

11. FINANCIAL INFORMATION**11.1 Proforma Revenue and Profit Records**

The following table sets out a summary of the proforma revenue and profit records of DCB Group for the past five (5) FYE 31 December 2002 and the financial period for the six (6) months ended 30 June 2003. This summary has been extracted from the Accountants' Report as set out in Section 12 of this Prospectus and prepared based on the assumption that the Group has been in existence throughout the period under review. The proforma consolidated results have been prepared for illustrative purposes and should be read in conjunction with the accompanying notes and assumptions thereto as included in the Accountants' Report.

	FYE 31 December					1 January 2003 to 30 June
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 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)
PBT	4,904	5,369	2,657	8,787	9,872	6,946
Taxation	16	(901)	(145)	(378)	(425)	(896)
PAT	4,920	4,468	2,512	8,409	9,447	6,050
MI	-	-	-	-	-	-
PAT and MI	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 EPS (sen) ^	2.39	2.61	1.29	4.27	4.80	3.38
Net EPS (sen) ~	2.39	2.17	1.22	4.09	4.60	2.94

Notes:

- (i) *RGBSB's financial statements with FYE 31 January 1999 to 31 January 2002 and financial period from 1 February 2002 to 31 December 2002 were deemed consolidated as FYE 31 December in the proforma historical consolidated financial results of DCB for FYE 31 December 1998 to 31 December 2002.*

11. FINANCIAL INFORMATION (Cont'd)

- ⁽²⁾ 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 were denominated in USD Dollar were converted at a rate of USD1:RM3.80 in the proforma historical consolidated financial results of DCB for the FYE 31 December 1999 to 31 December 2002 and for the financial period from 1 January 2003 to 30 June 2003.
- ⁽³⁾ There were no extraordinary and exceptional items for all the years/ period under review.
- * The number of ordinary shares in issue refers to the number of ordinary shares issued after the Acquisitions but before the completion of Share Issues.
- ^ The Gross EPS has been calculated by dividing the PBT by the number of ordinary shares in issue in the respective years.
- ~ The Net EPS has been calculated by dividing the PAT by the number of ordinary shares in issue in the respective years.

11.2 Segmental Analysis of Proforma Consolidated Revenue and Profit**11.2.1 Analysis of Revenue**

	FYE 31 December					Financial period for the six months ended 30 June
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
RGBSB	31,956	22,314	13,450	13,180	19,027	26,059
RGLB	-	12,877	20,161	38,160	23,425	10,464
DTSB	488	470	480	478	446	216
Less : Proforma consolidation adjustments	(216) ⁽¹⁾	(293) ⁽¹⁾	(300) ⁽¹⁾	(269) ⁽¹⁾	(240) ⁽¹⁾	(120) ⁽¹⁾
Proforma Consolidated Revenue	32,228	35,368	33,791	51,549	42,658	36,619

Notes:

- ⁽¹⁾ Being rental billed to RGBSB by DTSB

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11. FINANCIAL INFORMATION (Cont'd)**11.2.2 Analysis of PAT and MI**

	FYE 31 December					Financial period for the six months ended 30 June
	1998	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
RGBSB	4,934	1,686	(348)	555	859	1,880
RGBL	-	2,760	2,832	7,768	8,464	4,104
DTSB	(14)	22	28	86	124	66
	4,920	4,468	2,512	8,409	9,447	6,050
Less : Proforma consolidation adjustments	-	-	-	-	-	-
Proforma Consolidated PAT and MI	4,920	4,468	2,512	8,409	9,447	6,050

11.2.3 Impact of Interest Rates and Foreign Exchange Rates on consolidated profit

The following table sets out the interest expense and profit before interest and taxation for the past five (5) FYE 31 December 2002 and the financial period for the six (6) months ended 30 June 2003.

	FYE 31 December					Financial period for the six months ended 30 June
	1998	1999	2000	2001	2002	2003
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Interest expense	566	475	421	360	324	74
Profit before interest and taxation	5,470	5,844	3,078	9,147	10,196	7,020
Interest coverage (times)	9.66	12.30	7.31	25.41	31.47	94.86
Foreign exchange (loss) / gain	93	437	(466)	5	139	17

The impact of interest rates on operating profit is minimal as the Group has low gearing for the past five (5) FYE 31 December 2002 and the financial period for the six (6) months ended 30 June 2003.

11. FINANCIAL INFORMATION *(Cont'd)*

11.3 Overview of Revenue and PBT

DCB was incorporated on 16 January 2003 and hence its first set of audited financial statements were issued for the financial period from the date of its incorporation to 30 June 2003.

The overview of the Group's revenue and PBT is as follows:

(i) FYE 31 December 1998

The 1998 Group's revenue was mainly contributed by the sales and marketing of gaming machines, amusement machines and equipment as well as table games from RGBSB.

(ii) FYE 31 December 1999

The Group's revenue in 1999 improved by RM3.1 million mainly attributable to the sales and marketing of gaming machines and table games to new overseas customers amounting to RM12.5 million from RGBL.

The favourable effect of the increase in revenue was offset by the decrease in revenue from the sales and marketing of gaming machines and amusement machines and equipment amounting to RM9.4 million from RGBSB. This was primarily due to the decline in overseas sales and marketing of gaming machines and market softening in Malaysia.

(iii) FYE 31 December 2000

The Group's revenue in 2000 was slightly lower than 1999 by RM1.6 million. This was the net effect from the fluctuation of revenue in RGBSB and RGBL respectively. In RGBSB, there was a decrease in overseas revenue from the sales and marketing of gaming machines, table games as well as amusement machines and equipment amounting to RM7.5 million.

On the other hand, there was a significant increase in revenue from the sales and marketing of gaming machines and table games amounting to RM4.9 million from RGBL. Furthermore, this increase in revenue was also contributed by the new business activity of RGBL with various overseas gaming establishments involving in the technical support and management of gaming and amusement machines and equipment.

The increase in depreciation by RM349,000 in year 2000 as compared to year 1999 was mainly due to the purchase of gaming and amusement machines during the financial year for various overseas gaming establishments which is in tandem with the commencement of technical support and management activities in RGBL.

(iv) FYE 31 December 2001

In year 2001, the Group's revenue growth was driven by the establishment of technical support and management of gaming and amusement machines and equipment activities from RGBL. The significant increase was not only due to more gaming and amusement machines and equipment at various overseas gaming establishments but also there was a full year operations in year 2001 for these activities as compared to only one month operations in year 2000.

Depreciation in year 2001 was further increased by RM1.2 million as compared to year 2000. This was primarily due to additional purchase of gaming and amusement machines and equipment for overseas gaming establishments, which is in line with the growth of the technical support and management activities in RGBL. Furthermore, the depreciation in year 2000 was only commenced approximately in September 2000 as compared to a full year in year 2001.

11. FINANCIAL INFORMATION (Cont'd)**(v) FYE 31 December 2002**

In year 2002, the Group's revenue was decreased by RM8.9 million as compared to year 2001. This was the net impact from the unfavourable changes in revenue from RGBL amounting to RM14.7 million and the favourable changes in revenue from RGBSB amounting to RM5.8 million as mentioned below.

In RGBL, the decrease of RM14.7 million was due to the decrease in sales and marketing of gaming machines by RM18.0 million and offset by an increase in revenue from technical support and management activities by RM3.4 million.

The favourable changes in RGBSB's revenue amounting to RM5.8 million was contributed by the increase in sales and marketing of gaming machines amounting to RM7.8 million. This revenue was mainly contributed by the purchase of machineries by customers in Malaysia and existing and new customers from Philippines. On the other hand, this was offset by the decrease in revenue from the sales and marketing of amusement machines and equipment by RM1.7 million due to market softening in Malaysia.

The depreciation in year 2002 was further increased by RM462,000 as a result of the purchase of gaming and amusement machines and equipment for the technical support and management activities in RGBL.

(vi) Financial Six Months Period Ended 30 June 2003

The Group's revenue for the financial period ended 2003 improved by RM15.4 million as compared to the corresponding period of 2002. This was mainly contributed from the sales and marketing of gaming machines and system to existing and new customers in RGBSB and RGBL from both local and overseas markets.

Depreciation of the Group in the financial period 30 June 2003 was RM274,000 higher than the corresponding period of 2002 mainly due to the purchase of gaming and amusement machines for various overseas gaming establishments for the technical support and management activities in RGBL.

11.4 Directors' Declaration on Financial Performance

Save as disclosed in this Prospectus, as at 8 December 2003, (being the latest practicable date prior to the issuance of this Prospectus), the financial conditions and operations of the DCB Group are not affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expects to have a material favourable or unfavourable impact on financial performance, position and operations of the DCB Group;
- (ii) material commitment for capital expenditure;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of the DCB Group; and
- (iv) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

11. FINANCIAL INFORMATION (Cont'd)**11.5 Working Capital, Borrowings, Material Capital Commitments, Material Contingent Liabilities and Material Litigations****11.5.1 Working Capital**

The Board is of the opinion that after taking into account the funds generated from its existing operations, the banking facilities available and the net proceeds from the Share Issues, DCB Group will have sufficient working capital for a period of twelve (12) months from the date of the issuance of this Prospectus.

11.5.2 Borrowings

Save for the short term loan of RM6,215,116 and the long term loan of RM61,842, all of which are interest bearing, 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 DCB Group does not have any other borrowings, indebtedness in the form of borrowings, including bank overdraft, liabilities under acceptances and hire purchase.

There is no default in payment of either interest nor principal sum in respect of any borrowings throughout the past one (1) financial year and the subsequent financial period thereof immediately preceding the date of this Prospectus.

11.5.3 Material Capital Commitments for Capital Expenditure

Save for the contracted capital commitment by RGLB amounting to RM7,500,000 for the purchase of gaming machines, equipment and system, as at 8 December 2003 (being the latest practicable date at which such amount could be calculated prior to the date of this Prospectus), there are no material commitments for capital expenditure incurred or known to be incurred by the DCB Group, which may have a substantial impact on the results or the financial position of the Group.

11.5.4 Material Contingent Liabilities

Save as disclosed below, 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 DCB Group does not have any other material contingent liabilities.

- (i) A corporate guarantee amounting to RM582,239 given to Orix Leasing Malaysia Berhad for a leasing facility granted to RGB Games Sdn Bhd by RGBSB; and
- (ii) RGBSB had given an undertaking to Mpumalanga Gaming Board, South Africa, on 26 November 1998 to provide funding for Magna Eden Sdn Bhd for whatever amount is required in respect of Magna Eden Sdn Bhd's investment in Magic Slots South Africa (Pty) Ltd, in relation to the South Africa slot gaming operations. 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.

11.5.5 Material Litigations

As at 8 December 2003 (being the latest practicable date prior to the date of this Prospectus), the Group is presently not engaged in any litigation whether as plaintiff or defendant which has a material effect on the financial position of the Group, and the Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of the Group.

11. FINANCIAL INFORMATION (Cont'd)

11.6 Dividend Forecast

The Board do not intend to declare any dividends for the financial year ending 31 December 2004. The Board has full discretion to propose any future dividend payment as and when deemed necessary, if it is in the best interest of the Company.

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11. FINANCIAL INFORMATION (Cont'd)

11.7 Proforma Consolidated Balance Sheet



UHY DIONG (AF 1411)

Chartered Accountants, Malaysia
Member of Urbach Hacker Young International

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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
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2003**


We have reviewed the Proforma Consolidated Balance Sheets of Dreamgate Corporation Bhd. ("DCB") and its subsidiaries ("the Group") as at 30 June 2003 together with the notes thereon for which the Directors are solely responsible, prepared for the purpose of inclusion in the Prospectus 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").

In our opinion:

- (a) the abovementioned Proforma Consolidated Balance Sheets have been properly compiled on the basis stated which is consistent with the accounting policies of the Group; and
- (b) the adjustments are appropriate for the purpose of the Proforma Consolidated Balance Sheets.

Yours faithfully


UHY DIONG
AF-1411
Chartered Accountants


KOAY THEAM HOCK
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11. FINANCIAL INFORMATION (Cont'd)

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



PROFORMA CONSOLIDATED BALANCE SHEETS OF DREAMGATE CORPORATION BHD ("DCB") AND ITS SUBSIDIARIES ("THE GROUP")

The proforma consolidated balance sheets have been prepared for illustrative purposes only after taking into account the Acquisitions, Placement, Public Issue and the utilisation 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.

	The Company	The Group Proforma (1)	The Group Proforma (2)	The Group Proforma (3)
	As at 30 June 2003 RM'000	After Acquisition RM'000	After (1) and Placement RM'000	After (2), Public Issue and Proceeds Utilisation RM'000
NON-CURRENT ASSETS				
Property, plant and equipment	-	15,417	15,417	40,417
Investments	-	99	99	99
CURRENT ASSETS				
Inventories	-	7,861	7,861	7,861
Trade receivables	-	7,578	7,578	7,578
Other receivables and deposits	447	6,415	6,415	6,415
Tax refundable	-	9	9	9
Fixed deposits with licensed banks	-	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	447	11,304	11,304	11,304
Bank overdrafts (secured)	-	2,389	2,389	2,389
Term loans (secured)	-	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				
	*	20,557	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	-	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

11. FINANCIAL INFORMATION (Cont'd)**DREAMGATE CORPORATION BHD (COMPANY NO.: 603831-K)**

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS OF DREAMGATE CORPORATION BHD. ("DCB") AND ITS SUBSIDIARIES ("THE GROUP") (CONTINUED)

The Proforma Consolidated Balance Sheets together with the notes thereon have been prepared on the basis of accounting principles and basis consistent with those normally adopted by DCB and are presented in a form suitable for inclusion in the Prospectus.

The Proforma Consolidated Balance Sheets of the Group have been prepared for illustrative purposes only and are based on consolidated balance sheet of the Group as at 30 June 2003.

- 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>

* RGBSB – RGB Sdn. Bhd.
 RGBL – RGB Ltd.
 DTSB – Data Touch Sdn. Bhd.

- 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.

11. FINANCIAL INFORMATION (Cont'd)**DREAMGATE CORPORATION BHD (COMPANY NO.: 603831-K)**

NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS OF DREAMGATE CORPORATION BHD ("DCB") AND ITS SUBSIDIARIES ("THE GROUP") (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>