



*Dreamgate Corporation Bhd* (603831-K)

(Incorporated in Malaysia)

**Interim Unaudited Financial Statements  
30 September 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 SEPTEMBER 2007**

	Note	3 MONTHS ENDED		9 MONTHS ENDED	
		30 SEPT 2007 RM'000	30 SEPT 2006 RM'000	30 SEPT 2007 RM'000	30 SEPT 2006 RM'000
Revenue	11	59,917	50,797	195,945	140,663
<b>Cost of sales</b>		(37,529)	(35,986)	(130,104)	(93,347)
- Depreciation		(9,962)	(8,610)	(27,059)	(22,789)
- Others		(27,567)	(27,376)	(103,045)	(70,558)
<b>Gross profit</b>		22,388	14,811	65,841	47,316
Other income		789	89	1,561	301
Administrative expenses		(14,139)	(6,258)	(29,893)	(16,306)
- Depreciation		(471)	(356)	(1,255)	(1,016)
- Others		(13,668)	(5,902)	(28,638)	(15,290)
Selling and marketing expenses		(701)	(1,300)	(3,793)	(3,966)
Other (expenses)/ gains, net		(121)	647	476	(352)
Finance costs		(1,951)	(1,053)	(5,355)	(3,489)
Share of (loss)/ profit of associates		(164)	511	(34)	693
<b>Profit before tax</b>		6,101	7,447	28,803	24,197
Income tax expense	22	(210)	(7)	(854)	(59)
<b>Profit for the period</b>		<u>5,891</u>	<u>7,440</u>	<u>27,949</u>	<u>24,138</u>
Attributable to:					
Equity holders of the parent		5,891	7,440	27,949	24,138
Minority interest		<u>5</u>	<u>-</u>	<u>5</u>	<u>-</u>
Net profit attributable to members of the Company		<u>5,896</u>	<u>7,440</u>	<u>27,954</u>	<u>24,138</u>
<b>Earnings per share attributable to equity holders</b>					
Basic, for profit for the period (sen)	30	<u>0.68</u>	<u>0.88</u>	<u>3.25</u>	<u>2.86</u>
Diluted, for profit for the period (sen)	30	<u>0.67</u>	<u>0.87</u>	<u>3.19</u>	<u>2.81</u>



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**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2007**

	Note	AS AT 30 SEPT 2007 RM'000	AS AT 31 DEC 2006 RM'000 (Restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	168,366	135,656
Prepaid land lease payments		1,427	727
Development costs		1,518	899
Investments in associates		8,333	1,274
Other investment		4	4
Long term lease receivables		5,250	7,091
Other receivables		1,355	2,148
		<u>186,253</u>	<u>147,799</u>
<b>Current assets</b>			
Inventories		11,064	11,491
Trade Receivables		80,900	87,592
Other Receivables, Deposits and Prepayments		23,037	10,849
Short term lease receivables		1,921	1,921
Due from an associate		1,877	2,376
Tax Recoverable		225	361
Deposits with licensed banks		7,794	4,794
Cash and bank balances		62,591	16,782
		<u>189,409</u>	<u>136,166</u>
<b>TOTAL ASSETS</b>		<u>375,662</u>	<u>283,965</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	9	86,986	28,255
Share premium	9	-	30,594
Foreign currency translation reserve		(10,293)	(6,419)
Share option reserve		2,883	3,043
Retained earnings		87,199	83,226
<b>Total equity</b>		<u>166,775</u>	<u>138,699</u>
<b>Non-current liabilities</b>			
Borrowings	26	46,954	43,918
Deferred tax liabilities		715	715
		<u>47,669</u>	<u>44,633</u>
<b>Current liabilities</b>			
Borrowings	26	68,648	24,331
Payables		90,658	73,741
Tax payable		1,912	2,561
		<u>161,218</u>	<u>100,633</u>
<b>Total liabilities</b>		<u>208,887</u>	<u>145,266</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>375,662</u>	<u>283,965</u>
Net assets per share (sen)		<u>19</u>	<u>49</u>



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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	-	-	(1,945)	-	-	(1,945)
Profit for the period	-	-	-	-	24,138	24,138
Dividend	-	-	-	-	(4,228)	(4,228)
Total recognised income and expense for the period	-	-	(1,945)	-	19,910	17,965
Issue of ordinary shares pursuant to ESOS	199	1,931	-	-	-	2,130
Share options granted under ESOS	-	67	-	2,377	-	2,444
<b>At 30 September 2006</b>	28,199	30,016	(1,728)	2,674	75,894	135,055





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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2007**

	<b>9 MONTHS ENDED</b>	
	<b>30 SEPT 2007 RM'000</b>	<b>30 SEPT 2006 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	28,803	24,197
Adjustments for:		
Amortisation of development costs	216	107
Depreciation	28,314	23,805
Amortisation of prepaid land lease payments	15	-
Bad debts recovered	-	(9)
Provision for doubtful debts	5,287	-
Loss/ (Gain) on disposal of equipment	14	(649)
Gain on disposal of investment	-	(1)
Equipment written off	427	877
Impairment loss on equipment written back	-	(192)
Share based-payment under ESOS	778	2,444
Share of loss/ (profit) of associates	34	(693)
Interest expense	5,129	3,279
Interest income	(1,546)	(268)
Operating profit before working capital changes	67,471	52,897
Net changes in receivables, amount due from an associate and inventories	(7,223)	2,162
Net changes in payables	16,917	(2,855)
Interest paid	(5,129)	(3,279)
Taxes paid	(2,694)	(694)
<b>Net cash flow from operating activities</b>	<b>69,342</b>	<b>48,231</b>



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

	<b>9 MONTHS ENDED</b>	
	<b>30 SEPT</b>	<b>30 SEPT</b>
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(66,961)	(58,375)
Purchase of leasehold land and building	(1,400)	-
Proceeds from disposal of equipment	1,596	9,315
Proceeds from disposal of other investment	-	501
Investment in associates	(7,053)	-
Other investment	-	(500)
Expenditure on development costs	(700)	(270)
Interest received	1,546	268
<b>Net cash flow from investing activities</b>	<b>(72,972)</b>	<b>(49,061)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net repayment of bankers' acceptance and offshore foreign currency loan	(6,100)	(1,060)
Net drawdown of term loan and commercial papers	56,352	8,583
Dividends paid	(3,591)	(3,044)
Proceeds from issuance of shares	8,137	2,130
Net drawdown/ (Repayment) of hire purchase payable	45	(13)
<b>Net cash flow from financing activities</b>	<b>54,843</b>	<b>6,596</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>51,213</b>	<b>5,766</b>
<b>EFFECTS OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>540</b>	<b>1,093</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 THE END OF THE FINANCIAL PERIOD *</b>	<b>70,385</b>	<b>21,925</b>
<b>* Cash and cash equivalents at end of the financial period comprise the following:</b>		
Cash and bank balances	62,591	19,285
Deposits with licensed banks	7,794	4,727
Less: Bank Overdrafts	-	(2,087)
	<b>70,385</b>	<b>21,925</b>





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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 119	Employee Benefits
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 126	Accounting and Reporting by Retirement Benefits Plans
FRS 129	Financial Reporting in Hyperinflationary Economies
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 September 2007 is exempted from disclosing the possible impact of FRS 139.



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**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.

**5. Significant Event**

On 7 September 2007, DCB had announced that a bonus issue of up to 607,302,000 new Ordinary Shares of RM0.10 each in DCB, is to be credited as fully paid-up, on the basis of two (2) Bonus Shares for every one (1) existing ordinary share of RM0.10 each held in DCB and the entitlement is to be determined on the basis of record of depositors on 27 September 2007.

A total of 579,905,000 Bonus Shares of RM0.10 each has been issued on 27 September 2007 of which have been listed and quoted on 28 September 2007.

**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.



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**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	Exercise Price	Adjusted Exercise Price	Grant date/ 1 Jan 2007	Number of Options Over Ordinary Shares of RM0.10 each					
				Exercised	Lapsed	Balance 26 Sept 2007	Adjustment *	Lapsed	Balance 30 Sept 2007
	RM	RM	'000	'000	'000	'000	'000	'000	'000
19 Oct 2005	1.06	0.35	15,446	6,078	785	8,583	17,166	-	25,749
7 July 2006	1.28	0.43	3,194	771	360	2,063	4,126	240	5,949
29 July 2006	1.25	0.42	2,466	506	366	1,594	3,190	-	4,784
			21,106	7,355	1,511	12,240	24,482	240	36,482
29 June 2007	1.44	0.48	789	53	18	718	1,436	24	2,130
			21,895	7,408	1,529	12,958	25,918	264	38,612

All the above options expire on 18 Oct 2010

\* Adjustment on options subsequent to Bonus Issue

- **Share Capital**

	Number of Ordinary Shares ('000) of RM0.10 each	
	2007	2006
As at 1 January 2007	282,545	280,000
Ordinary shares issued pursuant to ESOS	7,408	2,545
Bonus Issue	579,905	-
As at 30 September 2007/ 31 December 2006	869,858	282,545



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**10. Dividend Paid**

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 was 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%	(1,328,070)
Dividend payable	<u>3,590,705</u>
Dividend per ordinary share	<u>RM0.017</u>

**11. Segmental Information**

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

	<b>3 MONTHS ENDED</b>		<b>9 MONTHS ENDED</b>	
	<b>30 SEPT 2007</b>	<b>30 SEPT 2006</b>	<b>30 SEPT 2007</b>	<b>30 SEPT 2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>		<b>Restated</b>
<b>Segment Revenue</b>				
Sales and Marketing	27,019	28,748	105,814	70,803
Technical Support and Management	32,308	22,032	86,790	67,485
Others	680	107	3,611	2,693
	<u>60,007</u>	<u>50,887</u>	<u>196,215</u>	<u>140,981</u>
Eliminations	(90)	(90)	(270)	(318)
Revenue	<u>59,917</u>	<u>50,797</u>	<u>195,945</u>	<u>140,663</u>
<b>Segment Results</b>				
Sales and Marketing	419	1,802	8,086	2,877
Technical Support and Management	10,700	7,832	32,288	29,101
Others	(1,360)	(606)	(1,346)	(80)
	9,759	9,028	39,028	31,898
Unallocated	(1,543)	(1,039)	(4,836)	(4,905)
- Foreign exchange loss/(gain)	104	(648)	(898)	116
- Share options under ESOS	118	474	164	707
- Legal & professional fees	58	109	1,857	317
- Others	1,263	1,104	3,713	3,765
Profit from operations	<u>8,216</u>	<u>7,989</u>	<u>34,192</u>	<u>26,993</u>

“Others” under Segment Revenue consist of revenue from manufacturing activities and inter-segment transaction.



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**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**

- **Associate Companies**

- (a) On 11 October, DCB completed the subscription of 50% interest in RGB Xtale Sdn Bhd. The issued and paid up share capital of RGB Xtale Sdn Bhd is RM2.00 comprising 2 ordinary shares of RM1.00 each fully paid up.

RGB Xtale Sdn Bhd is principally involved in manufacturing, refurbishment, technical support and maintenance, sales and marketing of gaming and amusement machines and equipment, sales and marketing of security surveillance products and systems for local and overseas markets.

- (b) On 13 November 2007, Ideal Versatile Sdn Bhd changed its company name to RGB Sibel International Sdn Bhd.

RGB Sibel International Sdn Bhd is principally involved in manufacturing and selling of synthetic gaming layouts for the casino markets in Asia.

- **Taxation – Budget 2008 Proposals**

- (a) The Government has proposed to introduce the single tier tax system for companies effective from the year of assessment 2008 in place of the imputation system. Under the proposed single tier system, the Company shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends paid, credited or distributed by the Company will be exempted from tax in the hands of the shareholders. However, there will be a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. This proposed change in the tax law also provides for the S.108 balance to be locked in as at 31 December 2007.

Under current imputation system, any tax exempt dividends 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 will have to deduct tax at prevailing corporate tax rate and any amount of tax in excess of the tax credit under Section 108 of the Income Tax Act, 1967 will become amount due to government. However, the Company will be able to distribute dividends out of its entire retained earnings without having to deduct tax from such dividends paid or credited after 31 December 2007 under the single tier system once the proposed legislation has been gazetted.

- (b) The income tax rate for companies will be reduced from 27% for Year of Assessment 2007 to 26% for Year of Assessment 2008.



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

RGB Sdn. Bhd., a wholly owned subsidiary of DCB, subscribed for 50% equity interest comprising 1 ordinary share of RM1.00 fully paid up in Ideal Versatile Sdn Bhd on 6 September 2007 pursuant to a Joint Venture Agreement signed with Sibel Products Inc. USA on 4 September 2007.

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

As at 21 November 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 approved but not provided for in the interim financial statements is as follows:

	<b>AS AT 30 SEPT 2007 RM'000</b>
Machines and equipment	10,520
Investment	47,120
	<u>57,640</u>



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**17. Significant Related Party Transactions**

	<b>1.7.2007 to 30.9.2007 RM'000</b>	<b>1.1.2007 to 30.9.2007 RM'000</b>
Sales of gaming and amusement machines, spare parts and accessories to:		
- Suneka Sdn. Bhd.	82	84
- Denver System Sdn. Bhd.	4	9
- Dreamgate (M) Sdn. Bhd.	2	6
- Manju Sdn. Bhd.	94	180
- Standard RGB Pte Ltd	-	1,514
Purchase of gaming and amusement machines and accessories from:		
- Standard RGB Pte Ltd	-	641
Repair and maintenance services provided to:		
- Denver System Sdn. Bhd.	23	59
- Dreamgate (Malaysia) Sdn. Bhd.	24	64
- Euro Computer Engineering & Parts Sdn. Bhd.	10	32
- Suneka Sdn Bhd	8	18
- Manju Sdn Bhd	8	21
- Amity Energy Sdn Bhd	3	7
Renting of premises to Standard RGB Pte Ltd	-	14
Renting of premises from Dreamgate (Malaysia) Sdn Bhd	45	135
Consultancy fees paid to Capital Investment Australia Pty Ltd	53	153

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			9 MONTHS ENDED		
	30 SEPT 2007 RM'000	30 SEPT 2006 RM'000	% + /(-)	30 SEPT 2007 RM'000	30 SEPT 2006 RM'000	% + /(-)
<b>Revenue</b>						
Sales and Marketing	27,019	28,748	-6%	105,814	70,803	+ 49%
Technical Support and Management	32,308	22,032	+ 47%	86,790	67,485	+ 29%
Others	590	17	+ 3371%	3,341	2,375	+ 41%
<b>Total</b>	<b>59,917</b>	<b>50,797</b>	<b>+ 18%</b>	<b>195,945</b>	<b>140,663</b>	<b>+ 39%</b>
<b>Profit before tax</b>						
Sales and Marketing	419	1,802	-77%	8,086	2,877	+ 181%
Technical Support and Management	10,700	7,832	+ 37%	32,288	29,101	+ 11%
Others	(1,360)	(606)	+ 124%	(1,346)	(80)	+ 1583%
	9,759	9,028	+ 8%	39,028	31,898	+ 22%
Unallocated	(3,658)	(1,581)	+ 131%	(10,225)	(7,701)	+ 33%
- Finance cost	1,951	1,053	+ 85%	5,355	3,489	+ 53%
- Foreign exchange loss/(gain)	104	(648)	-116%	(898)	116	-874%
- Share options under ESOS	118	474	-75%	164	707	-77%
- Share of profit/(loss) of associates	164	(511)	-132%	34	(693)	-105%
- Legal & professional fees	58	109	-47%	1,857	317	+ 486%
- Others	1,263	1,104	+ 14%	3,713	3,765	-1%
<b>Profit before tax</b>	<b>6,101</b>	<b>7,447</b>	<b>-18%</b>	<b>28,803</b>	<b>24,197</b>	<b>+ 19%</b>



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**18. Performance Review (Continued)**

The Group registered revenue and profit before tax of RM59.9 million and RM10.5 million respectively for the current quarter. This is an increase of 18% and 40% respectively compared with the previous year's corresponding quarter.

The increase in the current quarter's revenue and profit before tax is mainly attributable to better performance in the Technical Support and Management division arising from higher volume of business from existing outlets and new outlets. New outlets opened in various regions at respective countries since 30 September 2006 are as follows:-

<b>Country</b>	<b>No of Outlets</b>	<b>No of Machines as at 30 Sept 2007 (Unit)</b>
<b>Cambodia</b>		
- Battambang	1	25
- Bavet	2	138
- Phnom Penh	7	371
- Poipet	1	78
- Siem Reap	1	53
	12	665
<b>Philippines</b>		
- Manila	1	181
<b>Laos</b>		
- Vientiane	1	59
<b>Grand Total:</b>	<b>14</b>	<b>905</b>

The pre-tax margin of Sales and Marketing division and Technical Support and Management division dropped due to provision for doubtful debts of approximately RM 5.3 million made in this quarter on trade receivables as at 31 December 2006 that have been outstanding for more than 180 days as at the date of this report in preparation for the transfer to Main Board. The Board is of the view that these trade receivables may be collectible and any amount collected subsequently will result in the provision being written back accordingly.

The Group registered revenue and profit before tax of RM195.9 million and RM28.8 million respectively for nine months ended 30 September 2007. The increase in revenue is mainly due to higher volume of machines sold, better performance of existing outlets under Technical Support and Management division and placement of additional machines as tabulated below:-

	<b>30 Sept 2007 (Unit)</b>	<b>30 Sept 2006 (Unit)</b>
<b>Sales and Marketing division</b>		
- Number of machine sold	1,718	1,093
<b>Technical Support and Management division</b>		
- Cumulative number of machine placed at end of period	4,371	3,178

Profit before tax for the nine months period ended 30 September 2007 increased by approximately RM4.6 million, which is an increase of 19% as compared to the corresponding period last year is due to overall improvement in revenue under both divisions.

Pre-operating expenses of approximately RM850,000 of an overseas subsidiary, principally involved in gaming and leisure industry resulted in an increase of the loss of other divisions.



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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	27,019	46,638	-42%
Technical Support and Management	32,308	29,287	+ 10%
Others	590	1,206	-51%
	<hr/>	<hr/>	
Revenue	59,917	77,131	-22%
<b>Profit before taxation</b>			
Sales and Marketing	419	4,932	-92%
Technical Support and Management	10,700	12,759	-16%
Others	(1,360)	(8)	+ 16900%
	<hr/>	<hr/>	
	9,759	17,683	-45%
Unallocated expenses	(3,658)	(4,775)	-23%
- Finance cost	1,951	2,188	-11%
- Foreign exchange (gain)/loss	104	(493)	-121%
- Share options under ESOS	118	32	+ 269%
- Share of profit of associates	164	275	-40%
- Legal & professional fees	58	1,558	-96%
- Others	1,263	1,215	+ 4%
	<hr/>	<hr/>	
Profit before tax	6,101	12,908	-53%

Revenue from the Technical Support and Management division increased due to better performance of existing outlets and placement of additional machines of approximately 448 units in the quarter ended 30 September 2007 in addition to 3,923 units as at 30 June 2007 in new and existing outlets. Revenue from Sales and Marketing division decreased due to low demand on machines from customers in this quarter. The pre-tax profit margin of Sales and Marketing division and Technical Support and Management division dropped mainly due to a provision for doubtful debts amounting to approximately RM5.3 million in this quarter as stated in Note 18.



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**20. Commentary on Prospect**

The Group is presently well positioned to continue to achieve positive growth in this year due to the commencement of various local and overseas ventures entered into during the year. New outlets expected to be opened under Technical Support and Management division in the last quarter of the year are as follows:-

<u>Country</u>	<u>No of Outlets</u>	<u>No of Machines to be Operated (Unit)</u>
<b>Cambodia</b>		
- Phnom Penh	2	250
- Siem Reap	1	70
- Sihanoukville	1	60
	<u>4</u>	<u>380</u>
<b>Philippines</b>		
- Manila	2	90
<b>Vietnam</b>		
- Hue	1	60
<b>Grand Total</b>	<u>7</u>	<u>530</u>

Barring unforeseen circumstances, the Group will continue to achieve positive results in the current year.

**21. Profit Forecast**

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

**22. Income Tax Expense**

	<b>3 MONTHS ENDED</b>		<b>9 MONTHS ENDED</b>	
	<b>30 SEPT 2007</b>	<b>30 SEPT 2006</b>	<b>30 SEPT 2007</b>	<b>30 SEPT 2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income Tax				
Current Period	<u>210</u>	<u>7</u>	<u>854</u>	<u>59</u>

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.



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**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 utilization of listing proceeds**

Purpose	Proposed Utilisation	Actual Utilisation as at 30 SEPT 2007	Expected Utilisation by 12 JAN 2009
	RM'000	RM'000	RM'000
Purchase of plant and machinery	4,000	1,890	2,110
Research & development	5,000	3,228	1,772
Overseas expansion	15,000	15,000	-
Regional Trade Mark registration	1,000	58	942
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>32,390</b>	<b>4,824</b>

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

**Number of Options Over  
Ordinary Shares of RM0.10 each**

Grant Date	Exercise Price	Adjusted Exercise Price	Grant date/ 1 July 2007	Exercised	Lapsed	Balance 26 Sept 2007	Adjustment *	Lapsed	Balance 30 Sept 2007
	RM	RM	'000	'000	'000	'000	'000	'000	'000
19 Oct 2005	1.06	0.35	9,549	826	140	8,583	17,166	-	25,749
7 July 2006	1.28	0.43	2,366	213	90	2,063	4,126	240	5,949
29 July 2006	1.25	0.42	2,009	325	90	1,594	3,190	-	4,784
			13,924	1,364	320	12,240	24,482	240	36,482
29 June 2007	1.44	0.48	789	53	18	718	1,436	24	2,130
			14,713	1,417	338	12,958	25,918	264	38,612

All the above options expire on 18 October 2010

\* Adjustment on options subsequent to Bonus Issue



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**25. Corporate Proposals (Continued)**

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

Applications relating to the Proposed Transfer dated 28 June 2007 were submitted to the relevant authorities for their approval.

Approval from the Securities Commission and Ministry of International Trade and Industry were obtained on 22 August 2007 and 30 August 2007 respectively.

The Proposed Transfer is still subject to the approval of Bursa Securities and the application will be made in due course.

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

The second tranche of CPs with value of RM30 million under the CP/MTN Programme was issued on 2 November 2007 for working capital purposes.

**Summary of CPs:-**

	<u>Issue Date</u>	<u>Face Amount</u>	<u>Maturity Date</u>	<u>Tenure</u>
1st Tranch	29/8/2007	RM50,000,000	29/2/2008	6 months
2nd Tranch	2/11/2007	RM30,000,000	2/5/2008	6 months



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**26. Borrowings**

	AS AT 30 SEPT 2007 RM'000	AS AT 31 DEC 2006 RM'000
<b>Short Term Borrowings:</b>		
<u>Secured</u>		
Bank overdrafts	-	2,944
Bankers' acceptances	-	6,100
Term loans	18,593	15,270
Hire purchase payable	55	17
<u>Unsecured</u>		
Commercial Papers	50,000	-
	68,648	24,331
<b>Long Term Borrowings:</b>		
<u>Secured</u>		
Term loans	46,925	43,896
Hire Purchase payable	29	22
	46,954	43,918
Total borrowings	<u>115,602</u>	<u>68,249</u>
<b>Borrowings denominated in foreign currency as at 30 Sept 2007:</b>		
	<b>USD'000</b>	<b>RM'000 Equivalent</b>
Total borrowings	<u>14,657</u>	<u>50,030</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 2007.



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**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>9 MONTHS ENDED</b>	
	<b>30 SEPT</b>	<b>30 SEPT</b>	<b>30 SEPT</b>	<b>30 SEPT</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Profit attributable to ordinary equity holders of the parent (RM'000)	<u>5,891</u>	<u>7,440</u>	<u>27,949</u>	<u>24,138</u>
Weighted average number of ordinary shares in issue ('000)	<u>868,357</u>	<u>844,891</u>	<u>861,032</u>	<u>842,531</u>
<b>Basic earnings per share (sen)</b>	<u>0.68</u>	<u>0.88</u>	<u>3.25</u>	<u>2.86</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.

	<b>3 MONTHS ENDED</b>		<b>9 MONTHS ENDED</b>	
	<b>30 SEPT</b>	<b>30 SEPT</b>	<b>30 SEPT</b>	<b>30 SEPT</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Profit attributable to ordinary equity holders of the parent (RM'000)	<u>5,891</u>	<u>7,440</u>	<u>27,949</u>	<u>24,138</u>
Weighted average number of ordinary shares in issue ('000)	868,357	844,891	861,032	842,531
Effect of dilution of share options	<u>14,228</u>	<u>14,554</u>	<u>14,628</u>	<u>16,118</u>
Adjusted weighted average number of ordinary shares in issue and issuable	<u>882,585</u>	<u>859,445</u>	<u>875,660</u>	<u>858,649</u>
<b>Diluted earnings per share (sen)</b>	<u>0.67</u>	<u>0.87</u>	<u>3.19</u>	<u>2.81</u>

Weighted average number of ordinary shares in issue was adjusted pursuant to the Bonus Issue on 27 September 2007, as if it occurred prior to 1 January 2006.





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**31. Authorisation For Issue**

On 28 November 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  
28 November 2007