



Dreamgate Corporation Bhd (603831-K)

(Incorporated in Malaysia)

Interim Unaudited Financial Statements
30 September 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 – 6
EXPLANATORY NOTES PURSUANT TO FRS 134 (FORMERLY KNOWN AS MASB 26)	7 – 11
EXPLANATORY NOTES PURSUANT TO APPENDIX 7A OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR THE MESDAQ MARKET	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
		30 SEPT 2005 RM'000	30 SEPT 2004 RM'000	30 SEPT 2005 RM'000	30 SEPT 2004 RM'000
Revenue		36,355	18,785	106,198	76,475
Cost of sales		(17,455)	(10,722)	(59,449)	(50,393)
		18,900	8,063	46,749	26,082
Other operating (charges)/income		(147)	175	478	74
Selling and distribution costs		(568)	(540)	(1,613)	(1,403)
Administrative expenses		(5,022)	(2,821)	(12,296)	(6,617)
Depreciation		(5,350)	(2,184)	(12,950)	(5,118)
Profit from operations		7,813	2,693	20,368	13,018
Finance costs		(579)	(199)	(1,313)	(348)
Share of (loss)/profit of an associated corporation		(213)	123	208	7
Profit before taxation		7,021	2,617	19,263	12,677
Taxation	22	(32)	438	(63)	(92)
Profit after taxation		6,989	3,055	19,200	12,585
Minority interest		4	-	-	-
Net profit attributable to members of the company		6,993	3,055	19,200	12,585
Basic earnings per share (sen)	30	2.50	1.09	6.86	4.49

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.



Dreamgate Corporation Bhd (603831-K)

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 SEPT 2005 RM'000	31 DEC 2004 RM'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	112,910	69,317
Development expenditure		538	390
Investment in associated corporations		1,199	701
Investments		4	4
Long term receivables (secured)		676	676
Goodwill on consolidation	14	254	-
		<u>115,581</u>	<u>71,088</u>
CURRENT ASSETS			
Inventories		8,277	14,533
Receivables		58,476	43,685
Amount owing by an associated corporation		2,772	2,794
Tax recoverable		939	673
Deposits with licensed banks		8,576	11,575
Cash and bank balances		5,009	14,161
		<u>84,049</u>	<u>87,421</u>
CURRENT LIABILITIES			
Payables		58,429	45,561
Borrowings	26	19,210	17,224
Tax payable		15	21
		<u>77,654</u>	<u>62,806</u>
NET CURRENT ASSETS			
		<u>6,395</u>	<u>24,615</u>
		<u>121,976</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		228	(3)
Retained profits		39,282	22,788
Shareholders' equity		<u>103,638</u>	<u>86,913</u>
NON-CURRENT LIABILITIES			
Borrowings	26	18,083	8,537
Deferred taxation		255	253
		<u>121,976</u>	<u>95,703</u>
Net tangible assets per share (sen)		<u>37</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.



Dreamgate Corporation Bhd (603831-K)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Non-Distributable		Translation	Distributable		Total
	Note	Share capital RM'000	Reserve on consolidation RM'000	Share Premium RM'000	Reserve RM'000	Retained profits RM'000	RM'000
At 1 January 2004		20,557	8,110	-	-	4,550	33,217
Issuance of shares		7,443	-	29,771	-	-	37,214
Expenses on issuance of shares		-	-	(1,753)	-	-	(1,753)
Exchange differences on translation of the financial statements of a foreign entity		-	-	-	(2)	-	(2)
Net loss not recognized in income statements		-	-	-	(2)	-	(2)
Net profit for the financial period		-	-	-	-	12,583	12,583
At 30 September 2004		<u>28,000</u>	<u>8,110</u>	<u>28,018</u>	<u>(2)</u>	<u>17,133</u>	<u>81,259</u>
At 1 January 2005		28,000	8,110	28,018	(3)	22,788	86,913
Exchange differences on translation of the financial statements of a foreign entity		-	-	-	231	-	231
Net profit not recognized in income statements		-	-	-	231	-	231
Net profit for the financial period		-	-	-	-	19,200	19,200
Dividends	10	-	-	-	-	(2,706)	(2,706)
At 30 September 2005		<u>28,000</u>	<u>8,110</u>	<u>28,018</u>	<u>228</u>	<u>39,282</u>	<u>103,638</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.



Dreamgate Corporation Bhd (603831-K)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	CUMULATIVE QUARTER ENDED CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30 SEPT 2005 RM'000	30 SEPT 2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	19,263	12,677
Adjustments for:		
Amortisation of development expenditure	35	-
Depreciation	12,950	5,118
Gain on disposal of property, plant and equipment	(29)	(45)
Property, plant and equipment written off	6	-
Share of profit of an associated corporation	(208)	(7)
Interest expense	1,214	268
Interest income	<u>(350)</u>	<u>(491)</u>
Operating profit before working capital changes	32,881	17,520
Advances to long term receivables	-	(676)
Net changes in receivables, amount owing by an associated corporation and inventories	(8,260)	(3,922)
Net changes in payables	12,147	4,551
Interest paid	(1,214)	(268)
Tax paid	<u>(335)</u>	<u>(873)</u>
Net cash flow from operating activities	<u>35,219</u>	<u>16,332</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(56,719)	(45,998)
Proceeds from disposal of property, plant and equipment	233	313
Additions to development expenditure (Note 1)	(167)	(339)
Acquisition of an associated corporation	-	(715)



Dreamgate Corporation Bhd (603831-K)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	CUMULATIVE CURRENT YEAR TO DATE	QUARTER ENDED PRECEDING YEAR CORRESPONDING PERIOD
	30 SEPT 2005 RM'000	30 SEPT 2004 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES (CONT')		
Acquisition of a subsidiary company	(60)	-
Interest received	350	491
Net cash flow from investing activities	(56,363)	(46,248)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown of bankers' acceptance and offshore foreign currency loan	3,388	9,810
Net drawdown/(repayment) of term loan	8,273	(12)
Proceeds from issuance of shares	-	37,214
Repayment of hire purchase payable	(4)	-
Expenses on issuance of shares	-	(1,753)
Dividends paid	(2,706)	-
Additional deposits pledged to licensed banks	(3,376)	(47)
Net cash flow from financing activities	5,575	45,212
NET CHANGE IN CASH AND CASH EQUIVALENTS	(15,569)	15,296
EFFECTS OF EXCHANGE RATE CHANGES	231	(2)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	20,356	5,077
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD *	5,018	20,371



Dreamgate Corporation Bhd (603831-K)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	CUMULATIVE QUARTER ENDED	
	CURRENT	PRECEDING
	YEAR	YEAR
	TO DATE	CORRESPONDING
		PERIOD
	30 SEPT 2005	30 SEPT 2004
	RM'000	RM'000
* Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	5,009	7,681
Deposits with licensed banks	3,000	15,000
Less: Bank Overdrafts	(2,991)	(2,310)
	<hr/>	<hr/>
	5,018	20,371
	<hr/>	<hr/>

Note 1: Included in development expenditure is the capitalization of depreciation amounting to RM16,173 as at 30 September 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.



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

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary company are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary company at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

Minority interest is measured at the minorities' share of post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interest.

3. Associated corporations

Associated corporations are those corporations in which the Group has a long term equity interest and where it exercises significant influence over the financial and operating policies.

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 year is included in the consolidated income statement. The Group's interest in associated corporations is carried in the consolidated balance



Dreamgate Corporation Bhd (603831-K)

3. Associated corporations (Continued)

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.

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 on 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

First and final dividend of 10% less 28% taxation, on 280,000,000 ordinary shares, less adjustment for tax credit under Section 108 of the Income Tax Act, 1967 in respect of the year ended 31 December 2004.

11. Segmental Information

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

	1.7.2005 to 30.9.2005 RM'000	1.1.2005 to 30.9.2005 RM'000
Segment Revenue		
Sales and marketing	19,070	64,641
Technical Support and Management	17,285	41,487
Others	569	1,535
	<u>36,924</u>	<u>107,663</u>
Eliminations	<u>(569)</u>	<u>(1,465)</u>
Group revenue	<u><u>36,355</u></u>	<u><u>106,198</u></u>
Segment Results		
Sales and marketing	493	2,717
Technical Support and Management	8,403	20,165
Others	(282)	(798)
Unallocated	<u>(801)</u>	<u>(1,716)</u>
Profit from operations	<u><u>7,813</u></u>	<u><u>20,368</u></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)

13. Subsequent Events (Continued)

(a) Employee Share Option Scheme (“ESOS”)

The ESOS was officially launched on 19 October 2005. Options for 19,300,000 ordinary shares were offered to eligible employees at an exercise price of RM1.06 per ordinary share for a period of five years to 18 October 2010. The final date for acceptance of the options by eligible employees is 24 November 2005.

14. Changes in the Composition of the Group

On 1 July 2005, the acquisition of a 60% equity interest in CDI Corporation Sdn Bhd was completed and the results of this subsidiary are included in the consolidated financial statements of the Group from the current quarter under review. The goodwill arising on consolidation amounting to RM254,000 is reflected in the consolidated balance sheet of the Group.

15. Contingent Liabilities

As at 10 November 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 and the last audited financial statements for the year ended 31 December 2004.

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:

	30 SEPT 2005	31 DEC 2004
	RM'000	RM'000
Approved but not contracted for:	<u>13,500</u>	<u>17,000</u>

17. Significant Related Party Transactions

	1.7.2005 to 30.9.2005	1.1.2005 to 30.9.2005
	RM'000	RM'000
Sales of gaming and amusement machines, spare parts and accessories to:		
- Amity Energy Sdn Bhd	11	11
- Dreamgate (Malaysia) Sdn Bhd	37	258
- Euro Computer Engineering & Parts Sdn Bhd	5	49



Dreamgate Corporation Bhd (603831-K)

17. Significant Related Party Transactions (Continued)

	1.7.2005 to 30.9.2005	1.1.2005 to 30.9.2005
	RM'000	RM'000
- Manju Sdn. Bhd.	1	21
- Sigma Gaming Technology Pte Ltd	-	124
- Standard RGB Pte Ltd	632	1,970
Purchase of gaming and amusement machines and accessories from:		
- Standard RGB Pte Ltd	70	203
- Chuah Amusement Sales & Services	-	18
- Dreamgate (Malaysia) Sdn Bhd	-	18
Repair and maintenance services provided to:		
- Denver System Sdn. Bhd.	22	66
- Dreamgate (Malaysia) Sdn. Bhd.	21	62
- Euro Computer Engineering & Parts Sdn. Bhd.	13	34
Purchase of spare part and services from Standard RGB Pte Ltd	539	788
Purchase of property, plant and equipment from Standard RGB Pte Ltd	210	-
Renting of premises to:		
- Denver System Sdn. Bhd.	-	16
- Dreamgate (Malaysia) Sdn. Bhd.	-	16
- Great World Inc.	-	16
- Harvard Management Consultants Sdn. Bhd.	-	6
- Euro Computer Engineering & Parts Sdn. Bhd.	-	18
- Standard RGB Pte Ltd	7	21

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

	1.7.2005 to 30.9.2005 RM'000	1.7.2004 to 30.9.2004 RM'000	% +/(-)
Revenue			
Sales and Marketing	19,070	11,750	62.3
Technical Support and Management	17,285	6,999	>100.0
Others	<u>-</u>	<u>36</u>	(100.0)
Group revenue	<u>36,355</u>	<u>18,785</u>	93.5
Profit before taxation			
Sales and Marketing	493	283	74.2
Technical Support and Management	8,403	3,086	>100.0
Others	(282)	(247)	14.2
Unallocated expenses	<u>(1,593)</u>	<u>(505)</u>	>100.0
Group profit before taxation	<u>7,021</u>	<u>2,617</u>	>100.0

The Group recorded an increase in revenue of approximately RM17.6 million for the current quarter or 93.5% due to the overall improvement in revenue of both the Sales and Marketing and the Technical Support and Management divisions. The significant improvement in the performance of the Technical Support and Management division was due to additional machines installed at new and existing locations.

Profit before taxation was approximately RM7.0 million for the current quarter, which is an increase of more than 100.0% as compared to the corresponding quarter last year. The increase in machines installed at new and existing locations has resulted in a significant increase in depreciation as shown in the condensed consolidated income statement.



Dreamgate Corporation Bhd (603831-K)

19. Comparison with previous quarter's results

	CURRENT QUARTER RM'000	PREVIOUS QUARTER RM'000	% + / (-)
Revenue			
Sales and marketing	19,070	20,869	(8.6)
Technical Support and Management	17,285	13,020	32.8
Others	<u>-</u>	<u>35</u>	(100.0)
Group revenue	<u>36,355</u>	<u>33,924</u>	7.2
Profit before taxation			
Sales and Marketing	493	1,776	(72.2)
Technical Support and Management	8,403	5,486	53.2
Others	(282)	(294)	4.1
Unallocated expenses	<u>(1,593)</u>	<u>(502)</u>	>100.0
Group profit before taxation	<u>7,021</u>	<u>6,466</u>	8.6

Profit before taxation continued to increase due to the improved performance from the Technical Support and Management division whereas the lower profit before taxation of the Sales and Marketing division is due to sales of lower margin products in this current quarter under review.

20. Commentary on Prospect

Barring unforeseen circumstances, the Group expects demand for the Group's products and services till the end of the year to remain positive.

21. Profit Forecast

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



Dreamgate Corporation Bhd (603831-K)

22. Taxation

	INDIVIDUAL QUARTER ENDED		CUMULATIVE QUARTER ENDED	
	30 SEPT 2005	30 SEPT 2004	30 SEPT 2005	30 SEPT 2004
	RM'000	RM'000	RM'000	RM'000
Income Tax				
Current Period	32	5	63	535
Overprovision in prior Periods	-	(443)	-	(443)
Deferred Tax				
Current Period	-	-	-	-
Under/(Over)provision in prior Periods	-	-	-	-
	<u>32</u>	<u>(438)</u>	<u>63</u>	<u>92</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).

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 utilisation of listing proceeds**

	As approved by the Bursa Securities	Adjustment	Total Proceeds Utilised as at 30 Sept 2005	Balance Proceeds Unutilised as at 30 Sept 2005
	RM'000	RM'000	RM'000	RM'000
Purchase of plant and machinery	4,000	-	376	3,624
Research & development	5,000	-	629	4,371
Overseas expansion	15,000	-	15,000	-



Dreamgate Corporation Bhd (603831-K)

25. Corporate Proposals (Continued)

	As approved by the Bursa Securities RM'000	Adjustment RM'000	Total Proceeds Utilized as at 30 Sept 2005 RM'000	Balance Proceeds Unutilized as at 30 Sept 2005 RM'000
Regional Trade Mark Registration	1,000	-	-	1,000
Advertising, promotion and branding	3,000	-	2,579	421
Working Capital	6,214	1,247	6,381	1,080
Estimated listing expenses	3,000	* (1,247)	1,753	-
	<u>37,214</u>	<u>-</u>	<u>26,718</u>	<u>10,496</u>

* The unutilised listing expenses of RM1.247 million have been reallocated to Working Capital with the approval of the Securities Commission on 18 July 2005.

26. Borrowings

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

	30 SEPT 2005 RM'000	31 DEC 2004 RM'000
Short Term Borrowings:		
<u>Secured</u>		
Bank overdrafts	2,991	3,180
Banker's acceptance and Offshore Foreign Currency Loan	10,896	7,508
Term loan	5,308	6,536
<u>Unsecured</u>		
Hire Purchase payable	15	-
	<u>19,210</u>	<u>17,224</u>
Long Term Borrowings:		
<u>Secured</u>		
Term loan	18,038	8,537
<u>Unsecured</u>		
Hire Purchase payable	45	-
	<u>18,083</u>	<u>8,537</u>
Total borrowings	<u>37,293</u>	<u>25,761</u>



Dreamgate Corporation Bhd (603831-K)

26. Borrowings (Continued)

During the current quarter under review, RGB Ltd, a wholly owned subsidiary of the Company accepted banking facilities of USD9.0 million (approximately RM33.9 million) from a licensed bank. This facility is secured by way of a corporate guarantee 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 Proposed or Declared

No dividend has been declared for the financial period to date in respect of the financial year ended 31 December 2005.

30. Basic Earnings Per Share

The basic earnings per share of 2.50 sen for the current period under review is calculated by dividing the Group's net profit for the financial period of approximately RM7.0 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 1.09 sen is calculated by dividing the Group's net profit for the financial period of approximately RM3.1 million over the weighted average number of ordinary shares in issue of 280,000,000.

31. Authorisation For Issue

On 17 November 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
17 November 2005