RM'000	RM'000	RM'000	RM'000	RM'000	2003
	RM'000					
PROPERTY, PLANT AND EQUIPMENT	3,885	3,820	3,756	3,691	3,628	3,836
CURRENT ASSETS	442	632	828	2,156	613	53
CURRENT LIABILITIES	4,003	4,106	4,182	5,359	3,633	2,965
NET CURRENT LIABILITIES	(3,561)	(3,474)	(3,354)	(3,203)	(3,020)	(2,912)
	324	346	402	488	608	924
Financed by:						
SHARE CAPITAL	550	550	550	550	550	550
REVALUATION RESERVE	-	-	-	-	-	179
(ACCUMULATED LOSSES)/RETAINED PROFITS	(226)	(204)	(176)	(90)	34	101
SHAREHOLDERS' EQUITY	324	346	374	460	584	830
NON-CURRENT LIABILITY						
Deferred taxation	-	-	28	28	24	94
	324	346	402	488	608	924
Net tangible assets (RM'000)	324	346	374	460	584	830
NTA per ordinary share (RM)	0.59	0.63	0.68	0.84	1.06	1.51

12. ACCOUNTANTS' REPORT (Cont'd)**DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)**
Accountants' Report**9.0 DIVIDENDS**

No dividends have been paid or declared by DCB since its incorporation. No dividends have been declared by the subsidiary companies within the proforma Group during the relevant years/period under review except for the following financial years/period:

(i) Financial year – 31 December 1999

Subsidiary company	Issued and fully paid-up share capital USD	Gross dividend rate	Tax rate	Net dividend USD
RGBL	1	6,000,000%	-	60,000

(ii) Financial year – 31 December 2001

Subsidiary company	Issued and fully paid-up share capital USD	Gross dividend rate	Tax rate	Net dividend USD
RGBL	1	10,000,000%	-	100,000

(iii) Financial period/year – 31 December 2002

Subsidiary company	Issued and fully paid-up share capital	Gross dividend rate	Tax rate	Net dividend
RGBSB	RM1,000,000	400%	-	RM4,000,000
		1,111.11%	28%	RM8,000,000
RGBL	USD1	280,000,000%	-	USD2,800,000

10.0 NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEET

The following accounting policies adopted by the Group and the Company are consistent with those applied in previous financial years/periods except for the adoption of the new applicable Approved Accounting Standards as stated in 10(a) below.

(a) Basis of preparation

The financial statements of the Group and the Company have been prepared under the historical cost convention except as disclosed in the accounting policies below and in accordance with the applicable Approved Accounting Standards.

During the financial period, the new applicable Approved Accounting Standards adopted in these financial statements are as follows:-

- MASB 25 – Income taxes
- MASB 27 – Borrowing costs
- MASB 29 – Employee benefits

12. ACCOUNTANTS' REPORT (Cont'd)**DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)***Accountants' Report***10.0 NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEET (CONTINUED)****(a) Basis of preparation (Continued)**

The adoption of MASB 25, MASB 27 and MASB 29 does not give rise to any adjustments to the opening balances of retained profits of the prior financial years/period and current financial period or to changes in comparatives.

(b) 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 financial year are included in the consolidated financial statements 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 negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealized 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.

(c) Property, plant and equipment

Property, plant and equipment are initially stated at cost. Freehold and long term leasehold lands and buildings are subsequently shown at fair value, based on valuation carried out by independent valuers, less subsequent depreciation and impairment losses, if any. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 10 (n).

Revaluations are made at least once every five years based on a valuation by an independent valuer on an open market value basis. Surplus arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to income statement.

12. ACCOUNTANTS' REPORT (Cont'd)

DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)
Accountants' Report



**10.0 NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEET
 (CONTINUED)**

(c) Property, plant and equipment (Continued)

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations. On disposals of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained profits.

(d) Investments

Investments in subsidiary companies are stated at cost less impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 10(n).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is charged or credited to income statement.

(e) Inventories

Inventories are stated at the lower of cost and net realizable 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 realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(f) Receivables

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

12. ACCOUNTANTS' REPORT (Cont'd)**DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)***Accountants' Report***10.0 NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEET (CONTINUED)****(g) Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts, 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.

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

(h) Borrowings

Borrowings are initially recognized based on the proceeds received, net of transaction costs incurred. Borrowing costs are charged to the income statement as an expense in the financial years/period in which they are incurred.

(i) Income tax

Income tax on the profit or loss for the financial years/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 recognized for all taxable temporary differences and deferred tax assets are recognized 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 utilized. Deferred tax is not recognized 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 financial period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax is recognized in the income statement, except when it arises from a transaction which is recognized directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

Prior to the adoption of MASB 25 Income Taxes on 1 January 2003, deferred tax was provided for using the liability method in respect of significant timing differences and deferred tax assets were not recognized unless there was reasonable expectation of their realization. This change in accounting policy does not give rise to any adjustments to the opening balance of retained profits of the prior financial years/period and current financial period or to changes in comparatives.

12. ACCOUNTANTS' REPORT (Cont'd)**DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)***Accountants' Report***10.0 NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEET (CONTINUED)****(j) 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 years/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.

(iii) Closing rates

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

Foreign currency	30.06.2003	31.12.2002
	RM	RM
1 US Dollar	3.800	3.800
1 Australian Dollar	2.462	2.151
1 Euro	4.397	3.979
1 Sterling Pound	6.167	6.091
1 Singapore Dollar	2.189	2.193
100 Hong Kong Dollar	48.724	48.724
100 Italian Lira	0.232	0.205
100 Japanese Yen	3.238	3.207
100 Philippine Peso	7.190	7.098
100 Thai Baht	8.793	8.789

(k) Share capital

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

12. ACCOUNTANTS' REPORT (Cont'd)

DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)
Accountants' Report



**10.0 NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEET
 (CONTINUED)**

(l) Revenue recognition

Revenue is recognized upon delivery of products and customer acceptances, if any, or performance of services, net of sales taxes and discounts, and after eliminating revenue within the Group.

Revenue relating to technical support and management is recognized when the Group's right to receive payment is established.

Other revenues earned by the Group are recognized on the following bases:

- (i) Interest income and rental income
 - on a time proportion basis that reflects the effective yield on the assets.
- (ii) Dividend income
 - when the Group's right to receive payment is established.

(m) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognized as an expense in the financial period in which the associated services are rendered by the 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 recognized when the absences occur.

(ii) Defined contribution plans

The Group's and the Company's contribution to defined contribution plans, known as Employee Provident Fund ("EPF") are charged to the income statement in the financial period to which they related.

(n) Impairment of assets

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)***Accountants' Report***10.0 NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEET (CONTINUED)****(o) Financial instruments**

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

The particular recognition method adopted for financial instruments recognized 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.

11.0 FINANCIAL RISK AND MANAGEMENT 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:-

(i) 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 30 June 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.

(ii) Credit risk

The Group is exposed to credit risk mainly from trade receivables. These receivables are continually monitored to ensure that issues arising from non-collectibility are minimized. There were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(iii) Foreign currency exchange risk

The Group is exposed to foreign currency fluctuations as a result of sales and purchases transactions denominated in foreign currencies. The Group does not use derivative financial instruments to hedge its risk.

12. ACCOUNTANTS' REPORT (Cont'd)**DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)***Accountants' Report***11.0 FINANCIAL RISK AND MANAGEMENT POLICIES (CONTINUED)****(iv) Liquidity and cash flow risk**

The Group practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient liquidity and cash flow at all times.

12.0 PROPERTY, PLANT AND EQUIPMENT

The Group	Freehold land and buildings RM'000	Long term leasehold land and building RM'000	Gaming machines RM'000	Plant, machinery, fittings and equipment RM'000	Other assets* RM'000	Capital work in progress RM'000	Total RM'000
As at 30 June 2003							
Cost or valuation							
- Cost	-	84	12,841	102	3,094	3	16,124
- Valuation	4,394	1,600	-	-	-	-	5,994
	4,394	1,684	12,841	102	3,094	3	22,118
Accumulated depreciation							
- Cost	-	1	4,953	4	1,702	-	6,660
- Valuation	27	14	-	-	-	-	41
	27	15	4,953	4	1,702	-	6,701
Net book value							
- Cost	-	83	7,888	98	1,392	3	9,464
- Valuation	4,367	1,586	-	-	-	-	5,953
	4,367	1,669	7,888	98	1,392	3	15,417

* Other assets comprise furniture, fittings and equipment, motor vehicles and electrical installations.

	Net book value before Proceeds Utilisation RM '000	Addition RM '000	Net book value after Proceeds Utilisation RM '000
Property, plant and equipment	15,417	25,000	40,417

12. ACCOUNTANTS' REPORT (Cont'd)**DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)**
Accountants' Report**12.0 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Net book value of the freehold and long term leasehold lands and buildings had they been carried at cost less accumulated depreciation is as follows:-

	30.6.2003
	RM'000
Freehold land and buildings	4,135
Long term leasehold land and buildings	1,643
	<u>5,778</u>

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

A motor vehicle amounting to RM219,373 is held on trust and in the name of RGSB's Director.

Freehold and long term leasehold lands and buildings were revalued based on valuations carried out by external independent valuers as follows:-

Description of property	Name of firm	Name of valuer	Qualification	Basis of valuation
Freehold land and building	C H Williams Talhar & Wong Sdn Bhd	Mr Khoo Tiang Huat	MBA, FRICS, FISM, Chartered Surveyor, Registered Valuer	Open market value
Long term leasehold land and building	C H Williams Talhar & Wong Sdn Bhd	Mr Lee Eng Kow	B.Sc. (Hons) Estate Management, MISM Registered Valuer	Open market value
Freehold building	CB Richard Ellis (Pte) Ltd	Ms Sim Hwee Yan	B.Sc. (Est Man) Hons, MSISV	Open market value
	C H Williams Talhar & Wong Sdn Bhd	Mr Lee Eng Kow	B.Sc. (Hons) Estate Management, MISM Registered Valuer	

12. ACCOUNTANTS' REPORT (Cont'd)

DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)
Accountants' Report

**13.0 INVESTMENTS**

	The Group
	30.6.2003
	RM'000
Unquoted shares, at cost	<u>99</u>

Included in investments is an investment in an associated corporation amounting to RM95,380. The details of the associated corporation is as follows:-

Name	Country of incorporation	Company's effective interest 30.6.2003	Principal activity
Star RGB Corporation	Philippines	40%	Dormant

As at 30 June 2003, neither audited financial statements nor management financial statements are available for the disclosure of the effect if the equity method of accounting had been applied. However, the associated corporation is a dormant company as at 30 June 2003.

14.0 INVENTORIES

	The Group
	30.6.2003
	RM'000
At cost	
Gaming and amusement machines, coin and notes counting machines, binding machines and amusement machines	2,830
Spare parts, gaming and amusement accessories and table equipment	1,886
Inventories in transit	3,145
	<u>7,861</u>

15.0 OTHER RECEIVABLES AND DEPOSITS

	The Group
	30.6.2003
	RM'000
Other receivables	758
Advances paid to suppliers	5,345
Deposits	181
Prepayments	131
	<u>6,415</u>

16.0 FIXED DEPOSITS WITH LICENSED BANKS

The fixed deposits amounting to RM2,073,520 are pledged to a licensed bank as securities for the bank facilities granted to the Group.

12. ACCOUNTANTS' REPORT (Cont'd)**DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)***Accountants' Report***17.0 OTHER PAYABLES AND ACCRUALS**

	The Group 30.6.2003 RM'000
Advances received from customers	10,069
Other payables	389
Accruals	675
Deposits received	141
Interest payables	30
	<u>11,304</u>

18.0 BANK OVERDRAFTS

The bank overdrafts bear interest at rates ranging from 7.00% to 8.15% per annum and are secured on the same term and conditions as disclosed in term loans.

19.0 TERM LOANS

	The Group 30.6.2003 RM'000
Representing term loans	
- current	16
- non-current	70
	<u>86</u>

The term loans of the Group are repayable as follows:

- not later than 1 year	16
- later than 1 year and not later than 5 years	65
- later than 5 years	5
	<u>86</u>

The term loans are secured by freehold and leasehold properties as well as fixed deposits of the Group. Interest has been charged at the rate 7% per annum.

12. ACCOUNTANTS' REPORT (Cont'd)

DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)
Accountants' Report

**20.0 SHARE CAPITAL**

	Number of ordinary shares of RM0.10 each		Amount	
	The Company 30.6.2003 '000	The Group 30.6.2003 '000	The Company 30.6.2003 RM'000	The Group 30.6.2003 RM'000
Authorised	1,000	280,000	100	28,000
Issued and fully paid-up	*	280,000	*	28,000

* This represents RM2

21.0 CAPITAL COMMITMENT

	The Group 30.6.2003 RM'000
Capital expenditure not provided for in the proforma consolidated balance sheet is as follows :	
Authorised and contracted:	
- Property, plant and equipment	<u>8,000</u>

22.0 CONTINGENT LIABILITIES (UNSECURED)

- a) As at 30 June 2003, a corporate guarantee amounting to RM1,081,300 was given to a finance company for a leasing facility granted to RGB Games Sdn Bhd by RGSB.
- b) RGSB had given an undertaking to Mpumalanga Gaming Board, South Africa, on 26 November 1998 to provide funding for Magna Eden Sdn Bhd in respect of Magna Eden Sdn Bhd's investment in Magic Slot South Africa (Pty) Ltd, in relation to the South Africa slot gaming operations. As at to date, RGSB has not been requested to provide any funding whatsoever in respect of the above undertaking. As at 30 June 2003, the investment in Magic Slot South Africa (Pty) Ltd is RM241, being the amount subscribed by Magna Eden Sdn Bhd.

12. ACCOUNTANTS' REPORT (Cont'd)

DREAMGATE CORPORATION BHD. (COMPANY NO.: 603831-K)
Accountants' Report



23.0 EVENTS SUBSEQUENT TO BALANCE SHEET DATE OF 30 JUNE 2003

Subsequent to the balance sheet date, the following event had eventuated:

- a) On 12 August 2003, RGBL has invested USD2,998, equivalent to 96% of equity interest in RGB (Macau) Limited, a corporation incorporated in Macau SAR. As at to date, the corporation is still dormant.

Based on the audited financial statements for the financial period ended 30 June 2003, other than the above and the completion of the flotation scheme as referred in Section 1.3, no events have arisen subsequent to the balance sheet date which require disclosure in this report.

24.0 AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 30 June 2003.

Yours faithfully

Handwritten signature of UHY DIONG in black ink.

UHY DIONG
AF-1411
Chartered Accountants

Handwritten signature of KOAY THEAM HOCK in black ink.

KOAY THEAM HOCK
2141/04/05 (J)
Partner