



*Dreamgate Corporation Bhd* (603831-K)

(Incorporated in Malaysia)

Interim Unaudited Financial Statements  
30 September 2004



*Dreamgate Corporation Bhd* (603831-K)

**CONTENTS**

	<b>PAGE</b>
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 SECURITIES	11 – 15



*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
		30 SEPT 2004 RM'000	30 SEPT 2003 RM'000	30 SEPT 2004 RM'000	30 SEPT 2003 RM'000
Revenue		18,785	-	76,475	-
Cost of sales		(10,722)	-	(50,393)	-
Other operating income		8,063	-	26,082	-
Selling and distribution costs		175	-	74	-
Administrative expenses		(540)	-	(1,403)	-
Depreciation		(2,821)	-	(6,617)	-
Profit from operations		(2,184)	-	(5,118)	-
Finance costs		2,693	-	13,018	-
Share of profit of an associated corporation		(199)	-	(348)	-
Profit before taxation		123	-	7	-
Taxation	22	2,617	-	12,677	-
Profit after taxation		438	-	(92)	-
Translation adjustment		-	-	(2)	-
Net profit attributable to members of the company		3,055	-	12,585	-
Basic earnings per share (sen)	30	1.09	-	4.49	-

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	30 SEPT 2004 RM'000	31 DEC 2003 RM'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	61,412	20,809
Development expenditure		347	-
Investment in associated corporations		818	95
Investments		4	4
Long term receivables (secured)		676	-
		<u>63,257</u>	<u>20,908</u>
<b>CURRENT ASSETS</b>			
Inventories		4,359	14,568
Receivables		27,548	16,211
Amount owing by an associated corporation		2,794	-
Tax recoverable		650	-
Deposits with licensed banks		17,140	3,515
Cash and bank balances		7,681	6,639
		<u>60,172</u>	<u>40,933</u>
<b>CURRENT LIABILITIES</b>			
Payables		28,552	24,001
Borrowings	26	13,348	4,212
Tax payable		-	131
		<u>41,900</u>	<u>28,344</u>
<b>NET CURRENT ASSETS</b>		18,272	12,589
		<u>81,529</u>	<u>33,497</u>
<b>FINANCED BY:</b>			
Share capital		28,000	20,557
Share premium		28,018	-
Reserve on consolidation		8,110	8,110
Retained profits		17,133	4,550
		<u>81,261</u>	<u>33,217</u>
Borrowings	26	50	62
Deferred taxation		218	218
		<u>81,529</u>	<u>33,497</u>
Net tangible assets per share (sen)		<u>29</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**

	<b>Share capital RM'000</b>	<b>Non-Distributable Share Premium RM'000</b>	<b>Reserve on consolidation RM'000</b>	<b>Distributable Retained profits RM'000</b>	<b>Total RM'000</b>
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	7,443	29,771	-	-	37,214
Utilisation of listing expenses	-	(1,753)	-	-	(1,753)
Net profit for the financial period	-	-	-	12,583	12,583
At 30 September 2004	28,000	28,018	8,110	17,133	81,261

\* 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**

	<b>CUMULATIVE QUARTER ENDED CURRENT YEAR TO DATE</b>	<b>PRECEDING YEAR CORRESPONDING PERIOD</b>
	<b>30 SEPT 2004 RM'000</b>	<b>30 SEPT 2003 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	12,677	-
Adjustments for:		
Depreciation	5,118	-
Gain on disposal of property, plant and equipment	(45)	-
Share of profit of an associated corporation	(7)	-
Interest expense	268	-
Interest income	(491)	-
Operating profit before working capital changes	17,520	-
Advances to long term receivables	(676)	-
Net changes in current assets	(3,922)	-
Net changes in current liabilities	4,551	-
Additions to development expenditure (Note 1)	(339)	-
Interest paid	(268)	-
Tax paid	(873)	-
<b>Net cash flow from operating activities</b>	<b>15,993</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(45,998)	-
Proceeds from disposal of property, plant and equipment	313	-
Acquisition of an associated corporation	(715)	-
Interest received	491	-
<b>Net cash flow from investing activities</b>	<b>(45,909)</b>	<b>-</b>



*Dreamgate Corporation Bhd* (603831-K)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)**

	<b>CUMULATIVE PERIOD ENDED</b>	<b>PRECEDING</b>
	<b>CURRENT</b>	<b>YEAR</b>
	<b>YEAR</b>	<b>YEAR</b>
	<b>TO DATE</b>	<b>CORRESPONDING</b>
		<b>PERIOD</b>
	<b>30 SEPT 2004</b>	<b>30 SEPT 2003</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net drawdown of bankers' acceptance	9,810	-
Repayment of term loan	(12)	-
Proceeds from issuance of shares	37,214	-
Listing expenses	(1,753)	-
Additional deposits pledged to licensed banks	(47)	-
<b>Net cash flow from financing activities</b>	<u>45,212</u>	<u>-</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	15,296	-
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	(2)	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	5,077	-
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b> *	<u>20,371</u>	<u>-</u>
* Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	7,681	-
Deposits with licensed banks	15,000	-
Less: Bank Overdrafts (included within borrowings in Note 26 )	<u>(2,310)</u>	<u>-</u>
	<u>20,371</u>	<u>-</u>

Note 1: Included in development expenditure is the capitalization of depreciation amounting to RM8,358 as at 30 September 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 Securities) 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**

During the quarter under review, there were no other significant events that have not been reflected in the financial statements since the last interim financial statements.

**6. Seasonal or Cyclical Factors**

The overall business of the Group was not affected by any significant seasonal factors. However, the sales of machines, to some extent, are subject to seasonal fluctuation.

**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.

**9. Changes in Debts and Equity Securities**

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.



*Dreamgate Corporation Bhd* (603831-K)

**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:

	<b>1.7.2004 to 30.9.2004 RM'000</b>	<b>1.1.2004 to 30.9.2004 RM'000</b>
<b>Segment Revenue</b>		
Sales and marketing	11,750	58,143
Technical Support and Management	6,999	18,200
Others	200	760
	<u>18,949</u>	<u>77,103</u>
Eliminations	<u>(164)</u>	<u>(628)</u>
Group revenue	<u>18,785</u>	<u>76,475</u>
<b>Segment Results</b>		
Sales and marketing	283	5,853
Technical Support and Management	3,086	9,562
Others	(247)	(578)
Unallocated	<u>(429)</u>	<u>(1,819)</u>
Profit from operations	<u>2,693</u>	<u>13,018</u>

**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.



*Dreamgate Corporation Bhd* (603831-K)

**14. Changes in the Composition of the Group**

Save as disclosed in the last interim financial statements, there were no changes in the composition of the Group for the current quarter under review.

**15. Contingent Liabilities**

As at 22 November 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 interim financial statements except for corporate guarantees amounting to RM60.2million given by the Company to licensed banks for banking facilities granted to its wholly owned subsidiary companies.

**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 30 September 2004 is as follow:

	<b>RM'000</b>
Approved but not accounted for:	<u>25,000</u>

**17. Significant Related Party Transactions**

	<b>1.7.2004 to 30.9.2004 RM'000</b>	<b>1.1.2004 to 30.9.2004 RM'000</b>
Sales of gaming and amusement machines, spare parts and accessories to:		
- Denver System Sdn Bhd	33	59
- Standard RGB Pte Ltd	572	1,431
- Dreamgate (Malaysia) Sdn Bhd	194	481
- Suneka Sdn Bhd	-	33
- Euro Computer Engineering & Parts Sdn Bhd	-	19
Purchase of gaming and amusement machines from:		
- Dreamgate (Malaysia) Sdn Bhd	-	160
- Standard RGB Pte Ltd	-	36
- Chuah Amusement Sales & Services	-	41



*Dreamgate Corporation Bhd* (603831-K)

**17. Significant Related Party Transactions (Continued)**

	<b>1.7.2004 to 30.9.2004</b>	<b>1.1.2004 to 30.9.2004</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of property, plant and equipment from Standard RGB Pte Ltd	117	457
Purchase of spare part and services from Standard RGB Pte Ltd	53	120
Repair and maintenance services provided to:		
- Denver System Sdn. Bhd.	19	78
- Euro Computer Engineering & Parts Sdn. Bhd.	13	35
- Dreamgate (Malaysia) Sdn. Bhd.	16	53
Renting of premises to:		
- Denver System Sdn. Bhd.	10	38
- Euro Computer Engineering & Parts Sdn. Bhd.	<u>12</u>	<u>46</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 SECURITIES**

**18. Performance Review**

	<b>1.7.2004 to 30.9.2004 RM'000</b>	<b>1.4.2004 to 30.6.2004 RM'000</b>	<b>% + / (-)</b>
<b>Revenue</b>			
Sales and marketing	11,750	20,642	(43.1)
Technical Support and Management	6,999	6,086	15.0
Others	<u>36</u>	<u>51</u>	(29.4)
Group revenue	<u>18,785</u>	<u>26,779</u>	(29.9)
<b>Profit before taxation</b>			
Sales and marketing	283	2,266	(87.5)
Technical Support and Management	3,086	3,511	(12.1)
Others	(247)	(232)	(6.5)
Unallocated expenses	<u>(505)</u>	<u>(990)</u>	(49.1)
Group profit before taxation	<u>2,617</u>	<u>4,555</u>	(42.5)

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

For the current quarter under review, the Group posted total revenue of RM18.8 million as compared to RM26.8 million in the previous quarter, marking a decrease in revenue by 29.9%.

The significant drop in revenue from Sales & Marketing division is due to changes in sales mix and customer preference to enter into Technical Support & Management arrangement with the Group. As a result, the revenue from the Technical Support & Management division increased by 15% mainly attributed to the placement of additional machines at existing and new locations.

The Group registered a profit before taxation (PBT) of RM2.6 million in the current quarter as compared to RM4.6 million in the preceding quarter. The decrease in PBT is mainly due to higher operating expenses for setting up new locations under the Technical Support & Management division and lower profit margin, in line with the change in sales mix under the Sales & Marketing division.



*Dreamgate Corporation Bhd* (603831-K)

**19. Comparison with previous quarter's results**

	<b>CURRENT QUARTER RM'000</b>	<b>PREVIOUS QUARTER RM'000</b>
Turnover	18,785	26,779
Profit before taxation	<u>2,617</u>	<u>4,555</u>

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

**20. Commentary on Prospect**

Barring any unforeseen circumstances, the Group expects the performance for financial year ending 31 December 2004 to surpass that of the previous year.

**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:

	<b>INDIVIDUAL QUARTER ENDED 30 SEPT 2004 RM'000</b>	<b>30 SEPT 2003 RM'000</b>	<b>CUMULATIVE QUARTER ENDED 30 SEPT 2004 RM'000</b>	<b>30 SEPT 2003 RM'000</b>
Income Tax				
Current Period	5	-	535	-
Overprovision in prior Periods	(443)	-	(443)	-
	<u>(438)</u>	<u>-</u>	<u>92</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 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**

	<b>As approved by the Securities Commission &amp; Bursa Securities RM'000</b>	<b>Approved to be utilised in 2004 RM'000</b>	<b>Utilised as at the date of report RM'000</b>	<b>Balance to be utilised by end of 2004 RM'000</b>
Purchase of plant and machinery	4,000	1,160	187	973
Research & development	5,000	704	339	365
Overseas expansion	15,000	13,000	13,000	-
Regional Trade Mark Registration	1,000	500	-	500
Advertising, promotion and branding	3,000	1,000	1,129	* (129)
Working Capital	6,214	500	500	-
Estimated listing expenses	<u>3,000</u>	<u>3,000</u>	<u>1,753</u>	<u>1,247</u>
	<u>37,214</u>	<u>19,864</u>	<u>16,908</u>	<u>2,956</u>

\* - Excess utilization has been adjusted from the Estimated listing expenses.

**26. Borrowings**

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

	<b>RM'000</b>
<u>Secured</u>	
Bank overdrafts	2,310
Banker's acceptance	11,022
Term loan-short term	16
	<u>13,348</u>



*Dreamgate Corporation Bhd* (603831-K)

**26. Borrowings (continued)**

	<b>RM'000</b>
Term loan-long term	<u>50</u>
Total borrowings	<u><u>13,398</u></u>

During the current quarter under review, RGB Sdn Bhd and RGB Ltd, wholly owned subsidiaries of the Company accepted banking facilities of RM8million and USD7million respectively from licensed banks. These facilities are secured by way of corporate guarantees given by the Company.

**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 impact 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 RM3.1 million over the weighted average number of ordinary shares in issue of 280,000,000.

**31. Authorisation For Issue**

On 29 November 2004, the Board of Directors authorised the issue of these interim financial statements.





*Dreamgate Corporation Bhd* (603831-K)

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

Datuk Chuah Kim Seah  
Managing Director  
29 November 2004