



Dreamgate Corporation Bhd (603831-K)

(Incorporated in Malaysia)

Interim Unaudited Financial Statements
31 December 2007



Dreamgate Corporation Bhd (603831-K)

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

	Note	3 MONTHS ENDED		12 MONTHS ENDED	
		31 DEC	31 DEC	31 DEC	31 DEC
		2007	2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
Revenue	11	80,362	74,718	276,307	215,380
Cost of sales		(56,022)	(55,849)	(186,126)	(149,196)
- Depreciation		(12,180)	(7,038)	(39,239)	(29,827)
- Others		(43,842)	(48,811)	(146,887)	(119,369)
Gross profit		24,340	18,869	90,181	66,184
Other income		67	108	1,628	409
Administrative expenses		(9,141)	(5,923)	(39,034)	(22,229)
- Depreciation		(515)	(387)	(1,770)	(1,403)
- Others		(8,626)	(5,536)	(37,264)	(20,826)
Selling and marketing expenses		(1,185)	(604)	(4,978)	(4,570)
Other (expenses)/ gains, net		(1,432)	(1,782)	(956)	(2,134)
Operating profit		12,649	10,668	46,841	37,660
Finance costs		(1,590)	(1,562)	(6,945)	(5,051)
Share of profit of jointly controlled entities		106	-	106	-
Share of (loss)/ profit of associates		(675)	(23)	(709)	670
Profit before tax		10,490	9,083	39,293	33,279
Income tax expense	22	(124)	(1,750)	(978)	(1,809)
Profit for the period		<u>10,366</u>	<u>7,333</u>	<u>38,315</u>	<u>31,470</u>
Attributable to:					
Equity holders of the Company		10,348	7,333	38,302	31,470
Minority interests		18	-	13	-
		<u>10,366</u>	<u>7,333</u>	<u>38,315</u>	<u>31,470</u>
Earnings per share attributable to equity holders of the Company:					
Basic, for profit for the period (sen)	30	<u>1.19</u>	<u>0.87</u>	<u>4.43</u>	<u>3.73</u>
Diluted, for profit for the period (sen)	30	<u>1.17</u>	<u>0.86</u>	<u>4.34</u>	<u>3.70</u>



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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	AS AT 31 DEC 2007 RM'000	AS AT 31 DEC 2006 RM'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	12	203,608	135,656
Prepaid land lease payments		1,422	727
Development costs		1,749	899
Investments in jointly controlled entities		1,593	-
Investments in associates		3,860	1,274
Other investment		4	4
Long term lease receivables		4,804	7,091
Other receivables		715	2,148
		<u>217,755</u>	<u>147,799</u>
Current assets			
Inventories		7,446	11,491
Trade Receivables		103,257	87,592
Other Receivables, Deposits and Prepayments		20,213	10,849
Short term lease receivables		1,921	1,921
Due from jointly controlled entities		247	-
Due from associates		8,361	2,376
Tax Recoverable		490	361
Deposits with licensed banks		7,937	4,794
Cash and bank balances		35,000	16,782
		<u>184,872</u>	<u>136,166</u>
TOTAL ASSETS		<u>402,627</u>	<u>283,965</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	9	87,165	28,255
Share premium		651	30,594
Foreign currency translation reserve		(13,730)	(6,419)
Share option reserve		2,998	3,043
Retained earnings		98,876	83,226
		<u>175,960</u>	<u>138,699</u>
Minority interest		51	-
Total equity		<u>176,011</u>	<u>138,699</u>
Non-current liabilities			
Borrowings	26	41,448	43,918
Deferred tax liabilities		634	715
		<u>42,082</u>	<u>44,633</u>
Current liabilities			
Borrowings	26	99,382	24,331
Payables		83,821	73,741
Due to a jointly controlled entity		586	-
Tax payable		745	2,561
		<u>184,534</u>	<u>100,633</u>
Total liabilities		<u>226,616</u>	<u>145,266</u>
TOTAL EQUITY AND LIABILITIES		<u>402,627</u>	<u>283,965</u>
Net assets per share (sen)		20	49



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 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
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	-	-	(6,636)	-	-	(6,636)
Profit for the year	-	-	-	-	31,470	31,470
Dividend	-	-	-	-	(4,228)	(4,228)
Total recognised income and expense for the year	-	-	(6,636)	-	27,242	20,606
Issue of ordinary shares pursuant to ESOS	255	2,576	-	(107)	-	2,724
Share options granted under ESOS	-	-	-	2,853	-	2,853
At 31 December 2006	28,255	30,594	(6,419)	3,043	83,226	138,699



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007

	----- Attributable to Equity Holders of the Parent -----					Total	Minority Interests	Total Equity
	----- 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	RM'000	RM'000
At 1 January 2007	28,255	30,594	(6,419)	3,043	83,226	138,699	-	138,699
Foreign currency translation, representing net expenses recognised directly in equity	-	-	(7,311)	-	-	(7,311)	-	(7,311)
Profit for the year	-	-	-	-	38,302	38,302	13	38,315
Dividend	-	-	-	-	(3,590)	(3,590)	-	(3,590)
Total recognised income and expense for the year	-	-	(7,311)	-	34,712	27,401	13	27,414
Issue of ordinary shares pursuant to ESOS	919	8,986	-	(1,114)	-	8,791	-	8,791
Share options granted under ESOS	-	-	-	1,069	-	1,069	33	1,102
Bonus issues	57,991	(38,929)	-	-	(19,062)	-	-	-
Issue of share capital by Subsidiary to Minority Interests	-	-	-	-	-	-	5	5
At 31 December 2007	87,165	651	(13,730)	2,998	98,876	175,960	51	176,011



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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	12 MONTHS ENDED	
	31 DEC 2007	31 DEC 2006
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	39,293	33,279
Adjustments for:		
Amortisation of development costs	288	143
Depreciation	41,009	31,230
Amortisation of prepaid land lease payments	20	-
Reversal of provision for doubtful debts	(525)	(154)
Impairment of property, plant and equipment	287	-
Bad debts recovered	(44)	-
Provision for doubtful debts	5,617	324
Write down of inventories	1,605	788
Loss/ (Gain) on disposal of equipment	11	(49)
Gain on disposal of investment	-	(1)
Equipment written off	609	729
Share options granted under ESOS	1,102	2,853
Share of loss/ (profit) of associates	709	(670)
Share of profit of jointly controlled entities	(106)	-
Interest expense	6,621	4,877
Interest income	(1,422)	(361)
Operating profit before working capital changes	95,074	72,988
Net changes in receivables, amount due from associates, jointly controlled entities and inventories	(30,141)	(22,129)
Net changes in payables and amount due to a jointly controlled entity	10,666	2,187
Interest paid	(6,621)	(4,890)
Taxes paid	(3,002)	(106)
Net cash flow from operating activities	65,976	48,050



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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007**

	12 MONTHS ENDED	
	31 DEC 2007	31 DEC 2006
	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(121,037)	(61,470)
Purchase of leasehold land and building	(1,400)	-
Proceeds from disposal of property, plant and equipment	2,711	8,754
Proceeds from disposal of other investment	-	501
Investment in associates	(3,398)	-
Other investment	-	(500)
Acquisition of jointly controlled entities	(1,490)	-
Expenditure on development costs	(955)	(461)
Interest received	1,422	513
Net cash flow from investing activities	(124,147)	(52,663)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (repayment)/ drawdown of bankers' acceptance	(6,100)	1,250
Net drawdown of term loan and commercial papers	79,685	5,527
Net drawdown/ (Repayment) of hire purchase payable	31	(17)
Dividends paid	(3,591)	(3,044)
Proceeds from issuance of shares	8,791	2,724
Net cash flow from financing activities	78,816	6,440
NET CHANGE IN CASH AND CASH EQUIVALENTS	20,645	1,827
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	1,752	1,739
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	18,632	15,066
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR *	41,029	18,632
* Cash and cash equivalents at end of the financial year comprise the following:		
Cash and bank balances	35,000	16,782
Deposits with licensed banks	7,937	4,794
Less: Bank Overdrafts	(1,908)	(2,944)
	41,029	18,632



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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 paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

RGB Sibel International Sdn Bhd and RGB Abbiati Pte Ltd was classified as associate companies under interim financial statements for the period ended 30 September 2007. These has been reclassified to jointly controlled entities in the current quarter.

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	Leases
Amendments to FRS 119 ²⁰⁰⁴	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 FRS119²⁰⁰⁴ 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.



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2. Changes in Accounting Policies (cont'd)

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.

At the date of authorization of these financial statements, the following new and revised FRS, amendments to FRS and Interpretations were issued but not yet effective and have not been applied by the Group:

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 new and revised 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 31 December 2007 is exempted from disclosing the possible impact of FRS 139.



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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

With the Income Tax (Exemption)(No.22) Order 2007 which was gazetted on 18 December 2007, the Income Tax (Exemption) (No.16) Order 1991 and Income Tax (Exemption) (No.10) Order 2000 as stated in Dreamgate Corporation Bhd's("DCB") dividend vouchers are revoked effective from Year of Assessment 2007.

The abovementioned dividend payment, which was made on 28 August, 2007, was paid out of income exempt 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 DCB from the provisions of section 108 of the Income Tax Act (ITA), income tax has been deducted as shown on the vouchers.

Based on paragraph 4 of the Income Tax (Exemption)(No.22) Order 2007, paragraphs 5 and 6 of Schedule 7A of the ITA would now apply to the amount of income exempted to a company incorporated under the Companies Act 1965 [Act 125] and resident in Malaysia. This means the dividend income received by DCB from RGB Ltd, a Labuan offshore company, which is exempted can be utilized to distribute tax exempt dividend on a two-tier basis and section 108 of the ITA shall not apply to such dividend distribution.

In order to comply with the Income Tax (Exemption) (No.22) Order 2007, DCB will issue a circular to all the shareholders to notify them of the changes as well as replacement dividend voucher.

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.



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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	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 *	Exercised	Lapsed	Balance 31 Dec 2007
	RM	RM	'000	'000	'000	'000	'000	'000	'000	'000
19 Oct 2005	1.06	0.35	15,446	6,078	785	8,583	17,166	1,438	-	24,311
7 July 2006	1.28	0.43	3,194	771	360	2,063	4,126	251	240	5,698
29 July 2006	1.25	0.42	2,466	506	366	1,594	3,190	84	-	4,700
			21,106	7,355	1,511	12,240	24,482	1,773	240	34,709
29 June 2007	1.44	0.48	789	53	18	718	1,436	15	54	2,085
			21,895	7,408	1,529	12,958	25,918	1,788	294	36,794

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	282,545	280,000
Ordinary shares issued pursuant to ESOS	9,196	2,545
Bonus Issue	579,906	-
As at 31 December	871,647	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:

	RM
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	RM0.017
Dividend per ordinary share (restated)	RM0.01241

In view of the coming into force of the Income Tax (Exemption)(No.22) Order 2007 and the revocation of the Income Tax (Exemption)(No.16) Order 1991 and Income Tax (Exemption)(No.10) Order 2000, the dividends paid to the shareholders of DCB distributed on 28 August 2007 should be treated as tax exempt dividends and the shareholders are not entitled to claim a refund for the tax deducted in respect of the dividend payments pursuant to section 110 of the ITA. As such, As such, the net dividend paid shall be deemed as gross dividend paid and the rate of dividend paid on 28 August 2007 has changed from RM0.17 to RM0.1241 per share. In order to comply with the Income Tax (Exemption) (No.22) Order 2007, DCB will issue a circular to all the shareholders to notify them of the changes as well as replacement dividend voucher.



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11. Segmental Information

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

	3 MONTHS ENDED		12 MONTHS ENDED	
	31 DEC 2007 RM'000	31 DEC 2006 RM'000	31 DEC 2007 RM'000	31 DEC 2006 RM'000
Segment Revenue				
Sales and Marketing	47,036	50,496	152,850	121,299
Technical Support and Management	32,433	22,594	119,223	90,079
Others	1,107	2,235	4,718	4,928
	<u>80,576</u>	<u>75,325</u>	<u>276,791</u>	<u>216,306</u>
Eliminations	(214)	(607)	(484)	(926)
Revenue	<u>80,362</u>	<u>74,718</u>	<u>276,307</u>	<u>215,380</u>
Segment Results				
Sales and Marketing	8,015	6,471	16,101	9,348
Technical Support and Management	9,557	8,041	41,845	37,142
Others	(934)	(36)	(2,280)	(116)
	<u>16,638</u>	<u>14,476</u>	<u>55,666</u>	<u>46,374</u>
Unallocated	(3,989)	(3,808)	(8,825)	(8,714)
- Foreign exchange loss/(gain)	973	1,047	75	1,163
- Share options under ESOS	87	161	251	868
- Legal & professional fees	74	39	1,931	356
- Others	2,855	2,561	6,568	6,327
Operating profit	<u>12,649</u>	<u>10,668</u>	<u>46,841</u>	<u>37,660</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

- **Subsidiary Company**

- (a) On 22 February 2008, Macrocept Sdn Bhd (“MCSB”) acquired an additional 20% interest, at par, in Chateau de Bavet Club Co., Ltd (“CDBC”), a company incorporated in Cambodia from a Cambodian national, Oknha Kith Thieng for a total consideration of USD1,000. The issued and registered share capital of CDBC is 20,000,000 Riels. (1MYR: Riel 1,100). As a result, CDBC became a subsidiary of MCSB.

CDBC is principally involved in gaming and leisure industry, international standard hotel, restaurant, modern night club, fun club, spa centre and such other business activities.

- (b) On 19 February 2008, DCB acquired a 100% interest, at par, in Frontier Wish International Limited (“FWIL”), a company incorporated in Hong Kong. FWIL is currently dormant and the issued and paid up share capital of FWIL is HKD1.00. (1 MYR: HKD2)

The intended activities for FWIL are investment and property holding, entertainment and leisure as well as international business.

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

On 25 January 2008, the Company has obtained approval-in-principle from Bursa Securities on the Transfer. Subsequently, on 31 January 2008, the entire issued and paid-up share capital of the Company was transferred from the MESDAQ Market to the Main Board of Bursa Securities.



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14. Changes in the Composition of the Group

- **Associate Companies**

- (a) On 23 July 2007, MCSB subscribed for 25% equity interest in Goldenmac Ltd (“GMAC”) at par of 4,000 Riels per share for a total cash consideration of USD 2,500. GMAC is a company incorporated in Cambodia and its registered and paid up capital as at 23 July 2007 is 5,400,000,000 Riels. (1MYR: Riel1,100).

GMAC is principally involved in gaming and leisure industry.

- (b) On 24 August 2007, MCSB subscribed for 50% equity interest in Golden Beach Club Ltd (“GBCL”) at par of 4,000 Riels per share for a total cash consideration of USD 2,500. GBCL is a company incorporated in Cambodia and its registered and paid up capital as at 24 August 2007 is 20,000,000 Riels. (1MYR: Riel1,100).

GBCL is principally involved in gaming and leisure industry.

- (c) On 24 October 2007, MCSB subscribed for 20% equity interest in Cash Box Entertainment Co., Ltd (“CBEL”) at par of 4,000 Riels per share for a total cash consideration of USD 2,000. CBEL is a company incorporated in Cambodia and its registered and paid up capital as at 24 October 2007 is 40,000,000 Riels. (1MYR: Riel1,100).

CBEL is principally involved in gaming and leisure industry.

- (d) On 13 November 2007, MCSB subscribed for 20% equity interest in Olympic Entertainment Co., Ltd (“OECL”) at par of 4,000 Riels per share for a total cash consideration of USD 1,000. OECL is a company incorporated in Cambodia and its registered and paid up capital as at 13 November 2007 is 20,000,000 Riels. (1MYR: Riel1,100).

OECL is principally involved in gaming and leisure industry.

- (e) On 26 December 2007, RGB (Cambodia) Ltd, a wholly owned subsidiary of DCB, subscribed for 49% equity interest in Dreamgate Holding Co., Ltd (“DHCL”) at par of 4,000 Riels per share for a total cash consideration of USD 490. DHCL is a company incorporated in Cambodia and its registered share capital as at 26 December 2007 is 4,000,000 Riels. (1MYR: Riel 1,100).

DHCL is principally involved in property investment.

- (f) On 31 December 2007, MCSB completed the acquisition of 40% interest, at par, in CDDBC, a company incorporated in Cambodia. The issued and registered share capital of CDDBC is 20,000,000 Riels. (1MYR: Riel1,100).



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15. Changes in Contingent Liabilities and Contingent Assets

As at 18 February 2008 (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:

	AS AT 31 DEC 2007 RM'000
Machines and equipment	83,500
Investment	40,800
	<u>124,300</u>



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17. Significant Related Party Transactions

	1.10.2007 to 31.12.2007 RM'000	1.1.2007 to 31.12.2007 RM'000
Sales of gaming and amusement machines, spare parts and accessories to:		
- Suneka Sdn. Bhd.	-	84
- Denver System Sdn. Bhd.	18	27
- Dreamgate (M) Sdn. Bhd.	35	41
- Manju Sdn. Bhd.	1	181
- Standard RGB Pte Ltd	9	1,523
- Euro Computer Engineering & Parts Sdn Bhd	23	23
- Gamaria Sdn Bhd	19	19
Purchase of gaming and amusement machines and accessories from:		
- Standard RGB Pte Ltd	2	625
Purchase of fixed assets from:		
- Denver System Sdn. Bhd.	30	30
- Dreamgate (M) Sdn. Bhd.	20	20
- Standard RGB Pte Ltd	2,345	2,363
Repair and maintenance services provided to:		
- Denver System Sdn. Bhd.	17	76
- Dreamgate (Malaysia) Sdn. Bhd.	20	84
- Euro Computer Engineering & Parts Sdn. Bhd.	11	43
- Suneka Sdn Bhd	4	22
- Manju Sdn Bhd	7	28
- Amity Energy Sdn Bhd	2	9
- Gamaria Sdn Bhd	10	10
Renting of premises to Standard RGB Pte Ltd	-	14
Renting of premises from Dreamgate (Malaysia) Sdn Bhd	45	180
Consultancy fees paid to Capital Investment Australia Pty Ltd	55	208

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 PARAGRAPH 9.22 OF THE LISTING REQUIREMENTS OF BURSA SECURITIES

18. Performance Review

	3 MONTHS ENDED			12 MONTHS ENDED		
	31 DEC 2007	31 DEC 2006	%	31 DEC 2007	31 DEC 2006	%
	RM'000	RM'000	+ / (-)	RM'000	RM'000	+ / (-)
Revenue						
Sales and Marketing	46,912	50,496	-7%	152,726	121,299	+ 26%
Technical Support and Management	32,433	22,594	+ 44%	119,223	90,079	+ 32%
Others	1,017	1,628	-38%	4,358	4,002	+ 9%
Total	80,362	74,718	+ 8%	276,307	215,380	+ 28%
Profit before tax						
Sales and Marketing	8,015	6,471	+ 24%	16,101	9,348	+ 72%
Technical Support and Management	9,557	8,041	+ 19%	41,845	37,142	+ 13%
Others	(934)	(36)	+ 2494%	(2,280)	(116)	+ 1866%
	16,638	14,476	+ 15%	55,666	46,374	+ 20%
Unallocated	(6,148)	(5,393)	+ 14%	(16,373)	(13,095)	+ 25%
- Finance cost	1,590	1,562	+ 2%	6,945	5,051	+ 37%
- Foreign exchange loss	973	1,047	-7%	75	1,163	-94%
- Share options under ESOS	87	161	-46%	251	868	-71%
- Share of loss/ (profit) of associates	675	23	+ 2835%	709	(670)	-206%
- Share of profit of jointly controlled entities	(106)	-	0%	(106)	-	0%
- Legal & professional fees	74	39	+ 90%	1,931	356	+ 442%
- Others	2,855	2,561	+ 11%	6,568	6,327	+ 4%
Profit before tax	10,490	9,083	+ 15%	39,293	33,279	+ 18%



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18. Performance Review (Continued)

The Group registered revenue and profit before tax of RM80.4 million and RM10.5 million respectively for the current quarter. This is an increase of 8% and 15% respectively compared with the previous year's corresponding quarter.

The revenue from Sales and marketing division decreased by 7% due to marginal decrease in number of machines sold. Profit before tax increased due to income from our role as an agent for a manufacturer of gaming machines.

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. During the year, there are 21 new outlets opened in various regions of respective countries. The summary of outlets in operations as at 31 December 2007 and 2006 are as follows:-

Country	2007	2006
Cambodia	49	35
Philippines	11	8
Vietnam	3	3
Laos	1	-
Grand Total:	64	46

The Group registered revenue and profit before tax of RM276.3 million and RM39.3 million respectively for twelve months ended 31 December 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:-



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18. Performance Review (Continued)

Sales and Marketing

Country	Number of machines sold	
	31 Dec 2007 (Unit)	31 Dec 2006 (Unit)
Cambodia	238	297
Macau	430	652
Malaysia	326	248
Philippines	1,218	544
Singapore	129	3
Vietnam	134	116
Grand Total:	2,475	1,860

Technical Support and Management

Country	Number of machines placed as at	
	31 Dec 2007 (Unit)	31 Dec 2006 (Unit)
Cambodia	4,278	2,420
Vietnam	194	224
Philippines	1,124	809
Laos	59	-
Grand Total:	5,655	3,453

Profit before tax for the twelve months year ended 31 December 2007 increased by approximately RM6.0 million, an increase of 18% as compared to the last year and it is due to overall improvement in revenue.

Pre-operating expenses of approximately RM1,350,000 of an overseas subsidiary with its principal business in providing gaming and leisure activities resulted in an increase of the loss of other divisions. The subsidiary is expected to commence operations by the end of February 2008.



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19. Comparison with previous quarter's results

	CURRENT QUARTER RM'000	PREVIOUS QUARTER RM'000	% + / (-)
Revenue			
Sales and Marketing	46,912	27,019	+ 74%
Technical Support and Management	32,433	32,308	0%
Others	1,017	590	+ 72%
	<u>80,362</u>	<u>59,917</u>	+ 34%
Profit before taxation			
Sales and Marketing	8,015	419	+ 1813%
Technical Support and Management	9,557	10,700	-11%
Others	(934)	(1,360)	-31%
	<u>16,638</u>	<u>9,759</u>	+ 70%
Unallocated expenses	(6,148)	(3,658)	+ 68%
- Finance cost	1,590	1,951	-19%
- Foreign exchange loss	973	104	+ 836%
- Share options under ESOS	87	118	-26%
- Share of loss of associates	675	164	+ 312%
- Share of profit of jointly controlled entities	(106)	-	0%
- Legal & professional fees	74	58	+ 28%
- Others	2,855	1,263	+ 126%
	<u>10,490</u>	<u>6,101</u>	+ 72%

Revenue from the Sales and Marketing division increased substantially as compared to the previous quarter due to strong demand for machines during this quarter and the demand is due to festival season. Profit before tax for the Sales and Marketing division improved substantially in this quarter and it is due to better product margin for almost all our range of product.

Profit before tax for Technical Support and Management division dropped slightly in this quarter mainly due to the following:-

- (i) increase in impairment of property, plant and equipment of approximately RM287,000;
- (ii) write down of inventories approximately of RM788,000;
- (iii) opening of 7 new outlets during this quarter and
- (iv) cost of pre-operating expenses of new outlets amounting to approximately RM941,000.



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20. Commentary on Prospect

Based on our market research, the demand for machines under Sales and Marketing division is expected to increase by 20%-25% in year 2008 as compared to year 2007.

In 2008, the Group is expected to benefit from continued growth in Technical Support and Management business and commencement of new overseas ventures.

New outlets expected to be opened under Technical Support and Management division for year 2008 are approximately 25 outlets with 2,500 units of machines.

The Group intends to spend approximately RM 1.3 million in R&D activities so as to enhance and support our existing gaming machines and system software.

The jointly controlled entities and associates are expected to be fully operational in 2008 and contribute to the Group's profitability.

Barring unforeseen circumstances, the Group will continue to achieve positive results in 2008.

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		12 MONTHS ENDED	
	31 DEC 2007	31 DEC 2006	31 DEC 2007	31 DEC 2006
	RM'000	RM'000	RM'000	RM'000
Income Tax				
- Current period	(196)	1,332	461	1,391
- Under/(Over) provided in prior year	400	(1)	597	(1)
Deferred Tax				
- Current period	320	159	320	159
- Over provided in prior year	(400)	260	(400)	260
	<u>124</u>	<u>1,750</u>	<u>978</u>	<u>1,809</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 31 DEC 2007	Expected Utilisation by 12 JAN 2009
	RM'000	RM'000	RM'000
Purchase of plant and machinery	4,000	2,458	1,542
Research & development	5,000	3,706	1,294
Overseas expansion	15,000	15,000	-
Regional Trade Mark registration	1,000	78	922
Advertising, promotion and branding	3,000	3,000	-
Working capital	7,461	7,461	-
Estimated listing expenses	1,753	1,753	-
Total	37,214	33,456	3,758

(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	Balance 1 Oct 2007	Exercised	Lapsed	Balance 31 Dec 2007
	RM	RM	'000	'000	'000	'000
19 Oct 2005	1.06	0.35	25,749	1,438	-	24,311
7 July 2006	1.28	0.43	5,949	251	-	5,698
29 July 2006	1.25	0.42	4,784	84	-	4,700
			36,482	1,773	-	34,709
29 June 2007	1.44	0.48	2,130	15	30	2,085
			38,612	1,788	30	36,794

All the above options expire on 18 October 2010



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25. Corporate Proposals (Continued)

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

The third tranche of CPs with value of RM15 million under the CP/MTN Programme was issued on 16 January 2008 for working capital purposes.

Summary of CPs:-

	<u>Issue Date</u>	<u>Face Amount</u>	<u>Maturity Date</u>	<u>Tenure</u>
1st Tranche	29/8/2007	RM50,000,000	29/2/2008	6 months
2nd Tranche	2/11/2007	RM30,000,000	2/5/2008	6 months
3rd Tranche	16/1/2008	RM15,000,000	16/4/2008	3 months

26. Borrowings

	AS AT 31 DEC 2007 RM’000	AS AT 31 DEC 2006 RM’000
Short Term Borrowings:		
<u>Secured</u>		
Bank overdrafts	1,908	2,944
Bankers’ acceptances	-	6,100
Term loans	18,151	15,270
Hire purchase payable	56	17
<u>Unsecured</u>		
Commercial Papers	79,267	-
	99,382	24,331
Long Term Borrowings:		
<u>Secured</u>		
Term loans	41,434	43,896
Hire Purchase payable	14	22
	41,448	43,918
Total borrowings	140,830	68,249

Borrowings denominated in foreign currency as at 31 December 2007:

	USD’000	RM’000 Equivalent
Total borrowings	13,566	44,938



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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 0.68 sen per share less 26% tax for the year ended 31 December 2007 [31 December 2006: tax exempt of 1.241sen per share (restated)] for the approval by shareholders. 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		12 MONTHS ENDED	
	31 DEC	31 DEC	31 DEC	31 DEC
	2007	2006	2007	2006
Profit attributable to ordinary equity holders of the Company (RM'000)	<u>10,348</u>	<u>7,333</u>	<u>38,302</u>	<u>31,470</u>
Weighted average number of ordinary shares in issue ('000)	<u>870,936</u>	<u>846,888</u>	<u>864,334</u>	<u>843,629</u>
Basic earnings per share (sen)	<u>1.19</u>	<u>0.87</u>	<u>4.43</u>	<u>3.73</u>



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30. Earnings Per Share (Continued)

(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		12 MONTHS ENDED	
	31 DEC	31 DEC	31 DEC	31 DEC
	2007	2006	2007	2006
Profit attributable to ordinary equity holders of the Company (RM'000)	<u>10,348</u>	<u>7,333</u>	<u>38,302</u>	<u>31,470</u>
Weighted average number of ordinary shares in issue ('000)	870,936	846,888	864,334	843,629
Effect of dilution of share options	<u>14,798</u>	<u>3,443</u>	<u>18,247</u>	<u>6,039</u>
Adjusted weighted average number of ordinary shares in issue and issuable	<u>885,734</u>	<u>850,331</u>	<u>882,581</u>	<u>849,668</u>
Diluted earnings per share (sen)	<u>1.17</u>	<u>0.86</u>	<u>4.34</u>	<u>3.70</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.

31. Authorisation For Issue

On 25 February 2008, the Board of Directors authorised the issue of these interim financial statements.

By Order of the Board
Dreamgate Corporation Bhd. (603831-K)

Datuk Chuah Kim Seah, JP
Managing Director
25 February 2008