



*Dreamgate Corporation Bhd* (603831-K)

(Incorporated in Malaysia)

**Interim Unaudited Financial Statements**  
**30 June 2007**



*Dreamgate Corporation Bhd* (603831-K)

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*Dreamgate Corporation Bhd* (603831-K)

**CONDENSED CONSOLIDATED INCOME STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2007**

	Note	3 MONTHS ENDED		6 MONTHS ENDED	
		30 JUNE	30 JUNE	30 JUNE	30 JUNE
		2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
Revenue	11	77,131	45,514	136,028	89,866
Cost of sales		(52,036)	(29,615)	(92,575)	(57,361)
- Depreciation		(8,939)	(7,426)	(17,097)	(14,179)
- Others		(43,097)	(22,189)	(75,478)	(43,182)
Gross profit		25,095	15,899	43,453	32,505
Other income		642	90	772	212
Administrative expenses		(8,388)	(5,003)	(15,754)	(10,048)
- Depreciation		(363)	(333)	(784)	(660)
- Others		(8,025)	(4,670)	(14,970)	(9,388)
Selling and marketing expenses		(2,056)	(1,385)	(3,092)	(2,666)
Other gains /(expenses), net		78	(877)	597	(999)
Finance costs		(2,188)	(1,273)	(3,404)	(2,436)
Share of (loss) / profit of associates		(275)	468	130	182
<b>Profit before tax</b>		12,908	7,919	22,702	16,750
Income tax expense	22	(389)	(47)	(644)	(52)
<b>Profit for the period</b>		<u>12,519</u>	<u>7,872</u>	<u>22,058</u>	<u>16,698</u>
Attributable to:					
Equity holders of the parent		12,519	7,872	22,058	16,698
Minority interest		-	-	-	-
Net profit attributable to members of the Company		<u>12,519</u>	<u>7,872</u>	<u>22,058</u>	<u>16,698</u>
<b>Earnings per share attributable to equity holders of the parent:</b>					
Basic, for profit for the period (sen)	30	<u>4.35</u>	<u>2.80</u>	<u>7.71</u>	<u>5.95</u>
Diluted, for profit for the period (sen)	30	<u>4.28</u>	<u>2.75</u>	<u>7.57</u>	<u>5.85</u>

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 30 JUNE 2007**

	Note	30 JUNE 2007	31 DECEMBER 2006
		RM'000	RM'000
<b>ASSETS</b>	<b>2, 3</b>		<b>(Restated)</b>
<b>Non-current assets</b>			
Property, plant and equipment	12	147,759	135,656
Prepaid land lease payments		1,432	727
Development costs		1,323	899
Investments in associates		1,480	1,274
Other investment		4	4
Long term lease receivables		5,724	7,091
Other receivables		1,300	2,148
		<u>159,022</u>	<u>147,799</u>
<b>Current assets</b>			
Inventories		10,236	11,491
Receivables		110,506	98,802
Short term lease receivables		1,921	1,921
Due from associates		1,550	2,376
Deposits with licensed banks		13,793	4,794
Cash and bank balances		75,317	16,782
		<u>213,323</u>	<u>136,166</u>
<b>TOTAL ASSETS</b>		<u>372,345</u>	<u>283,965</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	9	28,854	28,255
Share premium	9	37,136	30,594
Foreign exchange translation reserve		(8,986)	(6,419)
Share option reserve		2,852	3,043
Retained earnings		105,284	83,226
		<u>165,140</u>	<u>138,699</u>
Minority interest		5	-
<b>Total equity</b>		<u>165,145</u>	<u>138,699</u>
<b>Non-current liabilities</b>			
Borrowings	26	47,169	43,918
Deferred tax liabilities		715	715
		<u>47,884</u>	<u>44,633</u>
<b>Current liabilities</b>			
Borrowings	26	70,872	24,331
Payables		85,246	73,741
Due to associates		14	-
Tax payable		3,184	2,561
		<u>159,316</u>	<u>100,633</u>
<b>Total liabilities</b>		<u>207,200</u>	<u>145,266</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>372,345</u>	<u>283,965</u>
Net assets per share (sen)		57	49

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.



*Dreamgate Corporation Bhd* (603831-K)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2007**

	----- Attributable to Equity Holders of the Parent -----					Total
	----- Non-Distributable -----				Distributable	
	Share Capital	Share Premium	Foreign Exchange Translation Reserve	Share Option Reserve	Retained Earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2006</b>						
As previously stated	28,000	28,018	217	-	48,171	104,406
Effects of adopting FRS 2	-	-	-	297	(297)	-
<b>At 1 January 2006 (restated)</b>	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	-	-	(2,429)	-	-	(2,429)
Profit for the period	-	-	-	-	16,698	16,698
Dividend	-	-	-	-	(4,228)	(4,228)
Total recognised income and expense for the period	-	-	(2,429)	-	12,470	10,041
Issue of ordinary shares pursuant to ESOS	106	1,012	-	-	-	1,118
Share options granted under ESOS	-	-	-	870	-	870
<b>At 30 June 2006</b>	28,106	29,030	(2,212)	1,167	68,454	124,545



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)  
FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2007**

|----- Attributable to Equity Holders of the Parent -----|  
|----- Non-Distributable -----|      **Distributable**

	Share Capital	Share Premium	Foreign Exchange Translation Reserve	Share Option Reserve	Retained Earnings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2007</b>	28,255	30,594	(6,419)	3,043	83,226	138,699
Foreign currency translation, representing net expenses recognised directly in equity	-	-	(2,567)	-	-	(2,567)
Profit for the period	-	-	-	-	22,058	22,058
Total recognised income and expense for the period	-	-	(2,567)	-	22,058	19,491
Issue of ordinary shares pursuant to ESOS	599	6,542	-	(634)	-	6,507
Share options granted under ESOS	-	-	-	443	-	443
<b>At 30 June 2007</b>	<b>28,854</b>	<b>37,136</b>	<b>(8,986)</b>	<b>2,852</b>	<b>105,284</b>	<b>165,140</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 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 30 JUNE 2007**

	<b>6 MONTHS ENDED</b>	
	<b>30 JUNE 2007</b>	<b>30 JUNE 2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	22,702	16,750
Adjustments for:		
Amortisation of development costs	144	72
Depreciation	17,881	14,839
Amortisation of prepaid land lease payments	10	-
Loss/ (Gain) on disposal of equipment	13	(650)
Gain on disposal of investment	-	(1)
Equipment written off	410	875
Impairment loss on equipment written back	-	(192)
Share based-payment under ESOS	443	870
Share of profit of associates	(130)	(182)
Interest expense	3,275	2,169
Interest income	<u>(757)</u>	<u>(195)</u>
Operating profit before working capital changes	43,991	34,355
Net changes in receivables, amount due from associates and inventories	(7,397)	20,847
Net changes in payables and amount due to associates	11,519	(26,760)
Interest paid	(3,275)	(2,169)
Taxes paid	<u>(25)</u>	<u>(35)</u>
<b>Net cash flow from operating activities</b>	<b><u>44,813</u></b>	<b><u>26,238</u></b>



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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)  
FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2007**

	<b>6 MONTHS ENDED</b>	
	<b>30 JUNE 2007</b>	<b>30 JUNE 2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(34,209)	(42,762)
Purchase of leasehold land and building	(1,400)	-
Proceeds from disposal of equipment	1,586	9,316
Proceeds from disposal of other investment	-	501
Acquisition of associates	(20)	-
Investment in other investment	-	(500)
Expenditure on development costs	(476)	(31)
Interest received	757	195
<b>Net cash flow from investing activities</b>	<b>(33,762)</b>	<b>(33,281)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net (repayment)/ drawdown of bankers' acceptance	(6,100)	11,258
Net drawdown of term loan/short term revolving credit	56,709	2,557
Proceeds from issuance of shares	6,507	1,118
Net drawdown/(repayment) of hire purchase payable	63	(8)
<b>Net cash flow from financing activities</b>	<b>57,179</b>	<b>14,925</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>68,230</b>	<b>7,882</b>
<b>EFFECTS OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>184</b>	<b>1,110</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>	<b>18,632</b>	<b>15,066</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD *</b>	<b>87,046</b>	<b>24,058</b>
* Cash and cash equivalents at end of the financial period comprise the		
Cash and bank balances	75,317	20,440
Deposits with licensed banks	13,793	5,730
Less: Bank Overdrafts	(2,064)	(2,112)
	<b>87,046</b>	<b>24,058</b>

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 6	Exploration for and Evaluation of Mineral Resources
FRS 117	Leases
Amendments to FRS 119	Employees Benefits-Actuarial Gains and Losses, Group Plans and Disclosures
FRS 124	Related Party Disclosures

FRS 6 is not relevant to the Group’s operations and the adoption of the Amendment to FRS119 2004 and FRS124 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 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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**2. Changes in Accounting Policies (cont'd)**

At the date of authorization of these financial statements, the following FRS, amendments to FRS and Interpretations were in issue :

FRS 107	Cash Flow Statements
FRS 111	Construction Contracts
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates – Net Investments in a Foreign Operation
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environment Rehabilitation Funds
IC Interpretation 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS129 2004
IC Interpretation 8	Financial Reporting in Hyperinflationary Economies Scope of FRS 2

The above FRS, amendments to FRS and Interpretations except for FRS 139 are expected to have no significant impact on the financial statements of the Group upon their initial application.

The Unaudited Interim Financial Statements of the Group for the period ended 30 June 2007 is exempted from disclosing the possible impact of FRS 139.

**3. Comparatives**

	<b>Previously Stated RM'000</b>	<b>Reclassification FRS 117 (Note 2(a)) RM'000</b>	<b>Restated RM'000</b>
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.



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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 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			
		Grant Date/ 1 Jan 2007 '000	Exercised '000	Lapsed '000	30 June 2007 '000
19 Oct 2005 / 18 Oct 2010	1.06	15,446	5,252	645	9,549
7 July 2006 / 18 Oct 2010	1.28	3,194	558	270	2,366
29 July 2006 / 18 Oct 2010	1.25	2,466	181	276	2,009
29 June 2007 / 18 Oct 2010	1.44	789	-	-	789
		<u>21,895</u>	<u>5,991</u>	<u>1,191</u>	<u>14,713</u>



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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		6 MONTHS ENDED	
	30 JUNE 2007 RM'000	30 JUNE 2006 RM'000	30 JUNE 2007 RM'000	30 JUNE 2006 RM'000
<b>Segment Revenue</b>				
Sales and marketing	46,638	23,014	78,795	42,055
Technical Support and Management	29,287	22,500	54,482	45,453
Others	1,296	5	2,931	2,586
	<u>77,221</u>	<u>45,519</u>	<u>136,208</u>	<u>90,094</u>
Eliminations	(90)	(5)	(180)	(228)
Revenue	<u><u>77,131</u></u>	<u><u>45,514</u></u>	<u><u>136,028</u></u>	<u><u>89,866</u></u>
<b>Segment Results</b>				
Sales and marketing	4,932	814	7,667	1,075
Technical Support and Management	12,759	10,447	21,588	21,269
Others	(8)	(378)	14	526
	<u>17,683</u>	<u>10,883</u>	<u>29,269</u>	<u>22,870</u>
Unallocated expenses	(2,312)	(2,159)	(3,293)	(3,866)
- Foreign exchange (gain)/ loss	(493)	856	(1,002)	764
- Share options under ESOS	32	118	46	585
- Legal & professional fees	1,558	170	1,799	208
- Others	1,215	1,015	2,450	2,309
Profit from operations	<u><u>15,371</u></u>	<u><u>8,724</u></u>	<u><u>25,976</u></u>	<u><u>19,004</u></u>

"Others" under Segment Revenue 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.



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**13. Subsequent Events**

On 23 August 2007, the Board of Directors of DCB announced that it will subscribe for a 50% equity interest in RGB Xtale Sdn Bhd, a company to be incorporated in Malaysia.

RGB Xtale Sdn Bhd is principally involved in manufacturing and sales and marketing of gaming and amusement machines on the server-based platform. This will involve in-house research and development on server-based games.

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

- (a) On 16 March 2007, Macrocept Sdn Bhd acquired 35% interest, at par, in Players Club Co., Ltd, a company incorporated in Cambodia. The issued and paid up share capital of Players Club Co., Ltd is 20,000,000 Riels. (1 MYR: Riel 1,100). It commenced operations in June 2007.

Players Club Co., Ltd is principally involved in gaming and leisure industry.

- (b) On 14 May 2007, the Company 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 Pte Ltd is SGD100.00 comprising 100 ordinary shares of SGD1.00 each. (1 MYR: SGD2.33). It is expected to commence operation in September 2007.

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

- (c) On 22 May 2007, Macrocept Sdn Bhd acquired 20% interest, at par, in Rainbow World Club Ltd, a company incorporated in Cambodia. The issued and paid up share capital of Rainbow World Club Ltd is 40,000,000 Riels. It is expected to commence operation in the last quarter of the year.

Rainbow World Club Ltd, is principally involved in gaming and leisure industry.

- (d) On 15 June 2007, Macrocept Sdn Bhd acquired 70% interest, at par, in Mekong Recreation Club Ltd., a company incorporated in Cambodia. The issued and paid-up share capital of Mekong Recreation Club Ltd. is 20,000,000 Riels. It is expected to commence operations in last quarter of the year.

Mekong Recreation Club Ltd. is principally involved in gaming and leisure industry, international standard hotel, restaurant, modern night club, fun club, SPA centre and such other business activities.

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

As at 20 August 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.



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**16. Capital Commitments**

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

	<b>30 June 2007</b>
	<b>RM'000</b>
Approved but not contracted for:	
- Machines and equipment	32,990
- Properties	7,328
- Investment in companies holding club/casino license	25,530
	<u>65,848</u>



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**17. Significant Related Party Transactions**

	<b>1.4.2007 to 30.6.2007 RM'000</b>	<b>1.1.2007 to 30.6.2007 RM'000</b>
Sales of gaming and amusement machines, spare parts and accessories to:		
- Suneka Sdn. Bhd.	2	2
- Denver System Sdn. Bhd.	4	5
- Dreamgate (Malaysia) Sdn Bhd	3	4
- Manju Sdn. Bhd.	86	86
- Standard RGB Pte Ltd	2,738	3,222
Purchase of gaming and amusement machines and accessories from:		
- Standard RGB Pte Ltd	317	641
Repair and maintenance services provided to:		
- Denver System Sdn. Bhd.	16	36
- Dreamgate (Malaysia) Sdn. Bhd.	20	40
- Euro Computer Engineering & Parts Sdn. Bhd.	10	22
- Suneka Sdn Bhd	4	10
- Manju Sdn Bhd	9	13
- Amity Energy Sdn Bhd	2	4
Renting of premises to Standard RGB Pte Ltd	7	14
Renting of premises from Dreamgate (Malaysia) Sdn Bhd	45	90
Consultancy fees paid to Capital Investment Australia Pty Ltd	52	100

The abovementioned corporations are regarded as related parties of the Group as certain directors of the Group and/ or their family members 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			6 MONTHS ENDED		
	30 JUNE 2007 RM'000	30 JUNE 2006 RM'000	% +/(-)	30 JUNE 2007 RM'000	30 JUNE 2006 RM'000	% +/(-)
<b>Revenue</b>						
Sales and marketing	46,638	23,014	102.7	78,795	42,055	87.4
Technical support and Management	29,287	22,500	30.2	54,482	45,405	20.0
Others	1,206	-	-	2,751	2,406	14.3
<b>Total</b>	<b>77,131</b>	<b>45,514</b>	<b>69.5</b>	<b>136,028</b>	<b>89,866</b>	<b>51.4</b>
<b>Profit from operations</b>						
Sales and marketing	4,932	814	505.9	7,667	1,075	613.2
Technical support and Management	12,759	10,447	22.1	21,588	21,269	1.5
Others	(8)	(378)	(97.9)	14	526	(97.3)
	17,683	10,883	62	29,269	22,870	28
Unallocated expenses	(4,775)	(2,964)	61.1	(6,567)	(6,120)	7.3
- Finance cost	2,188	1,273	71.9	3,404	2,436	39.7
- Foreign exchange (gain)/ loss	(493)	856	(157.6)	(1,002)	764	(231.2)
- Share options under ESOS	32	118	(72.9)	46	585	(92.1)
- Share of results of associates	275	(468)	(158.8)	(130)	(182)	(28.6)
- Legal & professional fees	1,558	170	816.5	1,799	208	764.9
- Others	1,215	1,015	19.7	2,450	2,309	6.1
<b>Profit before tax</b>	<b>12,908</b>	<b>7,919</b>	<b>63.0</b>	<b>22,702</b>	<b>16,750</b>	<b>35.5</b>

The Group recorded an increase in revenue of approximately RM31.6 million for the current quarter or 69.5% due to aggressive sales and marketing strategies since beginning of the year which resulted in higher demand for certain products from the Group's portfolio while placement of additional machines at existing and new outlets and better performance from certain outlets boosted revenue of the Technical Support and Management Division in this quarter.

Profit before tax for the current quarter was approximately RM12.9 million for the current quarter, which is an increase of 63% as compared to the corresponding quarter last year due to higher volume for products sold. Profit margin for Technical Support and Management Division fell marginally due to an increase in fixed operating expenses.

The legal and professional fees were mainly incurred in relation to several corporate exercises currently undertaken by DCB.





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

	<b>CURRENT QUARTER RM'000</b>	<b>PREVIOUS QUARTER RM'000</b>	<b>% + / (-)</b>
<b>Revenue</b>			
Sales and marketing	46,638	32,157	45.0
Technical Support and Management	29,287	25,195	16.2
Others	1,206	1,545	(21.9)
	<u>77,131</u>	<u>58,897</u>	<u>31.0</u>
<b>Profit from operation</b>			
Sales and Marketing	4,932	2,735	80.3
Technical Support and Management	12,759	8,829	44.5
Others	(8)	22	(136.4)
	<u>17,683</u>	<u>11,586</u>	<u>52.6</u>
Unallocated expenses	(4,775)	(1,792)	166.5
- Finance cost	2,188	1,216	79.9
- Foreign exchange gain	(493)	(509)	(3.1)
- Share options under ESOS	32	14	128.6
- Share of results of associates	275	(405)	(167.9)
- Legal & professional fees	1,558	241	546.5
- Others	1,215	1,235	(1.6)
	<u>12,908</u>	<u>9,794</u>	<u>31.8</u>

Revenue from the Sales and Marketing division increased due to higher demand for certain machines from major customers as compared to previous quarter. The overall improvement in both revenue and profit before tax of Technical Support and Management Division is due to better results from certain outlets in this quarter through aggressive promotional activities.

**20. Commentary on Prospect**

The Group's continued efforts to nurture existing working relationships with business partners and suppliers has resulted in the Group entering into joint venture companies to manufacture and market gaming products for the Asian market. The Group had also been able to participate in the equity of certain companies which hold licenses for operating gaming establishment.

In view of the above and barring any unforeseen circumstances, the Group is well positioned to continue to achieve positive growth in this year.



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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		6 MONTHS ENDED	
	30 JUNE 2007	30 JUNE 2006	30 JUNE 2007	30 JUNE 2006
	RM'000	RM'000	RM'000	RM'000
Income Tax				
Current Period	389	47	644	52

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 is 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 Utilisation RM'000	Actual Utilisation As at 30 June 2007	Expected Utilisation by 12 Jan 2009
		RM'000	RM'000
Purchase of plant and machinery	4,000	1,890	2,110
Research & development	5,000	2,969	2,031
Overseas expansion	15,000	15,000	-
Regional Trade Mark registration	1,000	22	978
Advertising, promotion and branding	3,000	3,000	-
Working capital	7,461	7,461	-
Estimated listing expenses	1,753	1,753	-
<b>Total</b>	<b>37,214</b>	<b>32,095</b>	<b>5,119</b>



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**25. Corporate Proposals (Continued)**

**(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			
		Grant Date/ 1 April 2007 '000	Exercised '000	Lapsed '000	30 June 2007 '000
19 Oct 2005 / 18 Oct 2010	1.06	11,636	1,957	130	9,549
7 July 2006 / 18 Oct 2010	1.28	2,908	482	60	2,366
29 July 2006 / 18 Oct 2010	1.25	2,238	113	116	2,009
29 June 2007 / 18 Oct 2010	1.44	789	-	-	789
		<u>17,571</u>	<u>2,552</u>	<u>306</u>	<u>14,713</u>

**(c) Proposed Bonus Issue**

At the Annual General Meeting of DCB held on 26 June 2007, the shareholders of the Company approved a bonus issue of up to 607,302,000 new Ordinary Shares of RM0.10 each in DCB on the basis of two (2) Bonus Shares for every one (1) existing ordinary shares of RM0.10 each held in DCB.

The Proposed Bonus Issue is pending approval for the listing of and quotation for the Bonus Shares from Bursa Malaysia Securities Berhad (“Bursa Securities”).

**(d) Proposed Transfer from The MESDAQ Market to The Main Board of Bursa Securities (“Proposed Transfer”)**

On 29 June 2007, applications relating to the Proposal Transfer were submitted to the relevant authorities.

Approval from the Securities Commission was obtained on 22 August 2007.

The Proposed Transfer is pending approvals from Ministry of International Trade and Industry and Bursa Securities.

**(e) Issuance of Commercial Paper (“CP”) and/ or Medium Term Notes (“MTN”) with an aggregate nominal value of RM200 million (“CP/ MTN” Programme)**

The first tranche of CPs with value of RM50 million under the CP/MTN Programme is expected to be issued on 29 August 2007 to refinance existing borrowings.



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**26. Borrowings**

	<b>AS AT 30 JUNE 2007 RM'000</b>	<b>AS AT 31 DEC 2006 RM'000</b>
<b>Short Term Borrowings:</b>		
<u>Secured</u>		
Bank overdrafts	2,064	2,944
Bankers' acceptances	-	6,100
Term loans	18,753	15,270
Revolving Credit	50,000	-
Hire purchase payable	55	17
	70,872	24,331
<b>Long Term Borrowings:</b>		
<u>Secured</u>		
Term loans	47,123	43,896
Hire Purchase payable	46	22
	47,169	43,918
Total borrowings	<u>118,041</u>	<u>68,249</u>

**Borrowings denominated in foreign currency as at 30 June 2007 :**

	<b>USD'000</b>	<b>RM'000 Equivalent</b>
Total borrowings	<u>14,345</u>	<u>49,490</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.



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**29. Dividend Proposed or Declared**

At the Annual General Meeting held on 26 June 2007, the shareholders of the Company approved the payment of the first and final dividend in respect of the financial year ended 31 December 2006, of 1.7 sen per share less 27% tax. In respect of deposited securities, entitlement to dividends will be determined on the basis of record of depositors on 26 July 2007. The first and final dividend will be paid on 28 August 2007. The details are as follows:

	<b>RM</b>
First and final dividend of 17% on 289,339,700 shares	4,918,775
Less: Tax at 27%	<u>(1,328,070)</u>
Dividend payable	<u>3,590,705</u>
Dividend per ordinary share	<u><u>RM0.017</u></u>

The first and final 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. Since neither order exempts the payment of this dividend by the Company from the provisions of Section 108 of the Income Tax Act, 1967, income tax of 27% amounting to RM1,328,070 has been deducted from the gross amount of the dividend. The tax deducted will be duly paid by the Company to the Director General of Inland Revenue, Malaysia.

Since the dividend is tax exempt in the hands of the shareholders, dividend per ordinary share is calculated by dividing the gross amount of dividend of RM4,918,775 by the number of ordinary shares in issue of 289,339,700 ordinary shares.

**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.

	<b>3 MONTHS ENDED</b>		<b>6 MONTHS ENDED</b>	
	<b>30 JUNE 2007</b>	<b>30 JUNE 2006</b>	<b>30 JUNE 2007</b>	<b>30 JUNE 2006</b>
Profit attributable to ordinary equity holders of the parent (RM'000)	12,519	7,872	22,058	16,698
Weighted average number of ordinary shares in issue ('000)	<u>287,574</u>	<u>280,795</u>	<u>286,248</u>	<u>280,444</u>
<b>Basic earnings per share (sen)</b>	<u><u>4.35</u></u>	<u><u>2.80</u></u>	<u><u>7.71</u></u>	<u><u>5.95</u></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.

	<b>3 MONTHS ENDED</b>		<b>6 MONTHS ENDED</b>	
	<b>30 JUNE</b>	<b>30 JUNE</b>	<b>30 JUNE</b>	<b>30 JUNE</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Profit attributable to ordinary equity holders of the parent (RM'000)	12,519	7,872	22,058	16,698
Weighted average number of ordinary shares in issue ('000)	287,574	280,795	286,248	280,444
Effect of dilution of share options	5,156	5,353	4,950	4,866
Adjusted weighted average number of ordinary shares in issue and issuable	292,730	286,148	291,198	285,310
<b>Diluted earnings per share (sen)</b>	<b>4.28</b>	<b>2.75</b>	<b>7.57</b>	<b>5.85</b>

**31. Authorisation For Issue**

On 27 August 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  
27 August 2007