



Dreamgate Corporation Bhd (603831-K)

(Incorporated in Malaysia)

Interim Unaudited Financial Statements
30 September 2006



Dreamgate Corporation Bhd (603831-K)

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**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 30 SEPTEMBER 2006**

	Note	3 MONTHS ENDED		9 MONTHS ENDED	
		30 SEPT 2006 RM'000	30 SEPT 2005 RM'000	30 SEPT 2006 RM'000	30 SEPT 2005 RM'000
Revenue	11	50,797	36,355	140,663	106,198
Cost of sales		(36,276)	(23,411)	(94,202)	(74,393)
- Depreciation		(8,603)	(5,094)	(22,769)	(12,310)
- Others		(27,673)	(18,317)	(71,433)	(62,083)
Gross profit		14,521	12,944	46,461	31,805
Other income		1,410	-	3,082	480
Administrative expenses		(6,369)	(3,927)	(16,650)	(9,165)
- Depreciation		(363)	(256)	(1,035)	(640)
- Others		(6,006)	(3,671)	(15,615)	(8,525)
Selling and marketing expenses		(908)	(1,057)	(2,777)	(2,750)
Other expenses		(665)	(147)	(3,122)	(2)
Finance costs		(1,053)	(579)	(3,490)	(1,313)
Share of profit of associates		511	(213)	693	208
Profit before tax		7,447	7,021	24,197	19,263
Income tax expense	22	(7)	(32)	(59)	(63)
Profit for the period		7,440	6,989	24,138	19,200
Attributable to:					
Equity holders of the parent		7,440	6,993	24,138	19,200
Minority interest		-	(4)	-	-
Net profit attributable to members of the Company		7,440	6,989	24,138	19,200
Earnings per share attributable to equity holders of the parent:					
Basic, for profit for the period (sen)	30	2.64	2.50	8.59	6.86
Diluted, for profit for the period (sen)	30	2.60	N/A	8.44	N/A

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.



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CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2006

	Note	AS AT 30 SEPT 2006 RM'000	AS AT 31 DEC 2005 RM'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	12	150,045	127,845
Negative goodwill	2(a)	-	(8,110)
Development costs		699	503
Investments in associates		1,427	914
Other investment		4	4
Other receivables (secured)		625	676
		<u>152,800</u>	<u>121,832</u>
Current assets			
Inventories		16,349	15,119
Receivables		77,670	80,756
Due from an associate		2,506	2,772
Deposits with licensed banks		4,727	8,637
Cash and bank balances		19,285	8,872
		<u>120,537</u>	<u>116,156</u>
TOTAL ASSETS		<u>273,337</u>	<u>237,988</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	9	28,199	28,000
Share premium	9	30,016	28,018
Foreign exchange reserve		(1,728)	217
Equity compensation reserve		2,756	379
Retained earnings		75,812	47,792
Total equity		<u>135,055</u>	<u>104,406</u>
Non-current liabilities			
Borrowings	26	48,906	41,584
Deferred tax liabilities		295	295
		<u>49,201</u>	<u>41,879</u>
Current liabilities			
Borrowings	26	19,237	19,405
Payables		68,713	71,568
Tax payable		1,131	730
Dividend payable	29	-	-
		<u>89,081</u>	<u>91,703</u>
Total liabilities		<u>138,282</u>	<u>133,582</u>
TOTAL EQUITY AND LIABILITIES		<u>273,337</u>	<u>237,988</u>
Net assets per share (sen)		<u>48</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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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		
At 1 January 2005	28,000	28,018	(3)	-	22,788	78,803	-	78,803
Foreign currency translation, representing net expense recognised directly in equity	-	-	231	-	-	231	-	231
Profit for the period	-	-	-	-	19,200	19,200	-	19,200
Dividends	-	-	-	-	(2,706)	(2,706)	-	(2,706)
At 30 September 2005	28,000	28,018	228	-	39,282	95,528	-	95,528
At 1 January 2006 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)	-	-	-
At 1 January 2006 (restated)	28,000	28,018	217	379	47,792	104,406	-	104,406



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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			
Effects of adopting: FRS 3	2(a)	-	-	-	-	8,110	8,110	-	8,110
		28,000	28,018	217	379	55,902	112,516	-	112,516
Foreign currency translation, representing net expense recognised directly in equity		-	-	(1,945)	-	-	(1,945)	-	(1,945)
Profit for the period		-	-	-	-	24,138	24,138	-	24,138
Dividends	29	-	-	-	-	(4,228)	(4,228)	-	(4,228)
Total recognised income and expense for the period		-	-	(1,945)	-	19,910	17,965	-	17,965
Issue of ordinary shares pursuant to ESOS	9	199	1,931	-	-	-	2,130	-	2,130
Share-based payment under ESOS		-	67	-	2,377	-	2,444	-	2,444
At 30 September 2006		28,199	30,016	(1,728)	2,756	75,812	135,055	-	135,055

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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2006**

	9 MONTHS ENDED	
	30 SEPT 2006	30 SEPT 2005
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	24,197	19,263
Adjustments for:		
Amortisation of development costs	107	35
Depreciation	23,804	12,950
Bad debts recovered	(9)	-
Gain on disposal of equipment	(649)	(29)
Gain on disposal of other investment	(1)	-
Equipment written off	877	6
Impairment loss on equipment written back	(192)	-
Share based-payment under ESOS	2,444	-
Share of profit of associates	(693)	(208)
Interest expense	3,279	1,214
Interest income	(268)	(350)
Operating profit before working capital changes	52,896	32,881
Net changes in receivables, amount due from an associate and inventories	2,162	(7,663)
Net changes in payables	(2,855)	12,147
Interest paid	(3,279)	(1,214)
Taxes paid	(694)	(335)
Net cash flow from operating activities	48,230	35,816
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(58,375)	(56,719)
Proceeds from disposal of equipment	9,315	233
Investment in other investment	(500)	-
Proceeds from disposal of other investment	501	-



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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2006**

	9 MONTHS ENDED	
	30 SEPT 2006	30 SEPT 2005
	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES (CONT')		
Expenditure on development costs	(270)	(167)
Acquisition of a subsidiary	-	(60)
Interest received	268	350
Net cash flow from investing activities	(49,061)	(56,363)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (repayment)/drawdown of bankers' acceptance and offshore foreign currency loan	(1,060)	3,388
Net drawdown of term loan	8,583	8,273
Proceeds from issuance of shares	2,130	-
Repayment of hire purchase payable	(13)	(4)
Dividends paid	(3,044)	(2,706)
Net cash flow from financing activities	6,596	8,951
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,765	(11,596)
EFFECTS OF EXCHANGE RATE CHANGES	1,094	231
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	15,066	21,959
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD *	21,925	10,594
* Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	19,285	5,009
Deposits with licensed banks	4,727	8,576
Less: Bank Overdrafts	(2,087)	(2,991)
	21,925	10,594

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 PURSUANT TO FINANCIAL REPORTING STANDARD
(FRS) NO. 134**

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared under the historical cost convention and in accordance with the requirements of FRS 134 “Interim Financial Reporting” and Appendix 9B (Rule 9.22(2)) 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:



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2. Changes in Accounting Policies (Continued)

(a) FRS 3: Business Combinations

Under 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

FRS 2 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 recognised 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, FRS 2 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:

	AS AT 1 JAN 2006 RM'000
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		9 MONTHS ENDED	
	30 SEPT 2006 RM'000	30 SEPT 2005 RM'000	30 SEPT 2006 RM'000	30 SEPT 2005 RM'000
Decrease in profit for the period	(1,574)	-	(2,444)	-

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 RM'000	Adjustment FRS 2 (Note 2(b)) RM'000	Restated RM'000
At 31 Dec 2005			
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

Technical support and management division is not affected by any significant seasonal factors. However, the sales and marketing division is to some extent, 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”)**

Grant Date/ Expiry Date	Exercise Price RM	Number of Options Over Ordinary Shares of RM0.10 each			30 Sept 2006
		1 Jan 2006 or Date of Grant	Exercised	Lapsed	
		‘000	‘000	‘000	‘000
19 Oct 2005/ 18 Oct 2010	1.06	18,800	(1,884)	(655)	16,261
7 July 2006/ 18 Oct 2010	1.28	4,080	(100)	(405)	3,575
29 July 2006/ 18 Oct 2010	1.25	2,470	(4)	-	2,466



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10. Dividend Paid

On 18 August 2006, a first and final dividend of 15% less 28% taxation, on 281,865,000 ordinary shares, less adjustment for tax credit under Section 108 of the Income Tax Act, 1967 was paid to the eligible shareholders based on the record of depositors on 28 July 2006, in respect of the year ended 31 December 2005.

The dividend is paid out of income received by the Company which is exempted from income tax under paragraph 2(b) of the Income Tax (Exemption) (No. 16) Order 1991 and is exempted from income tax in Malaysia in the hands of the shareholders under paragraph 3(1) of the Income Tax (Exemption) (No. 10) Order 2000.

11. Segmental Information

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

	3 MONTHS ENDED		9 MONTHS ENDED	
	30 SEPT 2006 RM'000	30 SEPT 2005 RM'000	30 SEPT 2006 RM'000	30 SEPT 2005 RM'000
Segment Revenue				
Sales and marketing	28,748	19,070	70,803	64,641
Technical support and Management	22,032	17,434	67,485	41,872
Others	107	420	2,693	1,150
	<u>50,887</u>	<u>36,924</u>	<u>140,981</u>	<u>107,663</u>
Eliminations	<u>(90)</u>	<u>(569)</u>	<u>(318)</u>	<u>(1,465)</u>
Revenue	<u>50,797</u>	<u>36,355</u>	<u>140,663</u>	<u>106,198</u>
Segment Results				
Sales and marketing	1,802	493	2,877	2,717
Technical support and Management	7,832	8,293	28,311	20,054
Others	(573)	138	8	283
Unallocated	<u>(1,072)</u>	<u>(1,111)</u>	<u>(4,202)</u>	<u>(2,686)</u>
Profit from operations	<u>7,989</u>	<u>7,813</u>	<u>26,994</u>	<u>20,368</u>

"Others" consists of revenue from manufacturing activities and inter-segment transactions.
"Unallocated" includes finance costs and foreign exchange loss.

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.



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13. Subsequent Events

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

14. Changes in the Composition of the Group

There were no changes in the composition of the Group since the last quarterly report for the financial period ended 30 June 2006.

15. Changes in Contingent Liabilities and Contingent Assets

As at 16 November 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 audited financial statements as at 31 December 2005.

16. Capital Commitments

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

	AS AT 30 SEPT 2006	AS AT 31 DEC 2005
	RM'000	RM'000
Approved but not contracted for:	<u>57,480</u>	<u>36,000</u>

17. Significant Related Party Transactions

	1.7.2006 to 30.9.2006	1.1.2006 to 30.9.2006
	RM'000	RM'000
Sales of gaming and amusement machines, spare parts and accessories to:		
- Denver System Sdn. Bhd.	3	32
- Dreamgate (Malaysia) Sdn Bhd	-	9
- Euro Computer Engineering & Parts Sdn Bhd	-	1



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17. Significant Related Party Transactions (Continued)

	1.7.2006 to 30.9.2006	1.1.2006 to 30.9.2006
	RM'000	RM'000
- Manju Sdn. Bhd.	1	44
- Standard RGB Pte Ltd	150	4,244
- Suneka Sdn Bhd	-	42
Purchase of gaming and amusement machines and accessories from:		
- Dreamgate (Malaysia) Sdn. Bhd.	172	184
- Standard RGB Pte Ltd	9,796	9,828
Repair and maintenance services provided to:		
- Amity Energy Sdn Bhd	3	3
- Denver System Sdn. Bhd.	22	59
- Dreamgate (Malaysia) Sdn. Bhd.	23	62
- Euro Computer Engineering & Parts Sdn. Bhd.	13	31
- Manju Sdn. Bhd.	6	6
- Suneka Sdn Bhd	8	8
Purchase of spare part and services from Standard RGB Pte Ltd	-	675
Purchase of equipment from Standard RGB Pte Ltd	37	2,972
Renting of premises to:		
- Standard RGB Pte Ltd	7	21

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 9B (RULE 9.22(2)) OF THE LISTING REQUIREMENTS OF BURSA SECURITIES

18. Performance Review

	3 MONTHS ENDED			9 MONTHS ENDED		
	30 SEPT 2006 RM'000	30 SEPT 2005 RM'000	% +/(-)	30 SEPT 2006 RM'000	30 SEPT 2005 RM'000	% +/(-)
Revenue						
Sales and marketing	28,748	19,070	50.7	70,803	64,641	9.53
Technical support and Management	22,032	17,285	27.5	67,485	41,487	62.7
Others	17	-		2,375	70	3,292.9
Total	<u>50,797</u>	<u>36,355</u>	39.7	<u>140,663</u>	<u>106,198</u>	32.5
Profit before tax						
Sales and marketing	1,802	493	265.5	2,877	2,717	5.9
Technical support and Management	7,832	8,293	(5.6)	28,311	20,054	41.2
Others	(573)	138		8	283	(97.2)
Unallocated	<u>(1,614)</u>	<u>(1,903)</u>	15.2	<u>(6,999)</u>	<u>(3,791)</u>	(84.6)
Total	<u>7,447</u>	<u>7,021</u>	6.07	<u>24,197</u>	<u>19,263</u>	25.6

The Group recorded an increase in revenue of approximately RM14.4 million for the current quarter or 39.7% due to the overall improvement in revenue of both the Sales and marketing division and Technical support and Management division. The increased revenue from the Technical support and Management division is due to additional machines installed at new and existing outlets.

Profit before tax was approximately RM7.4 million for the current quarter, which is higher by 6% as compared to the corresponding quarter last year. Profit from Technical support and Management is lower due to a short term increase in fixed cost from new outlets not matched by income and the temporary cessation of one operating outlet in Cambodia and other outlets in Mongolia. Also the adoption of FRS 2 (Share-based Payment) resulted in a charge to the consolidated Income Statement of RM1,574,000 for the current quarter.



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19. Comparison with previous quarter's results

	CURRENT QUARTER RM'000	PREVIOUS QUARTER RM'000	% + / (-)
Revenue			
Sales and marketing	28,748	23,014	24.9
Technical support and Management	22,032	22,500	(2.1)
Others	<u>17</u>	<u>-</u>	
Revenue	<u>50,797</u>	<u>45,514</u>	11.6
Profit before tax			
Sales and marketing	1,802	814	121.4
Technical support and Management	7,832	10,447	(25.0)
Others	(573)	(356)	(61.0)
Unallocated expenses	<u>(1,614)</u>	<u>(2,986)</u>	45.9
Profit before tax	<u>7,447</u>	<u>7,919</u>	(6.0)

Revenue from the Sales and marketing division increased by 24.9% as compared to previous quarter. Profit before taxation for the Sales and marketing division improved due to changes in product mix.

Contribution from the Technical support and Management division is lower due to the temporary closure of the outlets in Mongolia arising out of new gaming policy by the Mongolian government, and temporary cessation of one outlet in Cambodia which is expected to resume operations in December 2006.

20. Commentary on Prospect

Since the Group was listed in January 2004, the Group's Technical support and Management division expanded aggressively in the region and currently operates 3,100 gaming machines in 41 outlets in various countries. During the quarter under review, the Group has commenced a review of the profitability of each of these outlets and will embark on a rationalization and consolidation drive whereby contracts for non-performing outlets will be renegotiated or terminated and management teams are being strengthened to enhance patronage of the outlets.



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20. Commentary on Prospect (Continued)

Based on the foregoing, the Group expects the performance for the current financial year to be better than the previous financial year.

21. Profit Forecast

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

22. Income Tax Expense

	3 MONTHS ENDED		9 MONTHS ENDED	
	30 SEPT 2006	30 SEPT 2005	30 SEPT 2006	30 SEPT 2005
	RM'000	RM'000	RM'000	RM'000
Income Tax				
Current Period	7	32	59	63

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.



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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 Utilisation	Actual Utilisation	Expected Utilisation	Deviation Amount	
	RM'000	As at 30 Sept 2006 RM'000	by 12 Jan 2007 RM'000	RM'000	%
Purchase of plant and machinery	4,000	415	3,585	-	-
Research & development	5,000	1,748	3,252	-	-
Overseas expansion	15,000	15,000	-	-	-
Regional Trade Mark registration	1,000	-	1,000	-	-
Advertising, promotion and branding	3,000	3,000	-	-	-
Working capital	7,461	7,461	-	-	-
Estimated listing expenses	1,753	1,753	-	-	-
Total	37,214	29,377	7,837	-	-

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

Grant Date/ Expiry Date	Exercise Price RM	Number of Options Over Ordinary Shares of RM0.10 each			
		1 July 2006 or Date of Grant	Exercised	Lapsed	30 Sept 2006
		'000	'000	'000	'000
19 Oct 2005/ 18 Oct 2010	1.06	17,340	(829)	(250)	16,261
7 July 2006/ 18 Oct 2010	1.28	4,080	(100)	(405)	3,575
29 July 2006/ 18 Oct 2010	1.25	2,470	(4)	-	2,466



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26. Borrowings

	AS AT 30 SEPT 2006 RM'000	AS AT 31 DEC 2005 RM'000
Long Term Borrowings:		
<u>Secured</u>		
Term loans	48,880	41,545
Hire Purchase payable	26	39
	48,906	41,584
Short Term Borrowings:		
<u>Secured</u>		
Bank overdrafts	2,087	2,443
Bankers' acceptances	3,790	4,850
Term loans	13,343	12,095
Hire purchase payable	17	17
	19,237	19,405
Total borrowings	<u>68,143</u>	<u>60,989</u>
Borrowings denominated in foreign currency:		
	USD'000	RM'000 Equivalent
Total borrowings	<u>12,427</u>	<u>45,818</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

No dividend has been declared for the financial period to date in respect of the financial year ending 31 December 2006.



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30. Earnings Per Share

(a) Basic

Basic earnings per share 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.

	3 MONTHS ENDED		9 MONTHS ENDED	
	30 SEPT 2006	30 SEPT 2005	30 SEPT 2006	30 SEPT 2005
Profit attributable to ordinary equity holders of the parent (RM'000)	<u>7,440</u>	<u>6,993</u>	<u>24,138</u>	<u>19,200</u>
Weighted average number of ordinary shares in issue ('000)	<u>281,630</u>	<u>280,000</u>	<u>280,844</u>	<u>280,000</u>
Basic earnings per share (sen)	<u>2.64</u>	<u>2.50</u>	<u>8.59</u>	<u>6.86</u>

(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		9 MONTHS ENDED	
	30 SEPT 2006	30 SEPT 2005	30 SEPT 2006	30 SEPT 2005
Profit attributable to ordinary equity holders of the parent (RM'000)	<u>7,440</u>	<u>6,993</u>	<u>24,138</u>	<u>19,200</u>
Weighted average number of ordinary shares in issue ('000)	281,630	280,000	280,844	280,000
Effect of dilution of share options	<u>4,779</u>	<u>N/A</u>	<u>5,295</u>	<u>N/A</u>
Adjusted weighted average number of ordinary shares in issue and issuable	<u>286,409</u>	<u>N/A</u>	<u>286,139</u>	<u>N/A</u>
Diluted earnings per share (sen)	<u>2.60</u>	<u>N/A</u>	<u>8.44</u>	<u>N/A</u>



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31. Authorisation For Issue

On 23 November 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
23 November 2006