



Dreamgate Corporation Bhd (603831-K)

(Incorporated in Malaysia)

Interim Financial Statements
31 December 2003



Dreamgate Corporation Bhd (603831-K)

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CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	INDIVIDUAL QUARTER ENDED CURRENT QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CUMULATIVE QUARTER ENDED FOR THE PERIOD 23 SEPT 2003 (DATE OF ACQUISITION OF SUBSIDIARY COMPANIES) TO	PRECEDING YEAR CORRESPONDING QUARTER
		31 DEC 2003 RM'000	31 DEC 2002 RM'000	31 DEC 2003 RM'000	31 DEC 2002 RM'000
Revenue		35,477	-	35,477	-
Cost of sales		(27,311)	-	(27,311)	-
		8,166	-	8,166	-
Other operating income		345	-	345	-
Selling and distribution costs		(517)	-	(517)	-
Administrative expenses		(2,251)	-	(2,251)	-
Depreciation		(928)	-	(928)	-
Profit from operations		4,815	-	4,815	-
Finance costs		(119)	-	(119)	-
Profit before taxation		4,696	-	4,696	-
Taxation	21	(146)	-	(146)	-
Profit after taxation		4,550	-	4,550	-
Minority Interest		-	-	-	-
Net profit attributable to members of the company		4,550	-	4,550	-
Basic earnings per share (sen)	29	7.7	-	7.7	-

Comparative figures for the preceding year are not available as Dreamgate Corporation Bhd was incorporated on 16 January 2003 and this is Dreamgate Corporation Bhd's first quarterly report to the Malaysia Securities Exchange Berhad since its listing on 13 January 2004.

The accompanying notes are an integral part of this statement.



Dreamgate Corporation Bhd (603831-K)

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	31 DEC 2003 RM'000	31 DEC 2002 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	20,809	N/A
Investment in an associated corporation		95	N/A
Investments		4	N/A
		20,908	-
CURRENT ASSETS			
Inventories		14,568	N/A
Receivables		16,211	N/A
Deposits with licensed banks		3,515	N/A
Cash and bank balances		6,639	N/A
		40,933	-
CURRENT LIABILITIES			
Payables		24,001	N/A
Borrowings	25	4,212	N/A
Taxation		131	N/A
		28,344	-
NET CURRENT ASSETS			
		12,589	-
		33,497	-
FINANCED BY:			
Share capital		20,557	N/A
Reserve on consolidation		8,110	
Retained profits		4,550	N/A
		33,217	-
Borrowings	25	62	N/A
Deferred taxation		218	N/A
		33,497	-
		sen	sen
Net tangible assets per share		16	N/A

The accompanying notes are an integral part of this statement.



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR PERIOD FROM 23 SEPTEMBER 2003 (DATE OF ACQUISITION OF SUBSIDIARY
COMPANIES) TO 31 DECEMBER 2003

	Note	Share capital RM'000	Non- Distributable Reserve on consolidation RM'000	Distributable Retained profits RM'000	Total RM'000
At 23 Sep 2003		- *	-	-	-*
Issuance during the financial period	8	20,557	-	-	20,557
Acquisition of subsidiary companies	8	-	8,110	-	8,110
Net gain not recognised in income statement		-	8,110	-	8,110
Net profit for the financial period		-	-	4,550	4,550
At 31 Dec 2003		<u>20,557</u>	<u>8,110</u>	<u>4,550</u>	<u>33,217</u>

* Subscribers' shares was RM2.00 comprising 20 ordinary shares at RM0.10 each

The accompanying notes are an integral part of this statement



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CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR PERIOD FROM 23 SEPTEMBER 2003 (DATE OF ACQUISITION OF SUBSIDIARY
COMPANIES) TO 31 DECEMBER 2003

	23 Sep 2003 to 31 Dec 2003 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	4,696
Adjustments for:	
Allowance for doubtful debts	16
Depreciation	928
Interest expense	88
Interest income	(50)
Operating profit before working capital changes	5,678
Net changes in current assets	6,492
Net changes in current liabilities	2,684
Interest paid	(88)
Tax paid	(271)
Net cash flow from operating activities	14,495
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property, plant and equipment	(6,366)
Proceeds from disposal of property, plant and equipment	4
Acquisition of subsidiary companies	Note 1 (2,803)
Interest received	50
Net cash flow from investing activities	(9,115)
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of bankers' acceptance	(298)
Repayment of term loan	(4)
Additional deposits pledged to a licensed bank	(1)
Net cash flow from financing activities	(303)



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CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR PERIOD FROM 23 SEPTEMBER 2003 (DATE OF ACQUISITION OF SUBSIDIARY COMPANIES) TO 31 DECEMBER 2003

**23 Sep 2003 to
31 Dec 2003
RM'000**

NET CHANGE IN CASH AND CASH EQUIVALENTS	5,077
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	<u>5,077</u>

* Cash and cash equivalents at end of the financial period comprise the following:

Cash and bank balances	6,639
Deposit with a licensed bank	1,422
Less: Bank Overdrafts (included within borrowings in Note 25)	<u>(2,984)</u>
	<u>5,077</u>

Note 1:

Acquisition of subsidiary companies

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

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

	RM'000
Fair value of total net assets	28,667
Reserve on consolidation	<u>(8,110)</u>
Total purchase consideration	20,557
Purchase consideration discharged by shares issued	<u>(20,557)</u>
	-
Less: cash and cash equivalent of subsidiary companies acquired	<u>(2,803)</u>
Cash flow on acquisition net of cash acquired	<u>(2,803)</u>

The accompanying notes are an integral part of this statement



**PART A -EXPLANATORY NOTES PURSUANT TO MALAYSIAN ACCOUNTING
STANDARDS BOARD (MASB) NO. 26**

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MASB 26 “Interim Financial Reporting” and Appendix 7A of the Listing Requirements of the Malaysia Securities Exchange Berhad (MSEB) for the MESDAQ Market.

The Company was incorporated as a public limited company on 16 January 2003 and as the financial statements are drawn up for the first time, no comparative figures are presented.

2. Basis of Consolidation

The Group’s policy is to adopt the acquisition method of accounting as the basis of consolidation. Under the acquisition method of accounting, the results of subsidiaries acquired are to be included in the consolidated income statement from the effective date of acquisition.

The excess of the fair value of the net tangible assets of subsidiary companies at the effective date of acquisition over the purchase consideration is included in the consolidated balance sheet as reserve on consolidation.

3. Auditors’ Report

There was no auditors’ report for the preceding financial year as the Company was incorporated on 16 January 2003.

4. Significant Event

The Company had on 23 September 2003 acquired 100% of the equity interests in the RGB Sdn Bhd (RGBSB), RGB Ltd (RGL) and Data Touch Sdn Bhd (DTSB), further details of which are set out in Note 8.

On 19 December 2003, DCB had issued a prospectus for the initial public offering of 74,428,000 new ordinary shares of RM0.10 each at an issue price of RM0.50 per ordinary share by way of public issue payable in full on application by the public, eligible directors and employees of the company and its subsidiaries and placement to identified investors in conjunction with its listing on the MESDAQ Market of the Malaysia Securities Exchange Berhad.

5. Seasonal or Cyclical Factors

The business of the Group was not affected by any significant seasonal or cyclical factors.



6. Unusual items

During the quarter under review, there were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group.

7. Changes in Estimates

There were no changes in the nature and amount of estimates reported that will have a material effect in the current quarter.

8. Changes in Debts and Equity Securities

Save as disclosed below, there were no issuance and repayment of debt and equity securities, share buy-backs, share cancellation, shares held as treasury shares during the financial period under review:-

- a) On 23 September 2003, Dreamgate Corporation Bhd. (DCB) acquired the entire equity interest in RGSB, comprising ordinary shares of RM1.00 each, for a total purchase consideration of RM9,150,602 satisfied in full by the issuance of 91,500,400 new ordinary shares of RM0.10 each in DCB at par.
- b) On 23 September 2003, DCB acquired the entire equity capital interest in RGL, comprising ordinary shares of RM1.00 each, for a total purchase consideration of RM10,574,226 satisfied in full by the issuance of 105,742,080 new ordinary shares of RM0.10 each in DCB at par.
- c) On 23 September 2003, DCB acquired the entire equity capital interest in DTSB, comprising ordinary shares of RM1.00 each, for a total purchase consideration of RM832,951 satisfied in full by the issuance of 8,329,500 new ordinary shares of RM0.10 each in DCB at par.
- d) On 19 December 2003, the Company had issued a prospectus for the initial public offering of 74,428,000 new ordinary shares of RM0.10 each at an issue price of RM0.50 per ordinary share by way of public issue payable in full on application by the public, eligible directors and employees of the company and its subsidiaries and placement to identified investors in conjunction with its listing on the MESDAQ Market of the Malaysia Securities Exchange Berhad. The public issue was fully subscribed and all the shares were allotted on 5 January 2004.

9. Dividend

No dividend has been declared or paid during the quarter under review.



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10. Segmental Information

Segment information is presented in respect of the Group's business segments:

	Sales and Marketing	Technical Support and Management	Others	Elimination	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>23.9.2003 to 31.12 2003</u>					
Segment revenue					
External revenue	30,870	4,562	-	-	35,432
Intersegment revenue	-	-	105	(60)	45
Total revenue	<u>30,870</u>	<u>4,562</u>	<u>105</u>	<u>(60)</u>	<u>35,477</u>
Segment results					
Profit from operations	2,534	2,353	(72)	-	4,815
Finance costs					(119)
Taxation					(146)
Profit after taxation					<u>4,550</u>
Minority interest					<u>-</u>
Net profit for the financial period					<u>4,550</u>

11. Valuation of Property, Plant and Equipment

The Group did not revalue any of its property, plant and equipment during quarter under review.

12. Subsequent Events

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

On 13 January 2004, the entire issued and paid-up share capital of DCB comprising 280,000,000 ordinary shares of RM0.10 each was quoted on the MESDAQ Market of the Malaysia Securities Exchange Berhad.



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13. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

14. Contingent Liabilities

- a) As at 31 December 2003, a corporate guarantee amounting to RM582,000 was given to a finance company for a leasing facility granted to RGB Games Sdn. Bhd. by RGBSB.
- b) 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. As at todate, the Company has not been requested to provide any funding whatsoever in respect of the above undertaking. As at 31 December 2003, the investment in Magic Slots South Africa (Pty) Ltd is RM241, being the amount subscribed for shares in Magic Slots South Africa (Pty) Ltd by Magna Eden Sdn. Bhd.

15. Capital Commitment

The amount of capital commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 December 2003 is as follow:

	RM'000
Approved but not contracted for:	<u>7,500</u>



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16. Significant Related Party Transactions

	23.9.2003 to 31.12.2003 RM'000
Sales of gaming machines and accessories to:	
- Sigma Gaming Technology Pte Ltd	818
- Standard RGB Pte Ltd	4,656
- IGM Gaming Consultancy Pte Ltd	176
Purchase of gaming machines from:	
- RGB System Sdn. Bhd.	19
- Standard RGB Pte Ltd	1,498
Purchase of property, plant and equipment from Standard RGB Pte Ltd	813
Purchase of spare part and services from Standard RGB Pte Ltd	152
Repair and maintenance services provided to:	
- RGB System Sdn. Bhd.	22
- Euro Computer Engineering & Parts Sdn. Bhd.	11
- Dreamgate (Malaysia) Sdn. Bhd.	18
- Sigma Gaming Technology Pte Ltd	13
Renting of premises to:	
- RGB System Sdn. Bhd.	14
- Euro Computer Engineering & Parts Sdn. Bhd.	<u>17</u>

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

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



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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 7A OF THE LISTING REQUIREMENTS OF MSEB

17. Performance Review

For the financial period reported, the Group generated total revenue of RM 35.5 million and net profit attributable to shareholders amounted to RM4.55 million.

18. Comparison with previous quarter's results

Dreamgate Corporation Bhd. (DCB) is in its first year of listing on the MESDAQ Market of the MSEB and as such no comparison for the quarter or period ended 31 December 2002 has been included.

For information purposes, the unaudited results of DCB and each of its subsidiaries for the period/year ended 31 December 2003 are tabulated as follows:

	DCB	RGBSB	RGBL	DTSB	RGB(M)L*	TOTAL
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	-	45,758	35,019	186	-	80,963
Profit After Tax	(12)	2,472	10,164	105	(69)	12,660
Less: Pre-Acquisition Profit (1.1.03-22.9.03)						8,110
Net Profit for the financial period (23.9.03-31.12.03)						<u>4,550</u>

* RGB (M) L-RGB (Macau) Limited, subsidiary company of RGBL with 96% equity interest.

19. Commentary on Prospect

Management expects overall financial performance of the Group to improve in current financial year ending 31 December 2004.

20. Profit Forecast

No profit forecast was announced hence there was no comparison between actual results and forecast.



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21. Taxation

The taxation charge for the current quarter includes the following:

	Individual quarter ended		Cumulative quarter ended	
	31.12.03	31.12.02	23.9.03 to 31.12.03	31.12.02
	RM'000	RM'000	RM'000	RM'000
Income Tax				
Current Period	198	-	198	-
Deferred Tax				
Current Period	12	-	12	-
Overprovision in prior year	(64)	-	(64)	-
	<u>146</u>	<u>-</u>	<u>146</u>	<u>-</u>

The effective tax rate is lower than statutory tax rate of 28% as income from a subsidiary is calculated under the Labuan Offshore Business Activity Tax Act, 1990 Section 7(1), which is fixed at RM20,000 per annum.

22. Profit on sale of Investments and/or Properties

There was no disposal of investment or properties during the current quarter under review.

23. Purchase and Disposal of Quoted Securities

There was no purchase or disposal of quoted securities during the current quarter under review.

24. Status of Corporate Proposals

Save as disclosed below, there were no corporate proposals announced but not completed as at the date of this announcement:-

a) Listing on the MESDAQ market of MSEB

On 19 December 2003, the Company had issued a prospectus for the initial public offering of 74,428,000 new ordinary shares of RM0.10 each at an issue price of RM0.50 per ordinary share by way of public issue payable in full on application by the public, eligible directors and employees of the company and its subsidiaries and placement to identified investors in conjunction with its listing on the MESDAQ Market of the MSEB. The public issue was fully subscribed and all the shares were allotted on 5 January 2004. On 13 January 2004, the entire issued and paid-up share capital of DCB comprising 280,000,000 ordinary shares of RM0.10 each were quoted on the MESDAQ Market of the MSEB.



b) Status of utilisation of listing proceeds

	As approved by the Securities Commission & MSEB RM'000	Approved to be utilised in 2004 RM'000	Utilised as at the date of report RM'000	Balance to be utilised by end of 2004 RM'000
Purchase of plant and machinery	4,000	1,160	-	1,160
Research & development	5,000	704	-	704
Overseas expansion	15,000	13,000	-	13,000
Regional Trade Mark Registration	1,000	500	-	500
Advertising, promotion and branding	3,000	1,000	-	1,000
Working Capital	6,214	500	500	-
Estimated listing expenses	<u>3,000</u>	<u>3,000</u>	<u>1,666</u>	<u>1,334</u>
	<u>37,214</u>	<u>19,864</u>	<u>2,166</u>	<u>17,698</u>

25. Borrowings

Save as disclosed below, there are no other borrowings in the Group:

	RM'000
<u>Secured</u>	
Bank overdrafts	2,984
Bankers' acceptance	1,212
Term loan-short term	16
Term loan-long term	62
	<u>4,274</u>

The bankers' acceptance is utilized by a subsidiary company which has been settled as at the date of this report.

26. Off Balance Sheet Financial Instruments

The Group does not have any financial instrument with off balance sheet risk as at the date of this report.

27. Material Litigation

The Group does not have any material litigation, which in the opinion of the Directors, would have a material adverse effect on the financial results of the Group.



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28. Dividend

No dividend has been declared or paid during the quarter under review.

29. Basic Earnings Per Share

The basic earnings per share for the period 23 September 2003 (date of acquisition of subsidiary companies) to 31 December 2003 is calculated by dividing the Group's net profit for the financial period of RM4.55 million over the weighted average number of ordinary shares in issue of 58,734,871.

30. Authorisation For Issue

On 25 February 2004, the Board of Directors authorised the issue of these interim financial statements.

By Order of the Board
Dreamgate Corporation Bhd. (603831-K)

Datuk Chuah Kim Seah
Managing Director
25 February 2004