



Dreamgate Corporation Bhd (603831-K)

(Incorporated in Malaysia)

Interim Unaudited Financial Statements
31 March 2004



Dreamgate Corporation Bhd (603831-K)

CONTENTS

	PAGE
CONDENSED CONSOLIDATED INCOME STATEMENT	1
CONDENSED CONSOLIDATED BALANCE SHEET	2
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	3
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	4 – 5
EXPLANATORY NOTES PURSUANT TO MASB 26	6 – 10
EXPLANATORY NOTES PURSUANT TO APPENDIX 7A OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA	11 – 14



Dreamgate Corporation Bhd (603831-K)

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	INDIVIDUAL QUARTER ENDED CURRENT QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CUMULATIVE QUARTER ENDED CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		31 MAC 2004 RM'000	31 MAC 2003 RM'000	31 MAC 2004 RM'000	31 MAC 2003 RM'000
Revenue		30,911	-	30,911	-
Cost of sales		(22,268)	-	(22,268)	-
		8,643	-	8,643	-
Other operating income		139	-	139	-
Selling and distribution costs		(178)	-	(178)	-
Administrative expenses		(1,847)	-	(1,847)	-
Depreciation		(1,141)	-	(1,141)	-
Profit from operations		5,616	-	5,616	-
Finance costs		(62)	-	(62)	-
Share of loss of an associated corporation		(49)	-	(49)	-
Profit before taxation		5,505	-	5,505	-
Taxation	22	(427)	-	(427)	-
Profit after taxation		5,078	-	5,078	-
Net profit attributable to members of the company		5,078	-	5,078	-
Basic earnings per share (sen)	30	1.84	-	1.84	-

Comparative figures for the preceding year are not available as Dreamgate Corporation Bhd was incorporated on 16 January 2003 and the subsidiary companies were only acquired on 23 September 2003.

The condensed consolidated financial statements should be read in conjunction with the audited financial statements for the period ended 31 December 2003 and the accompanying explanatory notes attached to the interim financial statements; in accordance to the MASB 26, Para 21.



Dreamgate Corporation Bhd (603831-K)

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	31 MAC 2004 RM'000	31 DEC 2003 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	30,654	20,809
Development expenditure		120	-
Investment in associated corporations	5	761	95
Investments		4	4
Long term receivable (secured)		676	-
		<u>32,215</u>	<u>20,908</u>
CURRENT ASSETS			
Inventories		4,371	14,568
Receivables		32,729	16,211
Deposits with licensed banks		34,139	3,515
Cash and bank balances		4,397	6,639
		<u>75,636</u>	<u>40,933</u>
CURRENT LIABILITIES			
Payables		29,176	24,001
Borrowings	26	4,333	4,212
Taxation		349	131
		<u>33,858</u>	<u>28,344</u>
NET CURRENT ASSETS			
		41,778	12,589
		<u>73,993</u>	<u>33,497</u>
FINANCED BY:			
Share capital		28,000	20,557
Share premium		27,979	-
Reserve on consolidation		8,110	8,110
Retained profits		9,628	4,550
		<u>73,717</u>	<u>33,217</u>
Borrowings	26	58	62
Deferred taxation		218	218
		<u>73,993</u>	<u>33,497</u>
		sen	sen
Net tangible assets per share		<u>26</u>	<u>16</u>

The condensed consolidated financial statements should be read in conjunction with the audited financial statements for the period ended 31 December 2003 and the accompanying explanatory notes attached to the interim financial statements; in accordance to the MASB 26, Para 21.



Dreamgate Corporation Bhd (603831-K)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital RM'000	Non-Distributable Share Premium RM'000	Reserve on consolidation RM'000	Distributable Retained profits RM'000	Total RM'000
At 23 September 2003		- *	-	-	-	- *
Issuance during the financial period		20,557	-	-	-	20,557
Acquisition of subsidiary companies		-	-	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 December 2003		20,557	-	8,110	4,550	33,217
Issuance of shares	9	7,443	29,771	-	-	37,214
Utilisation of listing expenses		-	(1,792)	-	-	(1,792)
Net profit for the financial period		-	-	-	5,078	5,078
At 31 March 2004		28,000	27,979	8,110	9,628	73,717

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

The condensed consolidated financial statements should be read in conjunction with the audited financial statements for the period ended 31 December 2003 and the accompanying explanatory notes attached to the interim financial statements; in accordance to the MASB 26, Para 21.



Dreamgate Corporation Bhd (603831-K)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	CUMULATIVE QUARTER ENDED CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31 MAC 2004 RM'000	31 MAC 2003 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,505	-
Adjustments for:		
Depreciation	1,141	-
Share of loss of an associated corporation	49	-
Interest expense	44	-
Interest income	(176)	-
Operating profit before working capital changes	6,563	-
Advances to long term receivable	(676)	-
Net changes in current assets	(6,321)	-
Net changes in current liabilities	5,175	-
Additions to development expenditure (Note 1)	(119)	-
Interest paid	(44)	-
Tax paid	(209)	-
Net cash flow from operating activities	4,369	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(10,987)	-
Acquisition of an associated corporation	(715)	-
Interest received	176	-
Net cash flow from investing activities	(11,526)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bankers' acceptance	(1,212)	-



Dreamgate Corporation Bhd (603831-K)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	CUMULATIVE PERIOD ENDED CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31 MAC 2004 RM'000	31 MAC 2003 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES (CONT')		
Repayment of term loan	(4)	-
Proceeds from issuance of shares	37,214	-
Listing expenses	(1,792)	-
Additional deposits pledged to licensed banks	(46)	-
Net cash flow from financing activities	34,160	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	27,003	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	5,077	-
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD *	32,080	-
* Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	4,397	-
Deposits with licensed banks	32,000	-
Less: Bank Overdrafts (included within borrowings in Note 26)	(4,317)	-
	32,080	-

Note 1: Included in development expenditure is the capitalization of depreciation amounting to RM1,151 as at 31 March 2004.

The condensed consolidated financial statements should be read in conjunction with the audited financial statements for the period ended 31 December 2003 and the accompanying explanatory notes attached to the interim financial statements; in accordance to the MASB 26, Para 21.



Dreamgate Corporation Bhd (603831-K)

**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 Bursa Malaysia Securities Berhad (Bursa Malaysia) for the MESDAQ Market.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the period ended 31 December 2003.

The accounting policies and methods of computation adopted by the Group in this interim financial statements are consistent with those adopted in the audited financial statements for the period ended 31 December 2003 except for the adoption of MASB 4, Research and Development Costs.

The Company was incorporated as a public limited company on 16 January 2003 and the subsidiary companies were only acquired on 23 September 2003, hence, 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. Associated corporations

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

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



Dreamgate Corporation Bhd (603831-K)

3. Associated corporations (continued)

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

4. Auditors' Report

The auditors' report of the financial statements for the period ended 31 December 2003 was not subjected to any qualification.

5. Significant Event

Save as disclosed below, there were no other significant events that have not been reflected in the financial statements for the current quarter under review:

a) Listing on the MESDAQ market of Bursa Malaysia

On 5 January 2004, the Company issued 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 and private placement in conjunction with its listing on the MESDAQ Market of Bursa Malaysia.

On 13 January 2004, the Company's entire share capital of 280,000,000 ordinary shares of RM0.10 each was listed on the MESDAQ market of Bursa Malaysia.

b) Acquisition of an associated corporation

On 1st March 2004, RGB Ltd, a wholly owned subsidiary of the Company, subscribed for a 50% equity interest in Cron Corporation Ltd (incorporated in Japan), by way of subscription of 400 common shares at an issue price of Japanese Yen (JPY) 50,000 each, for a cash consideration of JPY 20,000,000 (RM714,622). The principal activity of Cron Corporation Ltd is to carry out research and development activities.

6. Seasonal or Cyclical Factors

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

7. Unusual items

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

8. 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.



Dreamgate Corporation Bhd (603831-K)

9. 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 for the current quarter under review and financial period to date:-

▪ **Issuance of shares**

The Company issued 74,428,000 new ordinary shares of RM0.10 each at an issue price of RM0.50 per ordinary share on 5 January 2004.

10. Dividend Paid

No dividend was paid during the financial period to date.

11. Segmental Information

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

	1.1.2004 to 31.3.2004 RM'000
Segment Revenue	
Sales and marketing	25,751
Technical Support and Management	5,115
Others	105
	<hr/> 30,971
Eliminations	<hr/> (60)
Group revenue	<hr/> <hr/> 30,911
Segment Results	
Sales and marketing	3,304
Technical Support and Management	2,965
Others	(39)
Unallocated	(554)
	<hr/> 5,676
Eliminations	<hr/> (60)
Profit from operations	<hr/> <hr/> 5,616



Dreamgate Corporation Bhd (603831-K)

12. Valuation of Property, Plant and Equipment

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

13. Subsequent Events

There were no material events subsequent to the end of the current quarter under review.

14. Changes in the Composition of the Group

On 1st March 2004, RGB Ltd, a wholly owned subsidiary of the Company subscribed for a 50% equity interest in Cron Corporation Ltd (incorporated in Japan), by way of subscription of 400 common shares at an issue price of Japanese Yen (JPY) 50,000 each, for a cash consideration of JPY 20,000,000 (RM714,622). The principal activity of Cron Corporation Ltd is to carry out research and development activities. The result of this associated corporation is included in the consolidated income statement of the Group from the effective date of the acquisition.

15. Contingent Liabilities

As at 18 May 2004 (being a date not earlier than 7 days from the date of this announcement), there were no changes in contingent liabilities or contingent assets since the last annual balance sheet as at 31 December 2003 except for the decrease in contingent liabilities to RM166,000 in respect of corporate guarantee given to a finance company for a leasing facility granted to RGB Games Sdn. Bhd. by RGB Sdn. Bhd..

16. 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 March 2004 is as follow:

	RM'000
Approved but not contracted for:	<u>23,000</u>



Dreamgate Corporation Bhd (603831-K)

17. Significant Related Party Transactions

	1.1.2004 to 31.3.2004 RM'000
Sales of gaming and amusement machines and accessories to:	
- Standard RGB Pte Ltd	700
- Euro Computer Engineering & Parts Sdn Bhd	19
- Dreamgate (Malaysia) Sdn Bhd	52
- Suneka Sdn Bhd	19
Purchase of gaming and amusement machines from:	
- Standard RGB Pte Ltd	36
- Chuah Amusement Sales & Services	41
Purchase of property, plant and equipment from Standard RGB Pte Ltd	285
Purchase of spare part and services from Standard RGB Pte Ltd	27
Repair and maintenance services provided to:	
- Denver System Sdn. Bhd.	37
- Euro Computer Engineering & Parts Sdn. Bhd.	11
- Dreamgate (Malaysia) Sdn. Bhd.	20
Renting of premises to:	
- Denver 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 of the Group and their family members have significant controlling financial interests in the above mentioned related parties.



Dreamgate Corporation Bhd (603831-K)

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

18. Performance Review

	1.1.2004 to 31.3.2004 RM'000	23.9.2003 to 31.12.2003 RM'000	% +/(-)
Revenue			
Sales and marketing (S&M)	25,751	30,870	(16.6)
Technical Support and Management (Tech)	5,115	4,562	12.1
Others	<u>45</u>	<u>45</u>	-
Group revenue	<u>30,911</u>	<u>35,477</u>	(12.9)
Profit before taxation			
Sales and marketing (S&M)	3,304	2,534	30.4
Technical Support and Management (Tech)	2,965	2,353	26.0
Others	(99)	(72)	37.5
Unallocated	<u>(665)</u>	<u>(119)</u>	>100.0
Group profit before taxation	<u>5,505</u>	<u>4,696</u>	17.2

Note: As comparative figures for the preceding year are not available, previous quarter's results are used for review of performance purposes.

For the current quarter under review, the Group posted total revenue of RM30.9 million as compared to RM35.4 million in the previous quarter, marking a decrease in revenue by 12.9% mainly due to a change in product mix.

The Group's profit before taxation (PBT) segmented by its two major divisions (Sales & Marketing and Technical Support & Management) registered an increase from previous quarter by RM809,000 to RM5.5 million. Both divisions (S&M and Tech) marked sharp increases in PBT by RM770,000 and RM612,000 respectively. The PBT increased despite the drop in revenue and this is mainly attributed to the change in product mix and placement of additional machines under the Technical Support & Management Division.



Dreamgate Corporation Bhd (603831-K)

19. Comparison with previous quarter's results

	CURRENT QUARTER	* PREVIOUS QUARTER
	RM'000	RM'000
Turnover	30,911	35,477
Profit before taxation	<u>5,505</u>	<u>4,696</u>

* Previous quarter covers from 23 September 2003 (date of acquisition of subsidiary companies) to 31 December 2003.

Please refer to Note 18 on the review of performance with comparison to previous quarter's results.

20. Commentary on Prospect

The Group expects overall financial performance to further improve in the current financial year ending 31 December 2004 as compared to period ended 31 December 2003.

21. Profit Forecast

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

22. Taxation

The taxation charge for the current quarter under review includes the following:

	INDIVIDUAL QUARTER ENDED		CUMULATIVE QUARTER ENDED	
	31 MAC 2004	31 MAC 2003	31 MAC 2004	31 MAC 2003
	RM'000	RM'000	RM'000	RM'000
Income Tax				
Current Period	427	-	427	-
Deferred Tax				
Current Period	-	-	-	-
Overprovision in prior Year	-	-	-	-
	<u>427</u>	<u>-</u>	<u>427</u>	<u>-</u>

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



Dreamgate Corporation Bhd (603831-K)

23. Profit on sale of Investments and/or Properties

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

24. Purchase and Disposal of Quoted Securities

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

25. Status of Corporate Proposals

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

▪ **Status of utilisation of listing proceeds**

	As approved by the Securities Commission & Bursa Malaysia 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	120	584
Overseas expansion	15,000	13,000	11,423	1,577
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>1,792</u>	<u>1,208</u>
	<u>37,214</u>	<u>19,864</u>	<u>13,835</u>	<u>6,029</u>

26. Borrowings

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

	RM'000
<u>Secured</u>	
Bank overdrafts	4,317
Term loan-short term	<u>16</u>
	4,333



Dreamgate Corporation Bhd (603831-K)

26. Borrowings (continued)

	RM'000
Term loan-long term	<u>58</u>
Total borrowings	<u>4,391</u>

27. 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.

28. 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.

29. Dividend Payable

No dividend has been declared during the financial period to date.

30. Basic Earnings Per Share

The basic earnings per share for the current period under review is calculated by dividing the Group's net profit for the financial period of RM5.1 million over the weighted average number of ordinary shares in issue of 276,728,000.

31. Authorisation For Issue

On 25 May 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 May 2004