



Dreamgate Corporation Bhd (603831-K)

(Incorporated in Malaysia)

Interim Unaudited Financial Statements
31 March 2005



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 FRS 134 (FORMERLY KNOWN AS MASB 26)	6 – 11
EXPLANATORY NOTES PURSUANT TO APPENDIX 7A OF THE LISTING REQUIREMENTS OF BURSA SECURITIES	12 – 16



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 MAR 2005 RM'000	31 MAR 2004 RM'000	31 MAR 2005 RM'000	31 MAR 2004 RM'000
Revenue		35,919	30,911	35,919	30,911
Cost of sales		(23,973)	(22,268)	(23,973)	(22,268)
		11,946	8,643	11,946	8,643
Other operating income		394	139	394	139
Selling and distribution costs		(298)	(178)	(298)	(178)
Administrative expenses		(2,990)	(1,847)	(2,990)	(1,847)
Depreciation		(3,138)	(1,141)	(3,138)	(1,141)
Profit from operations		5,914	5,616	5,914	5,616
Finance costs		(267)	(62)	(267)	(62)
Share of profit/(loss) of an associated corporation		129	(49)	129	(49)
Profit before taxation		5,776	5,505	5,776	5,505
Taxation	22	(10)	(427)	(10)	(427)
Profit after taxation		5,766	5,078	5,766	5,078
Minority interest		(1)	-	(1)	-
Net profit attributable to members of the company		<u>5,765</u>	<u>5,078</u>	<u>5,765</u>	<u>5,078</u>
Basic earnings per share (sen)	30	<u>2.06</u>	<u>1.84</u>	<u>2.06</u>	<u>1.84</u>

The condensed consolidated financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to the interim financial statements; in accordance to the FRS 134, Para 21 (formerly known as MASB 26).



Dreamgate Corporation Bhd (603831-K)

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	31 MAR 2005 RM'000	31 DEC 2004 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	74,277	69,317
Development expenditure		418	390
Investment in associated corporations		830	701
Investments		4	4
Long term receivables (secured)		676	676
		<u>76,205</u>	<u>71,088</u>
CURRENT ASSETS			
Inventories		5,104	14,533
Receivables		43,273	43,685
Amount owing by an associated corporation		2,794	2,794
Tax recoverable		834	673
Deposits with licensed banks		11,575	11,575
Cash and bank balances		16,612	14,161
		<u>80,192</u>	<u>87,421</u>
CURRENT LIABILITIES			
Payables		32,100	45,561
Borrowings	26	10,498	17,224
Tax payable		4	21
		<u>42,602</u>	<u>62,806</u>
NET CURRENT ASSETS			
		<u>37,590</u>	<u>24,615</u>
		<u>113,795</u>	<u>95,703</u>
CAPITAL AND RESERVES			
Share capital		28,000	28,000
Reserve on consolidation		8,110	8,110
Share premium		28,018	28,018
Translation reserve		(2)	(3)
Retained profits		28,553	22,788
Shareholder's equity		<u>92,679</u>	<u>86,913</u>
MINORITY INTEREST			
		1	-
NON-CURRENT LIABILITIES			
Borrowings	26	20,862	8,537
Deferred taxation		253	253
		<u>113,795</u>	<u>95,703</u>
Net tangible assets per share (sen)		<u>33</u>	<u>31</u>

The condensed consolidated financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to the interim financial statements; in accordance to the FRS 134, Para 21 (formerly known as MASB 26).



Dreamgate Corporation Bhd (603831-K)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RM'000	Non-Distributable Reserve on consolidation RM'000	Share Premium RM'000	Translation Reserve RM'000	Distributable Retained profits RM'000	Total RM'000
At 1 January 2004	20,557	8,110	-	-	4,550	33,217
Exchange loss on translation on net investment in a foreign subsidiary company	-	-	-	(3)	-	(3)
Net loss not recognized in income statements	-	-	-	(3)	-	(3)
Issuance of shares	7,443	-	29,771	-	-	37,214
Utilisation of listing expenses	-	-	(1,753)	-	-	(1,753)
Net profit for the financial year	-	-	-	-	18,238	18,238
At 31 December 2004	28,000	8,110	28,018	(3)	22,788	86,913
Exchange loss on translation on net investment in a foreign subsidiary company	-	-	-	1	-	1
Net loss not recognized in income statements	-	-	-	1	-	1
Net profit for the financial period	-	-	-	-	5,765	5,765
At 31 March 2005	28,000	8,110	28,018	(2)	28,553	92,679

The condensed consolidated financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to the interim financial statements; in accordance to the FRS 134, Para 21 (formerly known as MASB 26).



Dreamgate Corporation Bhd (603831-K)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	CUMULATIVE QUARTER ENDED CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31 MAR 2005 RM'000	31 MAR 2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,776	5,505
Adjustments for:		
Depreciation	3,138	1,141
Gain on disposal of property, plant and equipment	(14)	-
Share of (profit)/loss of an associated corporation	(129)	49
Interest expense	241	44
Interest income	<u>(61)</u>	<u>(176)</u>
Operating profit before working capital changes	8,951	6,563
Advances to long term receivables	-	(676)
Net changes in current assets	9,841	(6,321)
Net changes in current liabilities	(13,461)	5,175
Interest paid	(241)	(44)
Tax paid	<u>(188)</u>	<u>(209)</u>
Net cash flow from operating activities	<u>4,902</u>	<u>4,488</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(8,104)	(10,987)
Proceeds from disposal of property, plant and equipment	14	-
Additions to development expenditure (Note 1)	(22)	(119)
Acquisition of an associated corporation	-	(715)



Dreamgate Corporation Bhd (603831-K)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	CUMULATIVE QUARTER ENDED CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31 MAR 2005 RM'000	31 MAR 2004 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES (CONT')		
Interest received	61	176
Net cash flow from investing activities	(8,051)	(11,645)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of bankers' acceptance and offshore foreign currency loan	(4,618)	(1,212)
Net drawdown/(repayment) of term loan	11,140	(4)
Proceeds from issuance of shares	-	37,214
Listing expenses	-	(1,792)
Additional deposits pledged to licensed banks	(3,375)	(46)
Net cash flow from financing activities	3,147	34,160
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2)	27,003
EFFECTS OF EXCHANGE RATE CHANGES	1	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	20,356	5,077
CASH AND CASH EQUIVALENTS AT END OF THE * FINANCIAL PERIOD	20,355	32,080
* Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	16,612	4,397
Deposits with licensed banks	6,000	32,000
Less: Bank Overdrafts (included within borrowings in Note 26)	(2,257)	(4,317)
	20,355	32,080

Note 1: Included in development expenditure is the capitalization of depreciation amounting to RM5,970 as at 31 March 2005.

The condensed consolidated financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2004 and the accompanying explanatory notes attached to the interim financial statements; in accordance to the FRS 134, Para 21 (formerly known as MASB 26).



Dreamgate Corporation Bhd (603831-K)

**PART A - EXPLANATORY NOTES PERSUANT TO FINANCIAL REPORTING STANDARD
(FRS) NO. 134 (PREVIOUSLY KNOWN AS MASB NO. 26)**

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134 “Interim Financial Reporting” (formerly known as MASB 26) 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 year ended 31 December 2004.

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 year ended 31 December 2004.

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 year ended 31 December 2004 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.

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:

	1.1.2005 to 31.3.2005 RM'000	1.1.2004 to 31.3.2004 RM'000
Segment Revenue		
Sales and marketing	24,702	25,751
Technical Support and Management	11,182	5,115
Others	483	105
	<u>36,367</u>	<u>30,971</u>
Eliminations	<u>(448)</u>	<u>(60)</u>
Group revenue	<u>35,919</u>	<u>30,911</u>
Segment Results		
Sales and marketing	448	3,304
Technical Support and Management	6,276	2,965
Others	(222)	(99)
Unallocated	<u>(588)</u>	<u>(554)</u>
Profit from operations	<u>5,914</u>	<u>5,616</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 except for the following:



Dreamgate Corporation Bhd (603831-K)

(a) Proposed Establishment of an Employee Share Option Scheme (“ESOS”)

On 20 April 2005, the Company announced a proposal for the establishment of an ESOS involving the granting of options to the Executive Directors and Non-Executive Directors of the Company as well as the employees of the Group (“Eligible Employees”), the right to subscribe for new ordinary shares in the Company subject to terms and conditions of the by-laws of the Proposed ESOS to be finalised by the Board (“Bye-Laws”). The total number of new ordinary shares of RM0.10 each to be issued pursuant to the exercise of the options under the Proposed ESOS shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company at any point in time during the duration of the Proposed ESOS.

The Proposed ESOS is conditional upon the approvals of the following: -

- (i) Bursa Securities for the Proposed ESOS and the listing of and quotation for the new ordinary shares to be issued upon exercise of the options pursuant to the Proposed ESOS;
- (ii) shareholders of the Company at an extraordinary general meeting (“EGM”) to be convened; and
- (iii) any other relevant authorities.

(b) Proposed Acquisition

The Company had on 5 May 2005 entered into a Share Sale Agreement with the vendors of CDI Corporation Sdn Bhd (“CDI”), namely Macrod Technology Sdn Bhd and Mr. Wentworth Macquarie Hill for the proposed acquisition of 60% equity interest in CDI for a total cash consideration of RM60,000.

The principal activities of CDI are the designing and trading of signages and systems for gaming and amusement machines; which are complementary and synergistic with the core activities of the subsidiaries of the Company.

The Proposed Acquisition is conditional upon approval being obtained from the Foreign Investment Committee.

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 19 May 2005 (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.



Dreamgate Corporation Bhd (603831-K)

16. Capital Commitment

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

	31 MAR 2005	31 DEC 2004
	RM'000	RM'000
Approved but not contracted for:	<u>20,500</u>	<u>17,000</u>

17. Significant Related Party Transactions

	1.1.2005 to 31.3.2005	1.1.2004 to 31.3.2004
	RM'000	RM'000
Sales of gaming and amusement machines, spare parts and accessories to:		
- Dreamgate (Malaysia) Sdn Bhd	221	52
- Euro Computer Engineering & Parts Sdn Bhd	44	19
- Manju Sdn. Bhd.	20	-
- Sigma Gaming Technology Pte Ltd	124	-
- Standard RGB Pte Ltd	809	700
- Suneka Sdn Bhd	-	19
Purchase of gaming and amusement machines and accessories from:		
- Standard RGB Pte Ltd	133	36
- Chuah Amusement Sales & Services	18	41
Repair and maintenance services provided to:		
- Denver System Sdn. Bhd.	22	37
- Dreamgate (Malaysia) Sdn. Bhd.	19	20
- Euro Computer Engineering & Parts Sdn. Bhd.	10	11
Purchase of spare part and services from Standard RGB Pte Ltd	160	27
Purchase of property, plant and equipment from Standard RGB Pte Ltd	-	285



Dreamgate Corporation Bhd (603831-K)

17. Significant Related Party Transactions (Continued)

	1.1.2005 to 31.3.2005	1.1.2004 to 31.3.2004
	RM'000	RM'000
Renting of premises to:		
- Denver System Sdn. Bhd.	8	14
- Dreamgate (Malaysia) Sdn. Bhd.	8	8
- Great World Inc.	8	8
- Harvard Management Consultants Sdn. Bhd.	3	-
- Euro Computer Engineering & Parts Sdn. Bhd.	9	17
- Standard RGB Pte Ltd	7	7
	<hr/>	<hr/>

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

	1.1.2005 to 31.3.2005 RM'000	1.1.2004 to 31.3.2004 RM'000	% +/(-)
Revenue			
Sales and marketing	24,702	25,751	(4.1)
Technical Support and Management	11,182	5,115	>100.0
Others	<u>35</u>	<u>45</u>	(22.2)
Group revenue	<u>35,919</u>	<u>30,911</u>	16.2
Profit before taxation			
Sales and marketing	448	3,304	(86.4)
Technical Support and Management	6,276	2,965	>100.0
Others	(222)	(99)	>100.0
Unallocated expenses	<u>(726)</u>	<u>(665)</u>	9.2
Group profit before taxation	<u>5,776</u>	<u>5,505</u>	4.9

The Group's revenue for the current quarter was RM35.9 million. Compared to the corresponding quarter last year, it marked an increase of RM5 million or 16.2% resulting from an improvement in revenue of the Technical Support and Management division.

Profit before taxation was RM5.8 million for the quarter, which is an increase of 4.9% compared to the corresponding quarter last year. The significant improvement in the performance of the Technical Support and Management division was due to the increase in number of machines placed at various outlets. The low profit before taxation of the Sales and marketing division is due to lower margins as a result of change in product mix as compared to the corresponding quarter last year.



Dreamgate Corporation Bhd (603831-K)

19. Comparison with previous quarter's results

	CURRENT QUARTER	PREVIOUS QUARTER	% + / (-)
	RM'000	RM'000	
Revenue	35,919	38,872	(7.6)
Profit before taxation	<u>5,776</u>	<u>5,772</u>	0.1

Profit before taxation increased marginally compared to the immediate preceding quarter.

20. Commentary on Prospect

Barring unforeseen circumstances, the Group expects to see continuing expansion of the regional gaming industry in the financial year 2005 and hence continued growth of the Group.

21. Profit Forecast

No profit forecast was announced.

22. Taxation

	INDIVIDUAL QUARTER ENDED		CUMULATIVE QUARTER ENDED	
	31 MAR 2005	31 MAR 2004	31 MAR 2005	31 MAR 2004
	RM'000	RM'000	RM'000	RM'000
Income Tax				
Current Period	10	427	10	427
Overprovision in prior Periods	-	-	-	-
Deferred Tax				
Current Period	-	-	-	-
Under/(Over)provision in prior Periods	-	-	-	-
	<u>10</u>	<u>427</u>	<u>10</u>	<u>427</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. Corporate Proposals

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

▪ **Status of Corporate Proposals**

(i) The proposed ESOS (see Note 13) is still pending approval from the Bursa Securities, shareholders of the Company and other relevant authorities.

(ii) The proposed acquisition of CDI (see Note 13) is pending approval being obtained from the Foreign Investment Committee.

▪ **Status of utilisation of listing proceeds**

	As approved by the Securities Commission & Bursa Securities RM'000	Total Proceeds Utilized as at 31 Mar 2005 RM'000	Balance Proceeds Unutilized as at 31 Mar 2005 RM'000
Purchase of plant and machinery	4,000	323	3,677
Research & development	5,000	467	4,533
Overseas expansion	15,000	13,000	2,000
Regional Trade Mark Registration	1,000	-	1,000
Advertising, promotion and branding	3,000	1,348	1,652
Working Capital	6,214	1,216	4,998
Estimated listing expenses	3,000	1,753	1,247
	<u>37,214</u>	<u>18,107</u>	<u>19,107</u>



Dreamgate Corporation Bhd (603831-K)

26. Borrowings

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

	31 MAR 2005	31 DEC 2004
	RM'000	RM'000
<u>Secured</u>		
Bank overdrafts	2,257	3,180
Banker's acceptance and Offshore Foreign Currency Loan	2,890	7,508
Term loan-short term	5,351	6,536
	<u>10,498</u>	<u>17,224</u>
Term loan-long term	<u>20,862</u>	<u>8,537</u>
Total borrowings	<u><u>31,360</u></u>	<u><u>25,761</u></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 impact on the financial results of the Group.

29. Dividend Proposed or Declared

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 31 December 2004, of 10% less 28% tax on 280,000 ordinary shares, amounting to a dividend payable to RM2,800,000 will be proposed for shareholder's approval. Pursuant to Income Tax (Exemption) (No 10) Order 2000, this dividend is tax exempt in the hands of the shareholder.

30. Basic Earnings Per Share

The basic earnings per share of 2.06 sen for the current period under review is calculated by dividing the Group's net profit for the financial period of RM5.8 million over the number of ordinary shares in issue of 280,000,000. For the preceding year corresponding quarter, the basic earnings per share of 1.84 sen 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.



Dreamgate Corporation Bhd (603831-K)

31. Authorisation For Issue

On 26 May 2005, 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
26 May 2005