
2. INTRODUCTION

This Prospectus is dated 19 December 2003.

A copy of this Prospectus has been registered with the SC and lodged with the ROC, who takes no responsibility for its contents.

Approvals from the KLSE have been obtained for admission to the Official List of the MESDAQ Market and for permission to deal in and for the listing of and quotation for the entire issued and fully paid-up DCB Shares including the Issue Shares that are the subject of this Prospectus. These DCB Shares will be admitted to the Official List of the MESDAQ Market and official quotation will commence after receipt of confirmation from MCD that all CDS accounts of the successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Any allotment made on an application to subscribe for securities in pursuance to the prospectus shall be void if the permission is not applied for in the form for the time being required by the KLSE before the third day on which the KLSE is open after the date of issue of the prospectus or the permission is not granted before the expiration of six weeks from the date of issue of the prospectus or such longer period as may be specified by the SC, provided that the applicant is notified by or on behalf of the KLSE within the six (6) weeks or such longer period as may be specified by the SC. Where permission has not been granted by the KLSE as mentioned above, DCB shall forthwith repay without interest all monies received from the applicant.

Pursuant to the Listing Requirements, the Company needs to have at least 25% but not more than 49% of the issued and fully paid-up share capital of the Company is held by a minimum number of 200 public shareholders (including employees of DCB Group), upon admission to the MESDAQ Market. DCB is expected to achieve this at the point of listing. However, in the event that the above requirement is not met pursuant to the Share Issues, DCB may not be allowed to proceed with the Listing. In the event thereof, monies paid in respect of all applications will be returned without interest.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act 1991, KLSE has prescribed DCB shares as a prescribed security. In consequence thereof, the Issue Shares offered through this Prospectus will be deposited directly with MCD and any dealings in these shares will be carried out in accordance with the aforesaid Act and the Rules of MCD. No share certificates will be issued to successful applicants.

To apply for the Issue Shares, an applicant should state his / her CDS account number in the space provided in the Application Form if he/she presently has such an account and he/she shall be deemed to have authorised MCD to disclose information pertaining to the CDS account to MIDFCCS and/or the Company for the purpose of crediting the Issue Shares allotted to him/her into his/her CDS account. In the case of Electronic Share Applications, only an applicant with a CDS account is eligible to utilise such a facility.

No person is authorised to give any information or to make any representation not contained herein in connection with the Share Issues and if given or made, such information or representation must not be relied upon as having been authorised by DCB and/or Aseambankers. Neither the delivery of this Prospectus nor any placement or public issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create an implication that there has been no change in the affairs of DCB or the Group since the date thereof.

2. INTRODUCTION (Cont'd)

The distribution of this Prospectus and the issuance of the Placement Shares and Public Issue Shares will not be registered under any possible securities legislation of any jurisdiction except Malaysia and DCB and Aseambankers take no responsibility for the distribution of this Prospectus and the sale of the Placement Shares and Public Issue Shares outside of Malaysia. This Prospectus does not constitute and may not be used for purpose of an invitation to subscribe for the Placement Shares and Public Issue Shares in any jurisdiction in which such invitation is not authorised or lawful or to any person to whom it is unlawful to make such an invitation. Persons into whose possession this Prospectus may come are required to inform themselves of and to observe such restrictions.

The Prospectus can also be viewed or downloaded from KLSE's website at www.klse.com.my.

If you are in doubt about any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers.

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3. PARTICULARS OF THE SHARE ISSUES

3.1 Opening and Closing of Application

The Application Lists will open at 10.00 am on 19 December 2003 and will remain open until 5.00 pm on 29 December 2003 or for such further period or periods as the Board together with the Managing Underwriter, in their absolute discretion may decide.

3.2 Special Events

EVENTS	DATE	DAY
Opening of application for the Share Issues	: 19 December 2003	Friday
Closing of application for the Share Issues	: 29 December 2003	Monday
Tentative balloting date of application for the Share Issues	: 2 January 2004	Friday
Tentative allotment date	: 8 January 2004	Thursday
Tentative listing date	: 13 January 2004	Tuesday

The application period will remain open until 5.00 pm on 29 December 2003 or for such further period or periods as the Board together with the Managing Underwriter, in their absolute discretion may decide. Should the application period be extended, the dates for the balloting and allotment of the Public Issue Shares and the Listing would be extended accordingly. Any extension of the application period will be notified to the investing public via announcement in widely circulated English and Bahasa Malaysia newspapers.

3.3 Number and Type of Securities to be Issued

(i) Authorised and Issued Share Capital

	RM
<i>Authorised</i>	
500,000,000 DCB Shares	<u>50,000,000</u>
<i>Issued and Fully paid-up</i>	
20 DCB Shares	2
205,571,980 new DCB Shares issued pursuant to the Acquisitions	20,557,198
63,000,000 new DCB Shares to be issued pursuant to the Placement	6,300,000
11,428,000 new DCB Shares to be issued pursuant to the Public Issue	1,142,800
	<u>28,000,000</u>

3. PARTICULARS OF THE SHARE ISSUES (Cont'd)

(ii) **Issue Price**

Issue Price RM0.50

(iii) **Status of the Issue Shares**

There is only one class of shares in the Company, namely, ordinary shares of RM0.10 each, all of which rank *pari passu* with one another. The Placement Shares and Public Issue Shares will rank *pari passu* in all respects with the other existing issued and fully paid-up ordinary shares of the Company including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of this Prospectus.

Subject to any special rights attaching to any shares which may be issued by the Company in the future, the holders of ordinary shares in the Company shall, in proportion to the amount fully paid-up on the ordinary shares held by them, be entitled to share in the whole of the profits paid out by the Company as dividends, distributions and the whole of any surplus in the event of liquidation of the Company in accordance with its Articles of Association.

Each ordinary shareholder shall be entitled to vote at any general meeting of the Company in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy or attorney of a shareholder shall have one vote, and, on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one vote for each ordinary share held.

3.4 Details of the Share Issues

The Share Issues of 74,428,000 DCB Shares at the Issue Price is payable in full on application upon such terms and conditions as set out in this Prospectus. The Share Issue represent 26.58% of the enlarged issued and fully paid-up share capital in DCB.

The Share Issues will be allocated in the following manner:

(i) **Eligible Directors and Employees**

6,000,000 ordinary shares of the Public Issue Shares representing 2.14% of the enlarged issued and fully paid-up share capital of DCB will be made available for application by the three (3) eligible Directors and forty (40) eligible employees.

The criteria for allocation of the Public Issue Shares to be made available for application by the Eligible Directors and Employees is based on job position, performance and length of service. The Eligible Directors and Employees will be allocated shares as follows:

Name	Number of DCB Shares allocated
Eligible Directors	
Chuah Poh Aun	30,000
Lim Tow Boon	2,900,000
Wong Chee Fai	1,400,000
Eligible Employees	1,670,000
TOTAL	6,000,000

3. PARTICULARS OF THE SHARE ISSUES *(Cont'd)*

(ii) **Malaysian Public**

5,428,000 ordinary shares of the Public Issue Shares representing 1.94% of the enlarged issued and fully paid-up share capital of DCB will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions of which at least 30% is to be set aside strictly for Bumiputera individuals, companies, societies, co-operatives and institutions.

(iii) **Placees Identified by the Placement Agent**

63,000,000 Placement Shares representing 22.50% of the enlarged issued and fully paid-up share capital of DCB will be reserved for placees to be identified by the Placement Agent.

The Public Issue Shares under paragraph (i) above and the Placement Shares under paragraph (iii) above will not be underwritten. Any Public Issue Shares not subscribed by Eligible Employees will be fully undertaken by Hasmah@Zamariah Bt. Ismail.

All the Public Issue Shares under paragraph (ii) have been fully underwritten by the Underwriters.

3.5 **Basis of Arriving at the Issue Price**

The Issue Price was determined and agreed upon by the Company, Aseambankers and Underwriters based on various factors after taking into account the following:

- (a) The qualitative and quantitative factors as set out in Sections 4, 5, 6, 7, 11 and 14 of this Prospectus including the future plans and prospects of the Group; and
- (b) The proforma consolidated NTA per share of DCB as at 30 June 2003 (after adjusting for the Share Issues).

3.6 **Purposes of the Share Issues**

The purposes of the Share Issues are as follows:

- (i) to grant DCB access to the capital markets to source funds for its current and future R&D projects;
- (ii) to enable DCB Group to source funds to finance the future expansion and continued growth of the DCB Group;
- (iii) to provide an opportunity for the Eligible Employees and Malaysian investing public to participate in the continuing growth of the Company;
- (iv) to provide additional funds to meet the present and future working capital requirements of DCB Group; and
- (v) to obtain listing of and quotation for the entire enlarged issued and fully paid-up share capital of DCB on the MESDAQ Market.

3. PARTICULARS OF THE SHARE ISSUES (Cont'd)

3.7 Proposed Utilisation

The Placement Issue and Public Issue will raise RM31,500,000 and RM5,714,000, respectively, which shall accrue to the Company. The total gross proceeds of RM37,214,000 arising from the Share Issues will be utilised as follows:

Details of Utilisation	Note	Amount of Proceeds RM'000	Time frame for utilisation		
			Within 12 months RM'000	Within 13 to 24 months RM'000	Within 25 to 36 months RM'000
Purchase of plant and machinery	i	4,000	1,160	1,012	1,828
R & D	ii	5,000	704	1,690	2,606
Overseas expansion	iii	15,000	13,000	2,000	-
Regional Trade Mark Registration	iv	1,000	500	500	-
Advertising, promotion and branding	v	3,000	1,000	1,000	1,000
Listing expenses	vi	3,000	3,000	-	-
Working capital	vii	6,214	500	1,432	4,282
Total Proceeds		37,214	19,864	7,634	9,716

Notes:

- (i) *The Group proposes to purchase additional machines and equipments for manufacturing and assembly and to enhance the operational efficiency at the factory located in the Prai Industrial Area. The equipment purchased is expected to enhance and improve the existing process on reconditioning and refurbishment of new and used machines. As such, the fully equipped factory is expected to increase production efficiency. The equipments will help to semi-automate the process of refurbishment of the used machine and to improve new machines.*

In the next 36 months upon receipt of the proceeds from the Listing, DCB has the intention to purchase commercial vehicles, tools and equipment, mainly for the usage of the factory as mentioned above.

- (ii) *The Group intends to strengthen its business by further enhancing and expanding its R&D center and focus on emerging technology to compliment existing activities and products. Areas of interest are jackpot display technology using Liquid Crystal Display, Plasma and other emerging technology. The Group is also allocating resources and equipments to develop gaming software which is the core of gaming machines.*

3. PARTICULARS OF THE SHARE ISSUES (Cont'd)

- (iii) *Within the next 36 months, DCB has the intention to embark in various projects and venture into overseas markets namely in Macau SAR, Vietnam, Laos, Cambodia and Philippines for technical support and management of gaming and amusement machines to generate additional revenue to the Group. The Group has setup a regional office in Macau SAR. The Group continuously carries out expansionary plans to seek for new business ventures as well as upgrading of its existing machines placed overseas to ensure that its machines continuously remain competitive and in the best position to enhance growth and ensure good earnings are being made for the Group.*

Many of the gaming establishments in Cambodia, where the Group have supplied technical support and management services, are carrying out aggressive expansion programs. Being one of the major suppliers of gaming and amusement products and services, the Group has been entrusted to participate in these programs by opening up new areas within these establishments and also upgrade its machines to ensure that only contemporary games and technologies are used at these places.

To remain competitive, DCB Group needs to continuously improve on the machines selection and entertainment value that the machines provide. The resources for pursuing overseas expansions are vital for DCB to enable it to capture the opportunities available in the South East Asia and South Asia.

- (iv) *DCB intends to register trademarks in markets that have active demand for DCB products and services under various brand names. DCB has made various trademark application to register its brand names in Malaysia. With the registration of its brand names, DCB would be able to actively promote its brands in Malaysia, Singapore and various other markets in which DCB currently has established presence. DCB is expecting higher revenue to be generated as a result of its promotions*
- (v) *DCB intends to get actively involved in branding, advertising and promotional activities as stated below:*
- a. Advertising in trade magazines;*
 - b. Trade mission in Malaysian External Trade Development Corporation (MATRADE);*
 - c. Trade exhibitions/ road-shows in the Asia Pacific region;*
 - d. To organise and participate in conferences related to the industry;*
 - e. Product launching and training to be provided to its customers;*
 - f. Upgrade of showroom in DCB's headquarters in Malaysia as well as the establishment of a new showroom in the regional office in Macau SAR; and*
 - g. Marketing novelties for customers.*
- (vi) *The Company shall bear all expenses such as brokerage, placement fees and underwriting commission and registration fee relating to the Share Issues together with all other expenses and fees incidental to the Listing estimated at RM3 million.*

The estimated listing expenses of RM3,000,000 are set out as follows:

	To be borne by DCB RM
<i>MESDAQ listing fees⁽¹⁾</i>	<i>35,000</i>
<i>Prospectus lodgement fee with ROC</i>	<i>500</i>
<i>Prospectus registration fee with SC</i>	<i>5,000</i>
<i>SC processing fee⁽²⁾</i>	<i>44,000</i>
<i>Issuing house, Registrar's fee, Translation fee</i>	<i>150,000</i>

3. PARTICULARS OF THE SHARE ISSUES (Cont'd)

	To be borne by DCB RM
<i>Advertisement and Public Relations Expense(s)</i>	<i>100,000</i>
<i>Printing of Prospectus, application forms, envelopes and share certificates</i>	<i>500,000</i>
<i>Professional advisory fees</i>	<i>1,000,000</i>
<i>Underwriting commission ⁽³⁾</i>	<i>54,280</i>
<i>Brokerage fee ⁽⁴⁾</i>	<i>57,140</i>
<i>Placement fee ⁽⁵⁾</i>	<i>630,000</i>
<i>Contingencies⁽⁶⁾</i>	<i>424,080</i>
Total	3,000,000

Notes:

- (1) *Admission Fee for MESDAQ Market:*
Processing fee of RM30,000
Initial Listing Fee of RM2,500
Annual Listing Fee for MESDAQ Market of RM2,500
Total MESDAQ Listing Fees is RM35,000
- (2) *Nominal amount + 0.05% of total issue of securities*
 $RM30,000 + (0.05\% \times 28,000,000) = RM44,000$
- (3) *2.0% of the amount of underwritten*
 $2.0\% \times 5,428,000 \text{ Public Issue Shares} \times RM0.50 \text{ per DCB Share} = RM54,280$
- (4) *1.0% of the value of Public Issue Shares*
 $1.0\% \times 11,428,000 \text{ Public Issue Shares} \times RM0.50 \text{ per DCB Share} = RM57,140$
- (5) *2.0% of the value of Placement Shares*
 $2\% \times 63,000,000 \text{ Placement Shares} \times RM0.50 \text{ per DCB Share} = RM630,000$
- (6) *Any other incidental or related expenses in connection with the Listing*
- (vii) *Working capital is expected to increase in the next 36 months upon DCB's receipt of proceeds from the Listing to fund business growth and operating expenses.*

3.8 Underwriters

The names of the underwriters are as follows:

Managing Underwriter : Aseambankers Malaysia Berhad (15938-H)

Underwriters : Mayban Securities Sendirian Berhad (165630-M)

MIDF Sisma Securities Sdn Bhd (423833-U)

Hwang-DBS Securities Berhad (14389-U)

3. PARTICULARS OF THE SHARE ISSUES *(Cont'd)*

3.9 Salient Terms of the Underwriting Agreement

An underwriting agreement was entered into between the Company and the Underwriters, namely Aseambankers, MIDF Sisma Securities Sdn Bhd, Maybank Securities Sendirian Berhad and Hwang-DBS Securities Berhad on 20 November 2003 wherein the Underwriters agreed to underwrite the 5,428,000 Public Issue Shares ("Underwritten Shares") at an underwriting commission of 2.0% of the Issue Price.

In accordance with the Underwriting Agreement, upon any material breach of the warranties or representations, or any material failure to perform any of the agreements or undertakings or any change rendering any of the said warranties, representations or agreements inaccurate in a material respect coming to the notice of the Underwriters or any of them prior to the closing date of the Listing, the Underwriters or any of them shall be entitled by notice to the Company to elect to treat such breach, failure or change as releasing or discharging the Underwriters or any of them from their respective obligations under the Underwriting Agreement.

The following salient terms are extracted from the Underwriting Agreement and the following capitalised terms used in this section shall have the respective meanings as ascribed thereto in the Underwriting Agreement and references to:

- "Closing Date" means the last date for receipt of applications and payment for the Underwritten Shares being a date which shall within seven (7) business days from the date of the issuance of this Prospectus or such other date as the Company and the Underwriters may mutually agree.
- "Public Issue" means the 74,428,000 ordinary shares of RM0.10 each in the Company that are offered for subscription at an issue price of RM0.50 per share.
- "Parties" or "Party" means the Company, the Managing Underwriter and the Underwriters and such one of them as the case may be and includes their respective successors-in-title and permitted assigns.

Clause 5 - Force Majeure

Notwithstanding anything herein contained the Underwriters shall be entitled to terminate their obligations under this Agreement at any time with a notice in writing delivered to the Company on the occurrence of all or any of the matters stated in this Clause 5 on or before the Closing Date if the success of the Public Issue is, in the opinion of the Underwriters (whose opinion is final and binding), seriously jeopardised by:

- (i) *any Government regulation or other occurrence of any nature whatsoever which in the opinion of the Underwriters (whose opinion is final and binding) seriously affects or will seriously affect the business and/or financial position of the Company;*
- (ii) *any change or any development involving a prospective change in national or international monetary, financial (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates as would in the reasonable opinion of the Underwriters prejudice materially the success of the Public Issue and its distribution or sale (whether in the primary or in respect of dealings on the secondary market); or*

3. PARTICULARS OF THE SHARE ISSUES (Cont'd)

- (iii) *any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, which in the opinion of the Underwriters have or is likely to have a material adverse effect on the condition, financial or otherwise, or the earnings, business affairs or business prospects (whether or not arising in the ordinary course of business) of the Company; or*
- (iv) *any event or series of events beyond the reasonable control of the Underwriters (including without limitation acts of government, strikes, lockouts, fire, explosion, flooding, civil commotion, acts of war, sabotage, acts of God or accidents) which has or is likely to have the effect of making any material part of this Agreement incapable of performance with its terms or which prevents the processing of application, crediting of accounts and/or payments pursuant to the Public Issue or pursuant to the underwriting hereof; or*
- (v) *the imposition of any moratorium, suspension or material restriction on trading in securities generally in the KLSE due to exceptional financial circumstances or otherwise.*

On delivery of such a notice by any of the Underwriters to the Company and confirmation of such a notice by facsimile or by hand, this Agreement shall be terminated and the obligations of the Underwriters under this Agreement shall be discharged accordingly and none of the parties herein (except for the liability of the Company to bear all the cost and expenses incurred under this Agreement including but not limited to those stated in Clause 7.3 hereof and/or any antecedent breaches) shall have any claim against each other.

Clause 7.3 - Costs

The Company shall bear and pay the Underwriting Commission, and all costs, charges and expenses of and incidental to the negotiation, preparation, execution, stamping and enforcement of this Agreement. The Company shall further pay all brokerage fees, transfer fees, printing and publishing charges and all other cost and expenses of and incidental to the Public Issue for the listing of and quotation for the Issue Shares on the MESDAQ Market of the KLSE, including the costs and charges that may be incurred in the registration of such number of the Underwritten Shares allotted to the Underwriters or their nominees in the denominations requested by the Underwriters, and in connection with the proposed and eventual listing or the maintenance of the listing for the Issue Shares if any.

The Company also agrees to:-

- (i) *reimburse the costs and expenses of the Underwriters and travelling, telex, cable, telephone and postage expenses, in connection with the Issue Shares; and*
- (ii) *to bear or pay the fees of the Company's legal advisers, its auditors and such other professional advisers as may be necessary in connection with the Issue Shares.*

3.10 Brokerage, Underwriting and Placement Fees

Brokerage is payable by the Company in respect of the Public Issue Shares at the rate of 1% of the Issue Price in respect of successful applicants bearing the stamps of Aseambankers, ADAs which are member companies of KLSE, members of the Association of Banks in Malaysia, members of the Association of Merchant Banks in Malaysia or MIDFCCS.

The Underwriters as mentioned earlier in this Prospectus have agreed to underwrite the 5,428,000 Public Issue Shares to be subscribed by the Malaysian Public. Underwriting Commission relating to the Public Issue Shares to be underwritten is payable by the Company at the rate of 2% of the Issue Price.

3. PARTICULARS OF THE SHARE ISSUES (Cont'd)

Any Public Issue Shares not subscribed by the Eligible Employees will be fully undertaken by Hasmah@Zamariah Bt. Ismail.

The Placement Agent will arrange for the placement of 63,000,000 new DCB Shares at the rate of 2% of the Issue Price for DCB Shares successfully placed out by the Placement Agent.

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4. RISK FACTORS

Prior to making an investment decision, potential investors should carefully consider the following risk factors in addition to all other relevant information contained elsewhere in this Prospectus, before making an application.

4.1 Risks Relating to the Issue Shares

4.1.1 No Prior Market for DCB Shares

Prior to the Share Issues, there has been no public market for DCB Shares and there can be no assurance regarding the future development of the market for the DCB Shares. The Issue Price has been determined after taking into consideration a number of factors, including but not limited to the Group's financial and operating history and standing, the future prospects of the Group and the industries in which the Group is involved, the NTA of the Group, and the prevailing market conditions at the time of application to the MESDAQ Market and the SC for the Listing.

There is no assurance that the Issue Price will correspond to the price at which DCB Shares will trade on the MESDAQ Market upon or subsequent to its listing or that an active market for DCB Shares will develop and continue upon or subsequent to its Listing.

4.1.2 Delay in or Abortion of Listing

The occurrence of any one (1) or more of the following events may cause delay in or abortion of the Listing:

- (i) the Placees fail to subscribe for the portion of the Placement Shares to be placed to them;
- (ii) the Underwriter exercises its rights pursuant to the Underwriting Agreement and discharges itself from its obligations thereunder; or
- (iii) DCB is unable to meet the public spread requirement, that is, at least 25% but not more than 49% of the issued and fully paid-up share capital of the Company is held by a minimum number of 200 public shareholders (including employees of DCB Group).

Although the Board will endeavour to ensure compliance by DCB of the various listing requirements, including inter-alia, the public spread requirement imposed by the KLSE for the listing, no assurance can be given that the abovementioned events will not occur and cause delay in or abortion of the Listing.

4.1.3 Control by the Promoters and Substantial Shareholders

Upon completion of the Share Issues, the Promoters and Substantial Shareholders, namely Chuah Poh Aun, Datuk Chuah Kim Seah, Chuah Kim Heng, Chuah Kim Chiew and GJSB, will collectively control approximately 73.42% of the enlarged issued and fully paid-up share capital of DCB after the Share Issues.

These controlling shareholders of DCB will be able to control the outcome of certain matters requiring the votes of the Company's shareholders unless they are required to abstain from voting and deliberating by law and/or the relevant authorities.

4. RISK FACTORS *(Cont'd)*

4.2 Risks Relating to DCB

4.2.1 Business Risks

The performance of the Group is subject to general business risk as well as specific risks in relation to the IT and corporate services operations as follows:

4.2.1.1 Competition

The DCB Group faces competition from the existing players in the supply of gaming machines and equipment industry. Currently, there are ten (10) players in the supply of gaming machines and equipment in Peninsular Malaysia, some of which hail from foreign companies with many years of experience.

In order to mitigate this risk, the Group has been constantly seeking ways to expand and enhance the range of products and services to meet the changing trends of demand. Innovation through R&D activities is an essential aspect of the industry and therefore the Group will continue to focus its current and new R&D activities as disclosed in Sections 5 and 7 of this Prospectus.

Generally, the legislations in place, namely the Lotteries Act 1952 (Act 288) and Lotteries (Registration and Licensing of Gaming Machines) Regulation 1973, is restrictive towards new entrants into the industry as MOF does not envisage granting any more new licenses for dealing in gaming machines and equipment. For further information, please refer to Section 5.7.3.1 herein.

Competition from new players can be deemed as low as a result of certain level of capital outlay (such as set up and R&D costs) and the need for adequate expertise and skills. The industry can be said to be one that is highly specialised and requires players to possess the relevant advanced technological know-how in order to keep ahead of competition and survive.

(Source : Assessment of the Gaming Machine and Equipment Industry Report prepared by Vital Factor Consulting Sdn Bhd)

Whilst DCB will continue to take effective measures to remain competitive and maintain DCB Group's existing market position, no assurance can be given that the Group will be able to maintain its existing market share in the future.

4.2.1.2 Substitute Products and Services

Online gaming is a substitute product to traditional gaming machines, either stand alone or configured as a system of linked gaming machines. With online gaming, players only require general purpose personal computers with attached network cards or modems to access a variety of gaming facilities. In fact, online gaming provides players with the full range of gaming facilities including gaming machines, table games, lotteries and wagers. In online gaming, bets or wagers would either be in the form of game credits or through use of credit cards.

4. RISK FACTORS (Cont'd)

Online gaming is currently not permitted in Malaysia. However, it is difficult to police such activities if the service provider is outside Malaysia and there can be no assurance that online gaming will continue to be impermissible in Malaysia in the future.

(Source : Assessment of the Gaming Machine and Equipment Industry Report prepared by Vital Factor Consulting Sdn Bhd)

4.2.1.3 Dependence on Certain Customers and Suppliers**(a) Dependence on Certain Customers**

The Group does not depend on one customer for business. Its clientele base is vast and diverse.

For the financial year/ period ended 31 December 2002, revenue from the top 20 customers of the Group amounted to RM37.5 million, representing 87.9% of the Group's total revenue. The remaining 12.1% of the revenue was spread across approximately 50 customers.

For the financial year/ period ended 31 December 2002, revenue from the Group's top customer accounted for approximately RM5.2 million, representing 12.3% of the Group's revenue. This customer has been with the Group for approximately 5 years.

The next single largest customer, accounted for approximately 12.2% of the Group's total revenue and this customer has been dealing with the Group for approximately 3 years.

Although the top two customers represented 24.5% of the Group's total revenue, over dependency is somewhat mitigated by long term management contracts as the top customer has an on-going five-year contract renewed for the next five years starting from 11 February 2000 whereas the second largest customer also has a five-year contract renewed for the next five years starting from 30 January 2001.

The Group's third largest customer for the financial year/period ended 31 December 2002, accounted for 10.6% of total revenue. Over dependency on this customer is somewhat mitigated by the fact that the customer has been with the Group for approximately 10 years. The long-term business relationship implies a satisfactory and beneficial customer-supplier relationship and this forms the basis for continuing business relationship.

Approximately 55% of the Group's top 20 customers have been with the Group for three or more years. Furthermore, eight out of 20 customers have been with the Group for five or more years.

(Source : Business Information of Dreamgate Corporation Bhd Report prepared by Vital Factor Consulting Sdn Bhd)

4. RISK FACTORS (Cont'd)

(b) Dependence on Certain Suppliers

Purchases from the DCB Group's top 20 suppliers, amounted to RM21.1 million represented 91.4% of total purchases for the financial year/period ended 31 December 2002. For the financial year/period ended 31 December 2002, the largest supplier for the Group accounted for 19.2% of the total Group purchases. This was mainly for the supply of gaming machines. Over dependency on this supplier is somewhat mitigated by the fact that the supplier has been with the Group since it started in 1988. The long-term relationship amounting to approximately 15 years indicates the strong and mutually beneficial relationship enjoyed by both parties. As such, this would provide the basis for a continuing business relationship. In addition, the Group has a contractual agreement with its supplier, which would ensure continuous supply to the Group. The contract is currently in the process of being renewed.

The second largest supplier accounted for 13.2% of the Group's total purchases for the financial year/period ended 31 December 2002. This is also mainly for purchase of gaming machines.

The third largest supplier accounted for 7.8% of the Group's total purchases. However, contractual agreement is currently under negotiation. The Group has also obtained distribution contractual agreement with another party to ensure continuity in supply of gaming machines till December 2003, which is subject to renewal.

The Group's over dependency on its core product of gaming machines is somewhat mitigated by the fact that 55% of its top 20 supplier are suppliers of gaming machines. This gives the Group significant leeway to source alternative supply of gaming machines to reduce over dependency if such situation arises. In addition, 11 out of its top 20 suppliers have been dealing with the Group for three or more years. This indicates some stability in the Group's supply of gaming and amusement products.

(Source : Business Information of Dreamgate Corporation Bhd Report prepared by Vital Factor Consulting Sdn Bhd)

However, no assurance can be given that any future change in the relationship between customers/suppliers will not have a material impact on the Group's business.

4.2.1.4 Rapid Changes in Technology

The gaming industry is characterised by rapid changes in gaming technology and system, customer demands and evolving industry standards. The Company's continuous success is dependent on its ability to address these factors promptly. These risks are mitigated by the development of technical expertise through the Company's R&D efforts.

4. RISK FACTORS *(Cont'd)*

In addition to dependence on in-house research, DCB Group keeps abreast of the latest technology by sending its management staff abroad to attend international trade fairs and meetings with leading international corporations in order to remain at the forefront of technology and local competition.

(Source : Business Information of Dreamgate Corporation Bhd Report prepared by Vital Factor Consulting Sdn Bhd)

There can however, be no assurance that any rapid change in technology in the future will not have a material impact on the Group's business.

4.2.1.5 Financial Undertaking

RGBSB had given an undertaking to Mpumalanga Gaming Board, South Africa, 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 gaming operations. The undertaking was part of the requirements of the Mpumalanga Gaming Board for obtaining a gaming license in South Africa. To-date, RGBSB has not been requested to provide any funding whatsoever in respect of the above undertaking. As at 8 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.

However, there can be no assurances that in the future, RGBSB would not be requested to provide funding in respect of this undertaking. To mitigate this, in the event that RGBSB would be required to provide funding, to the extent that it would materially affect RGBSB's financial position, as shall be determined by the Board, the Board shall divest RGBSB's interest in Magna Eden Sdn Bhd notwithstanding that Mpumalanga Gaming Board may revoke the gaming license of Magic Slots South Africa (Pty) Ltd. The management will take all measures to ensure that the undertaking will not materially affect RGBSB's financial position including divestment of its interest in Magna Eden Sdn Bhd and withdrawal of its gaming license to prevent the liability from the undertaking from crystallising.

4.2.2 Changes to General Economic, Political, Legislative, Business and Credit Conditions

As with any other company, the performance of the DCB Group is subject to the overall economic, political, legislative, business and credit conditions both domestically and internationally.

4.2.2.1 Political and Economic Considerations

Adverse developments in the political and economic conditions in Malaysia and overseas could unfavourably affect the financial prospects of the Group. Other political and economic uncertainties that could unfavourably affect the Group include war, expropriation, nationalisation, global economic downturn as well as changes in interest rates, foreign exchange rates, methods of taxation, tariffs and duties. Whilst DCB Group will continue to take effective measures such as prudent financial management and efficient operating procedures, there is no assurance that adverse political and economic factors will not materially affect the Group.

4. RISK FACTORS (Cont'd)

4.2.2.2 Government Control or Regulation

(a) Local Markets

The gaming machines and equipment industry is regulated by MOF and apply to both organisations that operate and deal in gaming machines and equipment. Operators also have to abide by the entertainment regulations, which are primarily the jurisdiction of the state or territory and local council. Any changes in legislation and policies would have a direct impact on organisations within the gaming machines and equipment industry.

Despite this, the gaming machine and equipment, as well as the entertainment industries are both like any other businesses and contribute positively to the economic well being of the nation. As such, any changes in regulations and policies would most likely take this into consideration and not harm the overall economic well being of the industries.

(Source : Assessment of the Gaming Machine and Equipment Industry Report prepared by Vital Factor Consulting Sdn Bhd)

However, no assurance can be given that any future regulations or introduction of new regulations by local government or MOF will not have a material impact on the Group's business.

(b) Overseas Markets

In virtually all overseas markets, the gaming industry in general and gaming machine and equipment industry in particular are highly regulated. Any negative changes in government legislations and policies in overseas markets could have implications on the success of Malaysian organisations in exporting their products and services.

Recent trends, particularly in some Asian countries, is experiencing increased deregulations and liberalisation as opposed to tightening of regulations. These are evident in, among others, Macau SAR, Cambodia, India, Singapore, Vietnam and Philippines.

(Source : Assessment of the Gaming Machine and Equipment Industry Report prepared by Vital Factor Consulting Sdn Bhd)

However, no assurance can be given that any future regulations or introduction of new regulations will not have a material impact on the Group's business.

4. RISK FACTORS (Cont'd)

4.2.2.3 Financial Risk

DCB Group finances its operations using banking facilities such as overdraft, letters of credit and term loans. As at 8 December 2003, (being the latest practicable date at which such amount could be calculated prior to the date of this Prospectus), the total bank facilities of the Group amounted to approximately RM22 million, of which short term loan of RM6,215,116 and the long term loan of RM61,842 have been utilised.

Save as disclosed above and in Sections 1.13 and 11.5 of this Prospectus, DCB Group does not have any other bank borrowings, hire purchase or commitments on guarantees.

To mitigate these risks, the Group continuously evaluates new market instruments that are capable of hedging the Group position against adverse movements in the financial markets.

(a) Borrowings

Save as disclosed in Section 11 of this Prospectus, the Group does not have any other borrowings and indebtedness in the form of borrowings, including bank overdraft and liabilities under acceptances, hire purchase or commitments or guarantees.

(b) Covenants on Borrowings

In view of the restrictive covenants, the DCB Group has obtained written consents from the respective bankers that they consent to the change in shareholdings of the respective member companies of the DCB Group in relation to the Listing.

4.2.2.4 Future Growth

In order to achieve the Group's growth targets as set out in the Five Year Business Plan in Section 7 of this Prospectus, the Board will adopt an aggressive sales and business development plan. The Group's proposed future plan and prospects, among other things, depends on the Group's ability to enter into new markets on a timely basis; hire and retain skilled management, financial, technical and marketing personnel; successfully manage growth including monitoring operations and controlling costs and obtain adequate financing when required.

There can, however, be no assurance that the Group will be able to successfully implement its business plan or that unanticipated expenses, problems or technical difficulties will not occur which would result in material delays in the implementation of or deviation from the original plans.

It is also the Board's opinion that the net proceeds from the Share Issues, together with cash flow from operations and other existing sources of liquidity will be sufficient to meet the Group's projected requirements as detailed in the Group's proposed utilisation plan in Section 3.7 of this Prospectus.

4. RISK FACTORS *(Cont'd)*

4.2.2.5 Foreign Exchange Risks

The Group's overseas sales and purchases comprise approximately 70% and 88% of the Group's total sales and purchases respectively for the FYE 31 December 2002. Due to the Group's transactions in foreign currencies, mainly in USD, it is therefore subject to foreign exchange fluctuations. The fixed exchange rate at RM3.80/USD1.00 imposed by the Malaysian Government on 1 September 1998 mitigates the foreign exchange risk. However, there can be no assurance that the exchange rate peg will remain or that further foreign exchange fluctuations will not adversely affect the Group.

4.2.3 Dependence on Key Personnel

DCB Group believes that its continued success will depend on the skills, abilities, experience, competency and continued efforts of its Board and management team. The loss of any member of the Board and senior management would certainly be a loss of a source of experience, knowledge and impetus to the Group.

With that in mind, DCB Group will emphasise on grooming the younger members of the management to gradually assume more responsibilities through its succession plans and continuous on-the-job training and at the same time ensuring a competitive remuneration package to attract and retain skilled personnel. In addition, the loss of key management is mitigated by the fact that a number of the key management personnel are also shareholders and / or promoters of DCB whilst the rest have been allocated with shares pursuant to the Public Issue.

4.2.4 System disruption

The R&D effort of the DCB Group are based on various software and are vulnerable to system disruption which will result in among others potential data loss and downtime. The Group has a formalised data backup and retrieval procedures to counter the effects of such a risk. Data is backed up on a daily basis at the end of the working day into a tape storage system, which is accessible when required. The working computer terminals are supplied with an additional uninterruptible power supply system.

However, notwithstanding the existence of these procedures, there can be no assurance that the occurrence of a system disruption will not have a material impact on the operations of the Group.

4.2.5 Breakout of fire and other emergency

Breakout of fire can affect the manufacturing capabilities of DCB Group. To mitigate this risk, management has ensured adequate fire-fighting equipments and fire prevention policies in the workplace.

However, notwithstanding the existence of these procedures, there can be no assurance that the occurrence of such crisis will not have a material impact on the operations of the Group.

4. RISK FACTORS *(Cont'd)*

4.2.6 Adequacy of insurance coverage on assets

The Group believes that it has adequate insurance coverage on its business operations. Although the Group periodically reviews its insurance coverage on a regular basis to ensure adequacy, there can be no assurance that the coverage would be adequate for the replacement cost of the assets or any consequential loss arising there from.

4.2.7 Dependence on Protection of Intellectual Property

Currently the majority of Group's products are based on third parties' proprietary software, machines, equipment, accessories and parts. As such, the intellectual properties of these products reside with third parties and not with the Group. Many of these products are also sold under the third parties' brand names or trademarks. However, the Group is currently undertaking R&D to develop proprietary software in gaming and support application software.

With these proprietary software, the Group would later be able to implement them in its in-house assembled gaming and amusement machines, as well as resell them to other suppliers and service providers.

In respect of the design and development of networked gaming systems, the Group has the intellectual and technical knowledge to network gaming machines together with a cumulative jackpot. This has been successfully undertaken for local and overseas customers.

(Source : Business Information of Dreamgate Corporation Bhd Report prepared by Vital Factor Consulting Sdn Bhd)

The Group's success in its operations depends on its ability to protect its trade secrets and intellectual properties, thereby maintaining its competitive edge. However, there is no assurance that unauthorised parties will not attempt to copy the intellectual property and use information, which the Group considers as its trade secrets. The Group's systems and equipment are either developed in-house or sourced externally. To mitigate these risks, the Group emphasises on confidentiality and copyright protection measures to preserve its intellectual property rights. In addition, applications have been made to the Registry of Trademarks pursuant to the Trademarks Act, 1976 for this purpose.

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4. RISK FACTORS *(Cont'd)*

4.2.8 Revocation and Non-renewal of Licences

The gaming machines and equipment industry is highly regulated where organisations supplying products must be licensed by MOF. As such, revocation or non-renewal of licences would serve as a threat to organisations within the gaming machines and equipment industry.

Despite this, clauses for revocation and non-renewal are set out in the relevant acts and regulations. As long as organisations within the gaming machines and equipment industry comply with all requirements as well as exercise corporate citizenship, their licences would not be unreasonably revoked or not renewed. As such, the threat from revocation or non-renewal is mitigated by strict compliance with the licensing terms and conditions.

(Source : Assessment of the Gaming Machine and Equipment Industry Report prepared by Vital Factor Consulting Sdn Bhd)

However, no assurance can be given that a revocation and/or non-renewal of licenses in the future will not have a material impact on the Group's business.

4.2.9 Imports from AFTA Member Countries and Low Cost Countries

The implementation of AFTA in 2003 would reduce import tariffs to 5% or less for gaming machines and equipment with more than 40% local content from member countries of AFTA. Cheaper imports could increase the intensity of competition within the local gaming machines and equipment industry.

In addition, cheaper imports can also come from other countries, for example China. The admission of China into the World Trade Organisation has made it a major force of low priced products.

One of the key success factors for local suppliers is the ability to provide significant value-adding, such as technical support and maintenance, customisation and prompt customer care. Lower prices alone would not likely be sufficient to win market share. In addition, reputation and established brand names are also important to buyers within the gaming machines and equipment industry because of the stringent regulations. As such, price alone is insufficient to make a major impact. Any new gaming machines and equipment that comes into the Malaysian market must be distributed through licensed organisations. In addition, there are currently no manufacturers of gaming machines and equipment in Malaysia. As such, lower priced imports could possibly benefit the industry.

(Source : Assessment of the Gaming Machine and Equipment Industry Report prepared by Vital Factor Consulting Sdn Bhd)

However, there can be no assurance that cheaper imports from AFTA member countries and low cost countries will not materially impact on the Group's business.

4. RISK FACTORS (Cont'd)

4.3 Risks in Relation to Future Information

4.3.1 Forward Looking Statements

This Prospectus contains several forward-looking statements, that is, those other than statements of historical facts. Although the Group believes that the expectations reflected in such statements are reasonable at the time this Prospectus is issued, there can be no assurance that such expectations will prove to have been correct. Whether such statements will ultimately prove to be accurate depends on a variety of known and unknown factors that may cause the differences in the expectations of the Group from any future results, plans, performance and achievements, expressed or implied, by such prospective statements.

In the light of these and other uncertainties, the inclusion of forward-looking statement in this Prospectus should not be regarded that the plans and objectives of the Group will be achieved.

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