



Dreamgate Corporation Bhd (603831-K)

(Incorporated in Malaysia)

Interim Unaudited Financial Statements
31 March 2007



Dreamgate Corporation Bhd (603831-K)

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**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2007**

	Note	3 MONTHS ENDED		3 MONTHS ENDED	
		31 MAR 2007	31 MAR 2006	31 MAR 2007	31 MAR 2006
		RM'000	RM'000	RM'000	RM'000
Revenue	11	58,897	44,352	58,897	44,352
Cost of sales		(40,539)	(27,741)	(40,539)	(27,741)
- Depreciation		(8,158)	(6,729)	(8,158)	(6,729)
- Others		(32,381)	(21,012)	(32,381)	(21,012)
Gross profit		18,358	16,611	18,358	16,611
Other income		130	291	130	291
Administrative expenses		(7,366)	(5,049)	(7,366)	(5,049)
- Depreciation		(421)	(347)	(421)	(347)
- Others		(6,945)	(4,702)	(6,945)	(4,702)
Selling and marketing expenses		(1,036)	(1,282)	(1,036)	(1,282)
Other gains /(expenses), net		519	(291)	519	(291)
Finance costs		(1,216)	(1,163)	(1,216)	(1,163)
Share of profit / (loss) of associates		405	(286)	405	(286)
Profit before tax		9,794	8,831	9,794	8,831
Income tax expense	22	(255)	(5)	(255)	(5)
Profit for the period		9,539	8,826	9,539	8,826
Attributable to:					
Equity holders of the parent		9,539	8,826	9,539	8,826
Minority interest		-	-	-	-
Net profit attributable to members of the Company		9,539	8,826	9,539	8,826
Earnings per share attributable to equity holders of the parent:					
Basic, for profit for the period (sen)	30	3.35	3.15	3.35	3.15
Diluted, for profit for the period (sen)	30	3.29	3.10	3.29	3.10

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.



Dreamgate Corporation Bhd (603831-K)

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2007

	Note	AS AT 31 MAR 2007 RM'000	AS AT 31 DEC 2006 RM'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	12	137,399	135,656
Prepaid land lease payments		1,438	727
Development costs		1,152	899
Investments in associates		1,743	1,274
Other investment		4	4
Long term lease receivables		6,703	7,091
Other receivables		1,693	2,148
		<u>150,132</u>	<u>147,799</u>
Current assets			
Inventories		11,376	11,491
Receivables		92,100	98,802
Short term lease receivables		1,921	1,921
Due from an associate		2,346	2,376
Deposits with licensed banks		4,794	4,794
Cash and bank balances		34,067	16,782
		<u>146,604</u>	<u>136,166</u>
TOTAL ASSETS		<u>296,736</u>	<u>283,965</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	9	28,598	28,255
Share premium	9	34,155	30,594
Foreign currency translation reserve		(8,684)	(6,419)
Share option reserve		3,028	3,043
Retained earnings		92,765	83,226
Total equity		<u>149,862</u>	<u>138,699</u>
Non-current liabilities			
Borrowings	26	48,506	43,918
Deferred tax liabilities		715	715
		<u>49,221</u>	<u>44,633</u>
Current liabilities			
Borrowings	26	28,703	24,331
Payables		66,154	73,741
Tax payable		2,796	2,561
		<u>97,653</u>	<u>100,633</u>
Total liabilities		<u>146,874</u>	<u>145,266</u>
TOTAL EQUITY AND LIABILITIES		<u>296,736</u>	<u>283,965</u>
Net assets per share (sen)		<u>52</u>	<u>49</u>

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2006 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 2007**

	----- Attributable to Equity Holders of the Parent -----					Total Equity
	----- Non-Distributable -----			Distributable		
	Share Capital RM'000	Share Premium RM'000	Foreign Currency Translation Reserve RM'000	Share Option Reserve RM'000	Retained Earnings RM'000	
At 1 January 2006						
As previously stated	28,000	28,018	217	-	48,171	104,406
Effects of adopting FRS 2	-	-	-	297	(297)	-
At 1 January 2006 (restated)	28,000	28,018	217	297	47,874	104,406
Effects of adopting FRS 3	-	-	-	-	8,110	8,110
	28,000	28,018	217	297	55,984	112,516
Foreign currency translation, representing net expenses recognised directly in equity	-	-	(2,175)	-	-	(2,175)
Profit for the period	-	-	-	-	8,826	8,826
Total recognised income and expense for the period	-	-	(2,175)	-	8,826	6,651
Issue of ordinary shares pursuant to ESOS	34	322	-	-	-	356
Share options granted under ESOS	-	-	-	467	-	467
At 31 March 2006	28,034	28,340	(1,958)	764	64,810	119,990



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2007**

	----- Attributable to Equity Holders of the Parent -----					Total Equity
	----- Non-Distributable -----			Distributable		
	Share Capital RM'000	Share Premium RM'000	Foreign Currency Translation Reserve RM'000	Share Option Reserve RM'000	Retained Earnings RM'000	Total RM'000
At 1 January 2007	28,255	30,594	(6,419)	3,043	83,226	138,699
Foreign currency translation, representing net expenses recognised directly in equity	-	-	(2,265)	-	-	(2,265)
Profit for the period	-	-	-	-	9,539	9,539
Total recognised income and expense for the period	-	-	(2,265)	-	9,539	7,274
Issue of ordinary shares pursuant to ESOS	343	3,561	-	(231)	-	3,673
Share options granted under ESOS	-	-	-	216	-	216
At 31 March 2007	28,598	34,155	(8,684)	3,028	92,765	149,862

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2006 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 2007**

	3 MONTHS ENDED	
	31 MAR 2007	31 MAR 2006
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	9,794	8,831
Adjustments for:		
Amortisation of development costs	72	36
Depreciation	8,579	7,079
Amortisation of prepaid land lease payments	5	-
Gain on disposal of equipment	(5)	(625)
Equipment written off	1	856
Impairment loss on equipment written back	-	(7)
Share based-payment under ESOS	216	467
Share of (profit)/ loss of associates	(405)	286
Interest expense	1,166	990
Interest income	<u>(123)</u>	<u>(114)</u>
Operating profit before working capital changes	19,300	17,799
Net changes in receivables, amount due from an associate and inventories	7,693	16,413
Net changes in payables	(7,826)	(14,839)
Interest paid	(1,166)	(990)
Taxes paid	<u>(22)</u>	<u>(31)</u>
Net cash flow from operating activities	<u>17,979</u>	<u>18,352</u>



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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2007**

	3 MONTHS ENDED	
	31 MAR 2007	31 MAR 2006
	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(12,990)	(25,086)
Purchase of leasehold land and building	(1,400)	-
Proceeds from disposal of equipment	894	2,772
Expenditure on development costs	(275)	-
Interest received	123	114
Net cash flow from investing activities	(13,648)	(22,200)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown of bankers' acceptance and offshore foreign currency loan	1,280	5,106
Net drawdown/(repayment)of term loan	8,118	(1,902)
Proceeds from issuance of shares	3,912	356
Repayment of hire purchase payable	(4)	(4)
Net cash flow from financing activities	13,306	3,556
NET CHANGE IN CASH AND CASH EQUIVALENTS	17,637	(292)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	83	848
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	18,632	15,066
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD *	36,352	15,622
* Cash and cash equivalents at end of the financial period comprise the		
Cash and bank balances	34,067	13,154
Deposits with licensed banks	4,794	5,730
Less: Bank Overdrafts	(2,509)	(3,262)
	36,352	15,622

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 December 2006 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 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 2006. 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 2006.

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 2006 except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning 1 January 2007:

FRS 117	Lease
FRS 124	Related Party Disclosures

FRS 124 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of FRS 117 are discussed below:

(a) FRS 117 Leases

Prior to 1 January 2007, leasehold land was classified as property, plant and equipment and was stated at cost or valuation less accumulated depreciation and any impairment losses.

The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid lease payments and are amortised on a straight-line basis over the lease term. A lease of land and building is apportioned into a lease of land and lease of building in proportion to the relative fair values of the leasehold interest in the land element and the building element of the lease at the inception of the lease.

Upon the adoption of the revised FRS 117 at 1 January 2007, the unamortised amounts of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions of FRS 117. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and as disclosed in Note 3, certain comparative amounts as at 31 December 2006 has been restated.



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3. Comparatives

	Previously Stated RM'000	Reclassification FRS 117 (Note 2(a)) RM'000	Restated RM'000
At 31 December 2006			
Property, Plant and equipment	136,383	(727)	135,656
Prepaid land lease payments	-	727	727

4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2006 was not qualified.

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 items affecting assets, liabilities, equity, net income, or cash flows during the interim period.

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			31 Mar 2007 '000
		1 Jan 2007 '000	Exercised '000	Lapsed '000	
19 Oct 2005 / 18 Oct 2010	1.06	15,446	(3,295)	(515)	11,636
7 July 2006 / 18 Oct 2010	1.28	3,194	(76)	(210)	2,908
29 July 2006 / 18 Oct 2010	1.25	2,466	(68)	(160)	2,238
		21,106	(3,439)	(885)	16,782



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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:

	3 MONTHS ENDED		3 MONTHS ENDED	
	31 MAR 2007	31 MAR 2006	31 MAR 2007	31 MAR 2006
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Segment Revenue				
Sales and marketing	32,157	19,041	32,157	19,041
Technical Support and Management	25,195	22,953	25,195	22,953
Others	1,635	2,581	1,635	2,581
	<u>58,987</u>	<u>44,575</u>	<u>58,987</u>	<u>44,575</u>
Eliminations	(90)	(223)	(90)	(223)
Revenue	<u>58,897</u>	<u>44,352</u>	<u>58,897</u>	<u>44,352</u>
Segment Results				
Sales and marketing	2,735	261	2,735	261
Technical Support and Management	8,829	10,032	8,829	10,032
Others	22	904	22	904
Unallocated	(981)	(917)	(981)	(917)
Profit from operations	<u>10,605</u>	<u>10,280</u>	<u>10,605</u>	<u>10,280</u>

"Others" consist of revenue from manufacturing activities and inter-segment transaction.

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:

- **Proposed Issuances of Commercial Paper ("CP") and/or Medium Term Notes ("MTN") under a CP/MTN Programme with an aggregate nominal value of up to RM200 million.**

On 12 April 2007, the Company had proposed to issue a seven (7) years, RM200.0 million Commercial Papers ("CP") / Medium Term Notes ("MTN") Programme ("Proposed CP/MTN Programme"). The proceeds from the Proposed CP/MTN Programme will be utilised to refinance existing borrowings, for general working capital and investment purposes, as well as to repay issuance expenses.



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13. Subsequent Events (Continued)

- **Proposed Issuances of Commercial Paper (“CP”) and/or Medium Term Notes (“MTN”) under a CP/MTN Programme with an aggregate nominal value of up to RM200 million.**

Under the Proposed CP/MTN Programme, the Company has the option of issuing the CP at a discount to face value with tenors of up to twelve (12) months, and the MTN at par with tenors of more than one (1) year to seven (7) years. Coupons payable under the MTN will be determined prior to issuance and will be paid semi-annually.

Repayment of the Proposed CP/MTN Programme upon its expiry is expected to be derived from internally generated funds.

The Securities Commission (“SC”) had, via its letter dated 10 May 2007, approved the CP/MTN Programme subject to certain conditions to be met.

- **Establishment of Representative Office in Vietnam**

RGB Ltd, a wholly-owned subsidiary of the Company has registered a representative office in Vietnam under the name of The Resident Representative Office of RGB Ltd. The principal activities of the representative Office are serving as a contact link, conducting market research activities, activities to promote and build investment cooperation projects of RGB Ltd in Vietnam and facilitating the implementation of projects and agreements in trade field (entertainment equipment, machinery and tool) signed between RGB Ltd. and Vietnamese partners, in accordance with Vietnam’s law.

- **Subscription of 50% Owned Associate Company**

On 14 May 2007, the Company has subscribed for a 50% equity interest in RGB Abbiati Pte. Ltd., a company incorporated in the Republic of Singapore, for a cash consideration of SGD50.00. The issued and paid-up share capital of RGB Abbiati is SGD100.00 comprising 100 ordinary shares of SGD1.00 each.

RGB Abbiati Pte. Ltd. is principally involved in trading of casino products and equipment.

14. Changes in the Composition of the Group

On 26 January 2007, RGB (Cambodia) Ltd, a wholly owned subsidiary of RGB Ltd., was incorporated in Cambodia. The issued and paid-up share capital of RGB Cambodia Ltd. is 20,000,000 Riels.

RGB (Cambodia) Ltd. is principally involved in technical support and management of gaming machines and equipment.



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15. Changes in Contingent Liabilities and Contingent Assets

As at 22 May 2007 (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 2006.

16. Capital Commitments

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

	AS AT 31 MAR 2007 RM'000
Approved but not contracted for:	
Machines and equipment	40,808
Properties	7,903
Investment in companies holding club/casino license	28,372
	<u>77,083</u>

17. Significant Related Party Transactions

	1.1.2007 to 31.3.2007 RM'000	1.1.2006 to 31.3.2006 RM'000
Sales of gaming and amusement machines, spare parts and accessories to:		
- Denver System Sdn. Bhd.	1	25
- Dreamgate (Malaysia) Sdn Bhd	1	4
- Euro Computer Engineering & Parts Sdn Bhd	-	1
- Manju Sdn. Bhd.	-	43
- Standard RGB Pte Ltd	484	3,057
- Suneka Sdn Bhd	-	42
Purchase of gaming and amusement machines and accessories from:		
- Standard RGB Pte Ltd	324	32



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17. Significant Related Party Transactions (Continued)

	1.1.2007 to 31.3.2007	1.1.2006 to 31.3.2006
	RM'000	RM'000
Repair and maintenance services provided to:		
- Denver System Sdn. Bhd.	20	19
- Dreamgate (Malaysia) Sdn. Bhd.	20	20
- Euro Computer Engineering & Parts Sdn. Bhd.	12	11
- Suneka Sdn Bhd	6	-
- Manju Sdn Bhd	4	-
- Amity Energy Sdn Bhd	2	-
Purchase of spare part and services from Standard RGB Pte Ltd	-	619
Purchase of equipment from Standard RGB Pte Ltd	18	1,117
Renting of premises from Dreamgate (Malaysia) Sdn Bhd	45	-
Renting of premised to 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 9B (RULE 9.22(2)) OF THE LISTING REQUIREMENTS OF BURSA SECURITIES

18. Performance Review

	1.1.2007 to 31.3.2007	1.1.2006 to 31.3.2006	% +/-
	RM'000	RM'000	
Revenue			
Sales and marketing	32,157	19,041	68.88
Technical Support and Management	25,195	22,857	10.22
Others	<u>1,545</u>	<u>2,454</u>	(37.04)
Revenue	<u>58,897</u>	<u>44,352</u>	32.79
Profit from operations			
Sales and marketing	2,735	261	947.89
Technical Support and Management	8,829	10,032	(11.99)
Others	<u>22</u>	<u>904</u>	(97.57)
Total	<u>11,586</u>	<u>11,197</u>	3.47
Unallocated expenses	(1,792)	(2,366)	24.26
- Finance cost	1,216	1,163	4.56
- Foreign exchange gain	(540)	(136)	(297.06)
- Share options under ESOS	15	116	(87.07)
- Share of results of associates	(405)	286	(241.61)
- Others	<u>1,506</u>	<u>937</u>	60.73
Profit before tax	<u>9,794</u>	<u>8,831</u>	10.90

The Group recorded an increase in revenue of approximately RM14.5 million for the current quarter or 32.79% due to the overall improvement in revenue of the Sales and Marketing division and Technical Support and Management division.

This significant improvement in the performance of the Sales and Marketing division was largely contributed through a more aggressive sales and marketing strategies and approaches which resulted in the surge in demand on certain products from our portfolio.

Profit before tax was approximately RM9.8 million for the current quarter, which is an increase of 10.90% as compared to the corresponding quarter last year due to the better margins for products sold during the current quarter. However, the profit margin for Technical Support and Management Division was lower due to increase in operating cost of new outlets that affected the current quarter's performance.



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19. Comparison with previous quarter's results

	CURRENT QUARTER RM'000	PREVIOUS QUARTER RM'000	% + /(-)
Revenue			
Sales and marketing	32,157	50,496	(36.32)
Technical Support and Management	25,195	22,643	11.27
Others	<u>1,545</u>	<u>1,579</u>	(2.15)
Revenue	<u>58,897</u>	<u>74,718</u>	(21.18)
Profit from operations			
Sales and Marketing	2,735	6,471	(57.73)
Technical Support and Management	8,829	8,041	9.80
Others	<u>22</u>	<u>(37)</u>	159.46
Total	<u>11,586</u>	<u>14,475</u>	(19.96)
Unallocated expenses	(1,792)	(5,393)	66.77
- Finance cost	1,216	1,562	(22.15)
- Foreign exchange (gain)/loss	(540)	1,728	(131.25)
- Share options under ESOS	15	125	(88.0)
- Share of results of associates	(405)	23	(1860.87)
- Others	<u>1,506</u>	<u>1,955</u>	(22.97)
Profit before tax	<u>9,794</u>	<u>9,082</u>	7.84

Revenue from the Sales and Marketing division fell as compared to previous quarter mainly due to customers having purchased machines to cater for the festive season in the previous quarter.

Revenue from Technical Support and Management division increased due to positive contribution from certain outlets opened during the previous year.

Profit before tax margins on the Sales and Marketing division fell as compared to previous quarter due to increase in sales and promotion expenses during the current quarter. Despite the increased in operating cost, Technical Support and Management division was able to maintain its profit margin.



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20. Commentary on Prospect

While the Group is encouraged by the anticipated upswing in the Asian gaming market, even without placing significant emphasis on the potential liberalisation, the Group can leverage on its existing markets for healthy growth. The Group is determined to chart consistent growth for the coming years by establishing a solid foundation and by nurturing our existing synergistic working relationships with business partners and suppliers.

Barring any unforeseen circumstances, the Group is well positioned to continue to achieve positive growth in this year.

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 2007	31 MAR 2006	31 MAR 2007	31 MAR 2006
	RM'000	RM'000	RM'000	RM'000
Income Tax				
Current Period	255	5	255	5

Domestic income tax is calculated at the Malaysian statutory rate of 27% (2006: 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 As at 31 Mar 2007	Expected Utilisation by 12 Jan 2009
	RM'000	RM'000	RM'000
(i) Purchase of plant and machinery	4,000	1,886	2,114
(ii) Research & development	5,000	2,645	2,355
(iii) Overseas expansion	15,000	15,000	-
(iv) Regional Trade Mark registration	1,000	15	985
(v) Advertising, promotion and branding	3,000	3,000	-
(vi) Working capital	7,461	7,461	-
(vii) Estimated listing expenses	1,753	1,753	-
Total	37,214	31,760	5,454

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

Grant Date/ Expiry Date	Exercise Price RM	Number of Options Over Ordinary Shares of RM0.10 each			
		1 Jan 2007 '000	Exercised '000	Lapsed '000	31 Mar 2007 '000
19 Oct 2005 / 18 Oct 2010	1.06	15,446	(3,295)	(515)	11,636
7 July 2006 / 18 Oct 2010	1.28	3,194	(76)	(210)	2,908
29 July 2006 / 18 Oct 2010	1.25	2,466	(68)	(160)	2,238
		21,106	(3,439)	(885)	16,782

(c) Proposed Increase in Authorised Share Capital

On 21 March 2007, the Company proposed an increase in its authorised share capital from existing RM50,000,000 comprising 500,000,000 ordinary shares of RM0.10 each to RM150,000,000 comprising 1,500,000,000 ordinary shares of RM0.10 each by the creation of an additional 1,000,000,000 ordinary shares of RM 0.10 each.

(d) Proposed Bonus Issue

On 21 March 2007, the Company proposed a bonus issue of up to 607,302,000 New Ordinary Shares of RM0.10 each in DCB (“Bonus Shares”) on the basis of two (2) Bonus Shares for every one (1) existing ordinary shares of RM0.10 each held in DCB (“DCB Shares”)



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25. Corporate Proposals (Continued)

(e) Proposed Bonus Issue (Continued)

The Proposed Bonus Issue is conditional upon the Proposed Increase in Authorised Share Capital.

(e) Proposed Transfer from The MESDAQ Market to The Main Board of Bursa Malaysia Securities Berhad (Bursa Securities) (“Proposed Transfer”)

On 21 March 2007, the Company proposed a transfer of the listing of and quotation for the enlarged issued and paid-up capital of the Company of up to RM91,095,300 comprising 910,953,000 DCB Shares from the MESDAQ Market to the Main Board of Bursa Securities following the Proposed Bonus Issue.

The Proposed Transfer is conditional upon the Proposed Increase in Authorised Share Capital and the Proposed Bonus Issue. The Proposed Transfer is subject to approval from relevant authorities.

(f) Proposed Issuances of Commercial Paper (“CP”) and/or Medium Term Notes (“MTN”) under a CP/MTN Programme with an aggregate nominal value of up to RM200 million.

Details of this proposal were disclosed earlier under Note 13.

26. Borrowings

	AS AT 31 MAR 2007 RM'000	AS AT 31 DEC 2006 RM'000
Short Term Borrowings:		
<u>Secured</u>		
Bank overdrafts	2,509	2,944
Bankers' acceptances	7,380	6,100
Term loans	18,797	15,270
Hire purchase payable	17	17
	28,703	24,331
Long Term Borrowings:		
<u>Secured</u>		
Term loans	48,488	43,896
Hire Purchase payable	18	22
	48,506	43,918
Total borrowings	77,209	68,249
Borrowings denominated in foreign currency:		
	USD'000	RM'000 Equivalent
Total borrowings	14,470	50,067



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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

The Board has proposed a first and final dividend of 1.7sen per share less 27% tax for the year ended 31 December 2006 (31 December 2005: 1.5sen per share less 28%) for the approval by shareholders. This dividend 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. The date of payment of the recommended final dividend shall be determined by the Directors and announced at a later date.

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.

	3 MONTHS ENDED		3 MONTHS ENDED	
	31 MAR 2007	31 MAR 2006	31 MAR 2007	31 MAR 2006
Profit attributable to ordinary equity holders of the parent (RM'000)	<u>9,539</u>	<u>8,826</u>	<u>9,539</u>	<u>8,826</u>
Weighted average number of ordinary shares in issue ('000)	<u>284,907</u>	<u>280,088</u>	<u>284,907</u>	<u>280,088</u>
Basic earnings per share (sen)	<u>3.35</u>	<u>3.15</u>	<u>3.35</u>	<u>3.15</u>



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30. Earnings Per Share (continue)

(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 2007	31 MAR 2006	31 MAR 2007	31 MAR 2006
Profit attributable to ordinary equity holders of the parent (RM'000)	<u>9,539</u>	<u>8,826</u>	<u>9,539</u>	<u>8,826</u>
Weighted average number of ordinary shares in issue ('000)	284,907	280,088	284,907	280,088
Effect of dilution of share options	<u>4,793</u>	<u>4,914</u>	<u>4,793</u>	<u>4,914</u>
Adjusted weighted average number of ordinary shares in issue and issuable	<u>289,700</u>	<u>285,002</u>	<u>289,700</u>	<u>285,002</u>
Diluted earnings per share (sen)	<u>3.29</u>	<u>3.10</u>	<u>3.29</u>	<u>3.10</u>

31. Authorisation For Issue

On 29 May 2007, 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
29 May 2007