



*Dreamgate Corporation Bhd* (603831-K)

(Incorporated in Malaysia)

Interim Unaudited Financial Statements  
31 March 2006



*Dreamgate Corporation Bhd* (603831-K)

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*Dreamgate Corporation Bhd* (603831-K)

**CONDENSED CONSOLIDATED INCOME STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006**

	Note	3 MONTHS ENDED		3 MONTHS ENDED	
		31 MAR 2006 RM'000	31 MAR 2005 RM'000	31 MAR 2006 RM'000	31 MAR 2005 RM'000
<b>Revenue</b>	<b>11</b>	44,352	35,919	44,352	35,919
<b>Cost of sales</b>		(28,039)	(27,651)	(28,039)	(27,651)
- Depreciation		(6,747)	(2,954)	(6,747)	(2,954)
- Others		(21,292)	(24,697)	(21,292)	(24,697)
<b>Gross profit</b>		16,313	8,268	16,313	8,268
Other income		1,331	394	1,331	394
Administrative expenses		(4,820)	(2,001)	(4,820)	(2,001)
Selling and marketing expenses		(881)	(563)	(881)	(563)
Depreciation		(332)	(184)	(332)	(184)
Other expenses		(1,331)	-	(1,331)	-
Finance costs		(1,163)	(267)	(1,163)	(267)
Share of (loss)/profit of associates		(286)	129	(286)	129
<b>Profit before tax</b>		8,831	5,776	8,831	5,776
Income tax expense	<b>22</b>	(5)	(10)	(5)	(10)
<b>Profit for the period</b>		<u>8,826</u>	<u>5,766</u>	<u>8,826</u>	<u>5,766</u>
Attributable to:					
Equity holders of the parent		8,826	5,765	8,826	5,765
Minority interest		-	1	-	1
		<u>8,826</u>	<u>5,766</u>	<u>8,826</u>	<u>5,766</u>
<b>Earnings per share attributable to equity holders of the parent:</b>					
<b>Basic, for profit for the period (sen)</b>	<b>30</b>	<u>3.15</u>	<u>2.06</u>	<u>3.15</u>	<u>2.06</u>
<b>Diluted, for profit for the period (sen)</b>	<b>30</b>	<u>3.10</u>	<u>N/A</u>	<u>3.10</u>	<u>N/A</u>

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.



*Dreamgate Corporation Bhd* (603831-K)

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**AS AT 31 MARCH 2006**

	Note	AS AT 31 MAR 2006 RM'000	AS AT 31 DEC 2005 RM'000 (Restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	139,852	127,845
Negative goodwill	2(a)	-	(8,110)
Development costs		467	503
Investments in associates		461	914
Other investment		4	4
Other receivables (secured)		656	676
		<u>141,440</u>	<u>121,832</u>
<b>Current assets</b>			
Inventories		13,494	15,119
Receivables		66,294	80,756
Due from an associate		2,510	2,772
Deposits with licensed banks		5,730	8,637
Cash and bank balances		13,154	8,872
		<u>101,182</u>	<u>116,156</u>
<b>TOTAL ASSETS</b>		<u>242,622</u>	<u>237,988</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	9	28,034	28,000
Share premium	9	28,340	28,018
Foreign exchange reserve		(1,958)	217
Equity compensation reserve		846	379
Retained earnings		64,728	47,792
<b>Total equity</b>		<u>119,990</u>	<u>104,406</u>
<b>Non-current liabilities</b>			
Borrowings	26	39,950	41,584
Deferred tax liabilities		295	295
		<u>40,245</u>	<u>41,879</u>
<b>Current liabilities</b>			
Borrowings	26	25,058	19,405
Payables		56,729	71,568
Tax payable		600	730
		<u>82,387</u>	<u>91,703</u>
<b>Total liabilities</b>		<u>122,632</u>	<u>133,582</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>242,622</u>	<u>237,988</u>
Net assets per share (sen)		<u>43</u>	<u>37</u>

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006**

Note	----- Attributable to Equity Holders of the Parent -----						Minority Interest RM'000	Total Equity RM'000
	----- Non-Distributable -----			Distributable				
	Share Capital RM'000	Share Premium RM'000	Foreign Exchange Reserve RM'000	Equity Compensation Reserve RM'000	Retained Earnings RM'000	Total RM'000		
<b>At 1 January 2005</b>	28,000	28,018	(3)	-	22,788	78,803	-	78,803
Foreign currency translation, representing net expense recognised directly in equity	-	-	1	-	-	1	-	1
Profit for the period	-	-	-	-	5,765	5,765	1	5,766
<b>At 31 March 2005</b>	<b>28,000</b>	<b>28,018</b>	<b>(2)</b>	<b>-</b>	<b>28,553</b>	<b>84,569</b>	<b>1</b>	<b>84,570</b>
<b>At 1 January 2006</b> As previously stated	28,000	28,018	217	-	48,171	104,406	-	104,406
Prior year adjustments – effects of adopting:								
FRS 2	2(b)	-	-	379	(379)	-	-	-
<b>At 1 January 2006 (restated)</b>		28,000	28,018	217	379	47,792	-	104,406
Effects of adopting:								
FRS 3	2(a)	-	-	-	8,110	8,110	-	8,110
		28,000	28,018	217	379	55,902	-	112,516



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006**

	----- Attributable to Equity Holders of the Parent -----						Minority Interest	Total Equity	
	----- Non-Distributable -----			Distributable					
	Note	Share Capital RM'000	Share Premium RM'000	Foreign Exchange Reserve RM'000	Equity Compensation Reserve RM'000	Retained Earnings RM'000			Total RM'000
Foreign currency translation, representing net expense recognised directly in equity		-	-	(2,175)	-	-	(2,175)	-	(2,175)
Profit for the period		-	-	-	-	8,826	8,826	-	8,826
Total recognised income and expense for the period		-	-	(2,175)	-	8,826	6,651	-	6,651
Issue of ordinary shares pursuant to ESOS	<b>9</b>	34	322	-	-	-	356	-	356
Share-based payment under ESOS		-	-	-	467	-	467	-	467
<b>At 31 March 2006</b>		<b>28,034</b>	<b>28,340</b>	<b>(1,958)</b>	<b>846</b>	<b>64,728</b>	<b>119,990</b>	<b>-</b>	<b>119,990</b>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.



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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006**

	<b>3 MONTHS ENDED</b>	
	<b>31 MAR 2006</b>	<b>31 MAR 2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	8,831	5,776
Adjustments for:		
Amortisation of development costs	36	-
Depreciation	7,079	3,138
Gain on disposal of equipment	(625)	(14)
Equipment written off	856	-
Impairment loss on equipment written back	(7)	-
Share based-payment under ESOS	467	-
Share of loss/(profit) of associates	286	(129)
Interest expense	990	241
Interest income	<u>(114)</u>	<u>(61)</u>
Operating profit before working capital changes	17,799	8,951
Net changes in receivables, amount due from an associate and inventories	16,413	10,438
Net changes in payables	(14,839)	(13,461)
Interest paid	(990)	(241)
Taxes paid	<u>(31)</u>	<u>(188)</u>
<b>Net cash flow from operating activities</b>	<u>18,352</u>	<u>5,499</u>



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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2006**

	<b>3 MONTHS ENDED</b>	
	<b>31 MAR 2006</b>	<b>31 MAR 2005</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(25,086)	(8,104)
Proceeds from disposal of equipment	2,772	14
Expenditure on development costs	-	(22)
Interest received	114	61
<b>Net cash flow from investing activities</b>	<b>(22,200)</b>	<b>(8,051)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net drawdown/(repayment) of bankers' acceptance and offshore foreign currency loan	5,106	(4,618)
Net (repayment)/drawdown of term loan	(1,902)	11,140
Proceeds from issuance of shares	356	-
Repayment of hire purchase payable	(4)	-
<b>Net cash flow from financing activities</b>	<b>3,556</b>	<b>6,522</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(292)</b>	<b>3,970</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES</b>	<b>848</b>	<b>1</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	<b>15,066</b>	<b>21,959</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b> *	<b>15,622</b>	<b>25,930</b>
* Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	13,154	16,612
Deposits with licensed banks	5,730	11,575
Less: Bank Overdrafts	(3,262)	(2,257)
	<b>15,622</b>	<b>25,930</b>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.





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**PART A - EXPLANATORY NOTES PERSUANT TO FINANCIAL REPORTING STANDARD  
(FRS) NO. 134**

**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” 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 for the year ended 31 December 2005. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2005.

**2. Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of these standards does not have significant financial impact on the Group except for FRS 2, 3 and 101 which are as follows:



**2. Changes in Accounting Policies (Continued)**

**(a) FRS 3: Business Combinations**

Under the new FRS 3, any excess of the Group's interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as 'negative goodwill'), after reassessment, is now recognised immediately in profit or loss. Prior to 1 January 2006, negative goodwill was not amortised. In accordance with the transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM8,110,195 was derecognised with a corresponding increase in retained earnings.

**(b) FRS 2: Share-based Payment**

This FRS requires an entity to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

The Company operates an equity-settled, share-based compensation plan for the employees of the Group, called the DCB Employee Share Options Scheme ("ESOS"). Prior to 1 January 2006, no compensation expense was recognise in profit or loss for share options granted. With the adoption of FRS 2, the compensation expense relating to share options is recognised in profit or loss over the vesting periods of the grants with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by vesting date. The fair value of the share option is computed using the Bermudan model. At every balance sheet date, the Group revises its estimates of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in profit or loss and a corresponding adjustment to equity over the remaining vesting period.

Under the transitional provisions of FRS 2, this FRS must be applied to share options that were granted after 31 December 2004 and had not yet vested on 1 January 2006. The application is retrospective and accordingly, the comparative amounts as at 31 December 2005 are restated and the opening balance of retained earnings as at 1 January 2006 has been adjusted. The financial impact to the Group arising from this change in accounting policy is as follows:

	<b>AS AT 1 JAN 2006 RM'000</b>
Decrease in retained earnings	(379)
Decrease in minority interest	-
Increase in equity compensation reserve	<u>379</u>



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**2. Changes in Accounting Policies (Continued)**

	3 MONTHS ENDED		3 MONTHS ENDED	
	31 MAR 2006	31 MAR 2005	31 MAR 2006	31 MAR 2005
	RM'000	RM'000	RM'000	RM'000
Decrease in profit for the period	(467)	-	(467)	-

The impact of the above on comparatives is disclosed on Note 3.

**(c) FRS 101: Presentation of Financial Statements**

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

**3. Comparatives**

The following comparative amounts have been restated due to the adoption of new and revised FRSs:

	Previously stated	Adjustment	Restated
	RM'000	FRS 2 (Note 2(b)) RM'000	RM'000
<b>At 31 Dec 2005</b>			
Retained earnings	48,171	(379)	47,792
Equity compensation reserve	-	379	379

**4. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the year ended 31 December 2005 was not qualified.



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**5. Significant Event**

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

**6. Comments about 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 due to their Nature, Size or Incidence**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter under review except as disclosed in Note 2.

**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 issuances, cancellations, repurchases, resale and repayments of debt and equity securities except for the following:

▪ **Employee Share Options Scheme (“ESOS”)**

During the financial period ended 31 March 2006, the Company issued 336,000 ordinary shares of RM0.10 each for cash pursuant to the Company’s ESOS at the exercise price of RM1.06 per ordinary share. As a result the share capital and share premium increased by RM33,600 and RM322,560 respectively.

**10. Dividend Paid**

No dividend was paid during the financial period to date.



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**11. Segmental Information**

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

	3 MONTHS ENDED		3 MONTHS ENDED	
	31 MAR 2006	31 MAR 2005	31 MAR 2006	31 MAR 2005
	RM'000	RM'000	RM'000	RM'000
<b>Segment Revenue</b>				
Sales and marketing	19,041	24,702	19,041	24,702
Technical Support and Management	22,953	11,182	22,953	11,182
Others	2,581	483	2,581	483
	<u>44,575</u>	<u>36,367</u>	<u>44,575</u>	<u>36,367</u>
Eliminations	(223)	(448)	(223)	(448)
Revenue	<u>44,352</u>	<u>35,919</u>	<u>44,352</u>	<u>35,919</u>
<b>Segment Results</b>				
Sales and marketing	339	448	339	448
Technical Support and Management	10,263	6,276	10,263	6,276
Others	980	(222)	980	(222)
Unallocated	(1,302)	(588)	(1,302)	(588)
Profit from operations	<u>10,280</u>	<u>5,914</u>	<u>10,280</u>	<u>5,914</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:

▪ **Establishment of Philippine Branch**

On 9 May 2006, the wholly-owned subsidiary of the Company, RGB Ltd registered a branch office in the Philippines under the name of RGB Ltd (Philippine Branch). The principal activity of the Philippine Branch is to engage in equipment leasing.



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

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

**15. Changes in Contingent Liabilities and Contingent Assets**

As at 18 May 2006 (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 2005.

**16. Capital Commitments**

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

	AS AT 31 MAR 2006	AS AT 31 DEC 2005
	RM'000	RM'000
Approved but not contracted for:	<u>23,800</u>	<u>36,000</u>

**17. Significant Related Party Transactions**

	1.1.2006 to 31.3.2006	1.1.2005 to 31.3.2005
	RM'000	RM'000
Sales of gaming and amusement machines, spare parts and accessories to:		
- Denver System Sdn. Bhd.	25	-
- Dreamgate (Malaysia) Sdn Bhd	4	221
- Euro Computer Engineering & Parts Sdn Bhd	1	44
- Manju Sdn. Bhd.	43	20
- Sigma Gaming Technology Pte Ltd	-	124
- Standard RGB Pte Ltd	3,057	809
- Suneka Sdn Bhd	42	-
Purchase of gaming and amusement machines and accessories from:		
- Standard RGB Pte Ltd	32	133
- Chuah Amusement Sales & Services	-	18



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

	<b>1.1.2006 to 31.3.2006 RM'000</b>	<b>1.1.2005 to 31.3.2005 RM'000</b>
Repair and maintenance services provided to:		
- Denver System Sdn. Bhd.	19	22
- Dreamgate (Malaysia) Sdn. Bhd.	20	19
- Euro Computer Engineering & Parts Sdn. Bhd.	11	10
Purchase of spare part and services from Standard RGB Pte Ltd	619	160
Purchase of equipment from Standard RGB Pte Ltd	1,117	-
Renting of premises to:		
- Denver System Sdn. Bhd.	-	8
- Dreamgate (Malaysia) Sdn. Bhd.	-	8
- Great World Inc.	-	8
- Harvard Management Consultants Sdn. Bhd.	-	3
- Euro Computer Engineering & Parts Sdn. Bhd.	-	9
- Standard RGB Pte Ltd	<u>7</u>	<u>7</u>

The abovementioned corporations are regarded as related parties of the Group as certain directors of the Company, Datuk Chuah Kim Seah, JP and/or Chuah Kim Chiew and family members of Datuk Chuah Kim Seah, JP and Chuah Kim Chiew have substantial interest in these corporations.

The directors are of the opinion that the related party transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.



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

**18. Performance Review**

	<b>1.1.2006 to 31.3.2006 RM'000</b>	<b>1.1.2005 to 31.3.2005 RM'000</b>	<b>% + / (-)</b>
<b>Revenue</b>			
Sales and marketing	19,041	24,702	(22.9)
Technical Support and Management	22,953	11,182	>100.0
Others	<u>2,358</u>	<u>35</u>	>100.0
Revenue	<u><u>44,352</u></u>	<u><u>35,919</u></u>	23.5
<b>Profit before tax</b>			
Sales and marketing	339	448	(24.3)
Technical Support and Management	10,263	6,276	63.5
Others	980	(222)	>100.0
Unallocated expenses	<u>(2,751)</u>	<u>(726)</u>	>100.0
Profit before tax	<u><u>8,831</u></u>	<u><u>5,776</u></u>	52.9

The Group recorded an increase in revenue of approximately RM8.4million for the current quarter or 23.5% due to the overall improvement in revenue of the Technical Support and Management division even though sales of gaming machines declined by 22.9%. The significant improvement in the performance of the Technical Support and Management division was due to additional machines installed at new and existing locations while sales of gaming machines declined due to fall in demand and some element of competition.

Profit before tax was approximately RM8.8 million for the current quarter, which is an increase of 52.9% as compared to the corresponding quarter last year even though the adoption of FRS 2 (Share-based Payment), reduced profits by RM467,171.

Included in unallocated expenses are interest expense amounting to approximately RM990,000, cost of share-based payment and share of loss of associates for the current quarter under review.





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

	<b>CURRENT QUARTER</b>	<b>PREVIOUS QUARTER</b>	<b>% +/(-)</b>
	<b>RM'000</b>	<b>RM'000</b>	
<b>Revenue</b>			
Sales and marketing	19,041	28,504	(33.2)
Technical Support and Management	22,953	19,339	18.7
Others	<u>2,358</u>	<u>59</u>	>100.0
Revenue	<u>44,352</u>	<u>47,902</u>	(7.4)
<b>Profit before taxation</b>			
Sales and Marketing	339	2,690	(87.4)
Technical Support and Management	10,263	7,978	28.6
Others	980	(260)	>100.0
Unallocated expenses	<u>(2,751)</u>	<u>(1,459)</u>	88.6
Profit before tax	<u>8,831</u>	<u>8,949</u>	(1.3)

Revenue from the Sales and Marketing division fell primarily due to seasonal factors while that of the Technical Support and Management division increased due to positive contribution from most outlets opened during the previous year.

Profit margins on the Sales and Marketing division fell because of competition and fixed operating expenses.

**20. Commentary on Prospect**

The continued liberalisation of the gaming and leisure sector in the Asia region will have a positive impact on the future growth of the Group. However, this growth is expected to attract additional competitors to this region.

The Group intends to leverage on its existing networks, develop competitive products through its associate or jointly with manufacturers to deliver results and achieve its goal of improving service levels and innovations.

Barring any unforeseen circumstances, the Group expects the current financial year to be positive.



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**21. Profit Forecast**

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

**22. Income Tax Expense**

	3 MONTHS ENDED		3 MONTHS ENDED	
	31 MAR 2006	31 MAR 2005	31 MAR 2006	31 MAR 2005
	RM'000	RM'000	RM'000	RM'000
Income Tax				
Current Period	5	10	5	10

Domestic income tax is calculated at the Malaysian statutory rate of 28% (2005: 28%) of the estimated assessable profit for the period. Taxation for other jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

**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:

**(a) Status of utilisation of listing proceeds**

Purpose	Proposed	Actual	Deviation Amount	
	Utilisation	Utilisation	RM'000	%
	RM'000	As at 31 Mar 2006 RM'000		
Purchase of plant and machinery	4,000	394	3,606	36.8
Research & development	5,000	629	4,371	44.7
Overseas expansion	15,000	15,000	-	-



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**25. Corporate Proposals (Continued)**

**(a) Status of utilisation of listing proceeds (Continued)**

Purpose	Proposed Utilisation	Actual Utilisation	Deviation Amount	
	RM'000	As at 31 Mar 2006 RM'000	RM'000	%
Regional Trade Mark registration	1,000	-	1,000	10.2
Advertising, promotion and branding	3,000	3,000	-	-
Working capital	7,461	6,651	810	8.3
Estimated listing expenses	1,753	1,753	-	-
<b>Total</b>	<b>37,214</b>	<b>27,427</b>	<b>9,787</b>	<b>100.0</b>

**(b) Employee Share Option Scheme (“ESOS”)**

Grant Date/ Expiry Date	Exercise Price RM	Number of Options Over Ordinary Shares of RM0.10 each			
		1 Jan 2006	Exercised	Lapsed	31 Mar 2006
19 Oct 2005/ 18 Oct 2010	1.06	18,800,000	(336,000)	(210,000)	18,254,000

During the current quarter under review, 210,000 options have lapsed due to resignation of employees.

**26. Borrowings**

	AS AT 31 MAR 2006 RM'000	AS AT 31 DEC 2005 RM'000
<b>Short Term Borrowings:</b>		
<u>Secured</u>		
Bank overdrafts	3,262	2,443
Bankers' acceptances	9,956	4,850
Term loans	11,823	12,095
Hire purchase payable	17	17
	<b>25,058</b>	<b>19,405</b>



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**26. Borrowings (Continued)**

	<b>AS AT 31 MAR 2006 RM'000</b>	<b>AS AT 31 DEC 2005 RM'000</b>
<b>Long Term Borrowings:</b>		
<u>Secured</u>		
Term loans	39,915	41,545
Hire Purchase payable	35	39
	<hr/> 39,950	<hr/> 41,584
Total borrowings	<hr/> <hr/> 65,008	<hr/> <hr/> 60,989
<b>Borrowings denominated in foreign currency:</b>		
	<b>USD'000</b>	<b>RM'000 Equivalent</b>
Total borrowings	<hr/> <hr/> 14,029	<hr/> <hr/> 51,697

**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 2005, of 15% less 28% taxation will be proposed for shareholders' approval. Pursuant to Income Tax (Exemption) (No 10) Order 2000, this dividend is tax exempt in the hands of the shareholders.

**30. Earnings Per Share**

**(a) Basic**

Basic earnings per share amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.



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**30. Earnings Per Share (Continued)**

**(a) Basic (Continued)**

	3 MONTHS ENDED		3 MONTHS ENDED	
	31 MAR 2006	31 MAR 2005	31 MAR 2006	31 MAR 2005
Profit attributable to ordinary equity holders of the parent (RM'000)	8,826	5,765	8,826	5,765
Weighted average number of ordinary shares in issue ('000)	280,088	280,000	280,088	280,000
<b>Basic earnings per share (sen)</b>	<b>3.15</b>	<b>2.06</b>	<b>3.15</b>	<b>2.06</b>

**(b) Diluted**

For the purpose of calculating diluted earnings per share, the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effects of share options granted to employees.

	3 MONTHS ENDED		3 MONTHS ENDED	
	31 MAR 2006	31 MAR 2005	31 MAR 2006	31 MAR 2005
Profit attributable to ordinary equity holders of the parent (RM'000)	8,826	5,765	8,826	5,765
Weighted average number of ordinary shares in issue ('000)	280,088	280,000	280,088	280,000
Effect of dilution of share options	4,914	N/A	4,914	N/A
Adjusted weighted average number of ordinary shares in issue and issuable	285,002	N/A	285,002	N/A
<b>Diluted earnings per share (sen)</b>	<b>3.10</b>	<b>N/A</b>	<b>3.10</b>	<b>N/A</b>



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**31. Authorisation For Issue**

On 25 May 2006, 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, JP  
Managing Director  
25 May 2006