



Dreamgate Corporation Bhd (603831-K)

(Incorporated in Malaysia)

Interim Unaudited Financial Statements
30 June 2008



Dreamgate Corporation Bhd (603831-K)

CONTENTS

	PAGE
CONDENSED CONSOLIDATED INCOME STATEMENT	1
CONDENSED CONSOLIDATED BALANCE SHEET	2
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	3 – 4
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	5 – 6
EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD 134	7 – 12
EXPLANATORY NOTES PURSUANT TO APPENDIX 9B (RULE 9.22(2)) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”)	13 – 20



Dreamgate Corporation Bhd (603831-K)

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2008**

	Note	3 MONTHS ENDED		6 MONTHS ENDED	
		30 JUNE	30 JUNE	30 JUNE	30 JUNE
		2008	2007	2008	2007
		RM'000	RM'000	RM'000	RM'000
Revenue	10	84,689	77,131	128,325	136,028
Cost of sales		(58,761)	(52,036)	(83,507)	(92,575)
- Depreciation		(14,037)	(8,939)	(26,251)	(17,097)
- Others		(44,724)	(43,097)	(57,256)	(75,478)
Gross profit		25,928	25,095	44,818	43,453
Other income		124	642	321	772
Administrative expenses		(13,669)	(8,388)	(23,220)	(15,754)
- Depreciation		(804)	(363)	(1,389)	(784)
- Others		(12,865)	(8,025)	(21,831)	(14,970)
Selling and marketing expenses		(1,400)	(2,056)	(2,368)	(3,092)
Other (expenses)/ gains, net		(1,120)	78	(2,445)	597
Operating profit		9,863	15,371	17,106	25,976
Finance costs		(2,324)	(2,188)	(4,595)	(3,404)
Share of loss of jointly controlled entities		(79)	-	(142)	-
Share of profit of associates		535	(275)	1,176	130
Profit before tax		7,995	12,908	13,545	22,702
Income tax expense	21	(8)	(389)	(40)	(644)
Profit for the period		<u>7,987</u>	<u>12,519</u>	<u>13,505</u>	<u>22,058</u>
Attributable to:					
Equity holders of the Company		8,110	12,519	13,679	22,058
Minority interests		(123)	-	(174)	-
		<u>7,987</u>	<u>12,519</u>	<u>13,505</u>	<u>22,058</u>
Earnings per share attributable to equity holders of the Company:					
Basic, for profit for the period (sen)	28	<u>0.93</u>	<u>1.45</u>	<u>1.57</u>	<u>2.57</u>
Diluted, for profit for the period (sen)	28	<u>0.93</u>	<u>1.43</u>	<u>1.55</u>	<u>2.53</u>



Dreamgate Corporation Bhd (603831-K)

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2008

	Note	AS AT 30 JUNE 2008 RM'000	AS AT 31 DEC 2007 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	241,133	203,608
Prepaid land lease payments		1,411	1,422
Investments in jointly controlled entities		1,459	1,593
Investments in associates		2,792	3,860
Other investment		4	4
Development costs		1,398	1,749
Long term lease receivables		3,944	4,804
Other receivables		903	715
Gaming licenses		2,545	-
Goodwill		268	-
		255,857	217,755
Current assets			
Inventories		10,270	7,446
Trade Receivables		103,168	103,257
Short term lease receivables		1,921	1,921
Other Receivables, Deposits and Prepayments		20,639	20,213
Tax Recoverable		648	490
Due from jointly controlled entities		928	247
Due from associates		8,056	8,361
Deposits with licensed banks		4,965	7,937
Cash and bank balances		53,137	35,000
		203,732	184,872
TOTAL ASSETS		459,589	402,627
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	8	87,204	87,165
Share premium		827	651
Foreign exchange translation reserve		(16,388)	(13,730)
Share option reserve		3,122	2,998
Retained earnings		112,555	98,876
		187,320	175,960
Minority interest		-	51
Total equity		187,320	176,011
Non-current liabilities			
Borrowings	25	32,538	41,448
Deferred tax liabilities		634	634
		33,172	42,082
Current liabilities			
Borrowings	25	136,086	99,382
Trade payables		64,633	69,209
Other payables		37,010	14,612
Due to a jointly controlled entity		715	586
Due to an associated company		8	-
Tax payable		645	745
		239,097	184,534
Total liabilities		272,269	226,616
TOTAL EQUITY AND LIABILITIES		459,589	402,627
Net assets per share (sen)		21	20



Dreamgate Corporation Bhd (603831-K)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2008**

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

	Share Capital	Share Premium	Foreign Exchange Translation Reserve	Share Option Reserve	Retained Earnings	Total Equity
	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
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
At 30 June 2007	28,854	37,136	(8,986)	2,852	105,284	165,140



Dreamgate Corporation Bhd (603831-K)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2008

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

	Share Capital	Share Premium	Foreign Exchange Translation Reserve	Share Option Reserve	Retained Earnings	Total	Minority Interest	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2008	87,165	651	(13,730)	2,998	98,876	175,960	51	176,011
Foreign currency translation, representing net expenses recognised directly in equity	-	-	(2,658)	-	-	(2,658)	-	(2,658)
Profit for the period	-	-	-	-	13,679	13,679	(174)	13,505
Total recognised income and expense for the period	-	-	(2,658)	-	13,679	11,021	(174)	10,847
Issue of ordinary shares pursuant to ESOS	39	176	-	(63)	-	152	-	152
Share options granted under ESOS	-	-	-	187	-	187	1	188
Subscription of ordinary shares by minority interests in a subsidiary	-	-	-	-	-	-	122	122
At 30 June 2008	87,204	827	(16,388)	3,122	112,555	187,320	-	187,320



Dreamgate Corporation Bhd (603831-K)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2008**

	6 MONTHS ENDED	
	30 JUNE	30 JUNE
	2008	2007
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	13,545	22,702
Adjustments for:		
Amortisation of development costs	351	144
Amortisation of prepaid land lease payments	11	10
Depreciation	27,640	17,881
Equipment written off	536	410
Loss on disposal of equipment	-	13
Reversal of provision for doubtful debts	(228)	-
Reversal of impairment of property, plant and equipment	(75)	-
Share options granted under ESOS	188	443
Share of loss of jointly controlled entities	142	-
Share of profit of associates	(1,176)	(130)
Interest expense	4,508	3,275
Interest income	(336)	(757)
Operating profit before working capital changes	45,106	43,991
Net changes in receivables, amount due from associates, jointly controlled entities and inventories	1,205	(7,397)
Net changes in payables, amount due to a jointly controlled entity and associate company	12,259	11,519
Interest paid	(2,520)	(3,275)
Taxes paid	(298)	(25)
Net cash flow from operating activities	55,752	44,813



Dreamgate Corporation Bhd (603831-K)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2008**

	6 MONTHS ENDED	
	30 JUNE 2008 RM'000	30 JUNE 2007 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(69,391)	(34,209)
Prepayment of land lease	-	(1,400)
Proceeds from disposal of property, plant and equipment	5,219	1,586
Net cash from acquisition of subsidiary companies	(351)	-
Acquisition of gaming licenses	(1,597)	-
Investment in associates	(222)	(20)
Expenditure on development costs	-	(476)
Interest received	336	757
Net cash flow from investing activities	(66,006)	(33,762)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown/ (repayment) of onshore foreign currency loan and bankers'	19,848	(6,100)
Net drawdown of term loan and commercial papers	4,951	56,709
Net (repayment)/ drawdown of hire purchase	(73)	63
Proceeds from subscription of ordinary shares by minority interests	122	-
Proceeds from issuance of ordinary shares	152	6,507
Net cash flow from financing activities	25,000	57,179
NET CHANGE IN CASH AND CASH EQUIVALENTS	14,746	68,230
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(482)	184
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	41,029	18,632
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL	55,293	87,046
* Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	53,137	75,317
Deposits with licensed banks	4,965	13,793
Less: Bank Overdrafts	(2,809)	(2,064)
	55,293	87,046



Dreamgate Corporation Bhd (603831-K)

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.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007. 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 2007.

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 2007.

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 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 Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	Scope of FRS 2



2. Changes in Accounting Policies (Contd.)

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 Group is exempted from disclosing the possible impact, if any, upon the initial application of FRS 139 in the Unaudited Interim Financial Statements of the Group for the period ended 30 June 2008.

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2007 was not qualified.

4. Significant Event

During the quarter under review, there were no other significant events that have not been reflected in the financial statements.

5. 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 are subject to seasonal fluctuation.

6. 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.

7. 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.



Dreamgate Corporation Bhd (603831-K)

8. 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	Adjusted Exercise Price RM	Number of Options Over Ordinary Shares of RM0.10 each			
		Balance 1 Jan 2008 '000	Exercised '000	Lapsed '000	Balance 30 June 2008 '000
19 Oct 2005	0.35	24,311	276	105	23,930
7 July 2006	0.43	5,698	110	120	5,468
29 July 2006	0.42	4,700	-	-	4,700
29 June 2007	0.48	2,085	17	73	1,995
		<u>36,794</u>	<u>403</u>	<u>298</u>	<u>36,093</u>

All the above options expire on 18 Oct 2010.

- **Share Capital**

	Number of Ordinary Shares ('000) of RM0.10 each	
	2008	2007
As at 1 January	871,647	282,545
Ordinary shares issued pursuant to ESOS	403	9,196
Bonus Issue	-	579,906
As at 30 June/ 31 December	<u>872,050</u>	<u>871,647</u>

9. Dividend Proposed/Paid

The Company proposed a first and final dividend of 0.68 sen per share which consists of 0.50 sen less 26% tax and 0.18 sen tax exempt for the financial year ended 31 December 2007. The dividend was approved by shareholders at the Annual General Meeting held on 29 May 2008 and paid on 18 August 2008.



Dreamgate Corporation Bhd (603831-K)

10. Segmental Information

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

	3 MONTHS ENDED		6 MONTHS ENDED	
	30 JUNE	30 JUNE	30 JUNE	30 JUNE
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Sales and Marketing	44,167	46,638	54,861	78,795
Technical Support and Management	37,085	29,287	69,298	54,482
Others	3,555	1,296	4,416	2,931
	<u>84,807</u>	<u>77,221</u>	<u>128,575</u>	<u>136,208</u>
Eliminations	(118)	(90)	(250)	(180)
Revenue	<u>84,689</u>	<u>77,131</u>	<u>128,325</u>	<u>136,028</u>
Segment Results				
Sales and Marketing	1,196	4,932	1,380	7,667
Technical Support and Management	10,552	12,759	20,476	21,588
Others	38	(8)	(373)	14
	<u>11,786</u>	<u>17,683</u>	<u>21,483</u>	<u>29,269</u>
Unallocated	(1,923)	(2,312)	(4,377)	(3,293)
- Foreign exchange loss/ (gain)	587	(493)	1,940	(1,002)
- Others	1,336	2,805	2,437	4,295
Operating profit	<u>9,863</u>	<u>15,371</u>	<u>17,106</u>	<u>25,976</u>

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

11. Valuation of Property, Plant and Equipment

The Group did not revalue any of its property, plant and equipment during the current quarter under review.



Dreamgate Corporation Bhd (603831-K)

12. Subsequent Events

There are no material subsequent events at the date of this report.

13. Changes in the Composition of the Group

• **Acquisition of Subsidiary Companies**

- (a) On 9 April 2008, RGB Ltd acquired at par, a 65% equity interest in RGB OMMCO Ltd. (“ROML”), a company incorporated in the Federal Territory of Labuan, Malaysia. The issued and paid up capital of ROML is USD100,000. (1 MYR: USD 0.3137). ROML is principally involved in technical support and management of gaming and amusement machines and equipment. ROML is a joint venture between RGB Ltd and OMMCO Investment Co., Ltd., a corporation incorporated in Japan.
- (b) On 12 May 2008, Macrocept Sdn Bhd acquired at par, a 50% equity interest in Diamond House (Nipo) Co., Ltd. (“DHN”), a company incorporated in Cambodia. The issued and registered share capital of DHN is 20,000,000 Riels. (1 MYR: Riel 1,100). The intended activities for DHN are leisure and gaming.
- (c) On 12 June 2008, CDI Corporation Sdn Bhd acquired at par, a 100% equity interest in CDI International Services Pty Ltd (“CDIIS”), a company incorporated in Australia. The issued and paid up capital of CDIIS is AUD1.00. (1 MYR : AUD 0.3186). The intended activity of CDIIS is signages and systems designing.

• **Acquisition of A Jointly Controlled Entity**

- (a) On 10 June, the Company subscribed for a 50% equity interest in Rasa Perpaduan Malaysia Sdn. Bhd. (“RASA”), a company incorporated in Malaysia. The issued and paid up share capital of RASA is RM2.00 comprising 2 ordinary shares of RM1.00 each fully paid up. RASA is principally involved in food and beverage industry.

14. Changes in Contingent Liabilities and Contingent Assets

There were no material changes in contingent liabilities and assets in the reporting quarter.



Dreamgate Corporation Bhd (603831-K)

15. Capital Commitments

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

	AS AT 30 JUNE 2008 RM'000
Property, plant and equipment	103,637
Investment in associates	1,818
Share of capital commitments of jointly controlled entities	757
	<u>106,212</u>

16. Significant Related Party Transactions

	1.4.2008 to 30.06.2008 RM'000	1.1.2008 to 30.06.2008 RM'000
Sales of gaming and amusement machines, spare parts and accessories to:		
- Standard RGB Pte Ltd	-	2
- Euro Computer Engineering & Parts Sdn Bhd	-	60
- Fort-Garden Marketing Sdn Bhd	2	14
Purchase of gaming and amusement machines and accessories from:		
- Denver System Sdn. Bhd.	-	26
- Dreamgate (M) Sdn. Bhd.	-	92
Purchase of spare parts and services from:		
- Standard RGB Pte Ltd	-	23
Repair and maintenance services provided to:		
- Denver System Sdn. Bhd.	16	39
- Dreamgate (Malaysia) Sdn. Bhd.	17	37
- Euro Computer Engineering & Parts Sdn. Bhd.	9	22
- Standard RGB Pte Ltd	40	62
Renting of premises from Dreamgate (Malaysia) Sdn Bhd	45	90

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.



Dreamgate Corporation Bhd (603831-K)

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE LISTING REQUIREMENTS OF BURSA SECURITIES

17. Performance Review

	3 MONTHS ENDED			6 MONTHS ENDED		
	30 JUNE 2008	30 JUNE 2007	%	30 JUNE 2008	30 JUNE 2007	%
	RM'000	RM'000	+/(-)	RM'000	RM'000	+/(-)
Revenue						
Sales and Marketing	44,139	46,638	-5%	54,792	78,795	-30%
Technical Support and Management	37,085	29,287	+27%	69,298	54,482	+27%
Others	3,465	1,206	+187%	4,235	2,751	+54%
Total	84,689	77,131	+10%	128,325	136,028	-6%
Profit before tax						
Sales and Marketing	1,196	4,932	-76%	1,380	7,667	-82%
Technical Support and Management	10,552	12,759	-17%	20,476	21,588	-5%
Others	494	(283)	+275%	661	144	+359%
	12,242	17,408	-30%	22,517	29,399	-23%
Unallocated	(4,247)	(4,500)	-6%	(8,972)	(6,697)	+34%
- Finance cost	2,324	2,188	+6%	4,595	3,404	+35%
- Foreign exchange loss/ (gain)	587	(493)	+219%	1,940	(1,002)	+294%
- Others	1,336	2,805	-52%	2,437	4,295	-43%
Profit before tax	7,995	12,908	-38%	13,545	22,702	-40%

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

The Group recorded an increased in revenue of approximately RM7.6 million or 10% as compared to the preceding year’s corresponding quarter as better performance from certain outlets boosted the revenue of the Technical Support and Management Division.

The opening of a club in Phnom Penh (owned by a subsidiary company) had resulted the increased in revenue of the Others Division by 187% to RM3.5 million as compared to the corresponding quarter in the preceding year.



Dreamgate Corporation Bhd (603831-K)

17. Performance Review (Continued)

The decrease in revenue from Sales and Marketing division by 30% for period ended 30 June 2008 as compared to preceding year is mainly due to softening of market demand. The summary of number of machines sold for 6 months ended 30 June 2008 and 2007 are as follows:-

Country	Number of machines sold	
	30 June 2008	30 June 2007
	(Unit)	(Unit)
Cambodia	56	88
Macau	180	280
Malaysia	12	193
Philippines	470	610
Singapore	-	81
Vietnam	59	20
Others	-	11
Grand Total:	777	1,283

The profit before tax for Sales and marketing divisions dropped due to lower demand in this period, lower margin from sales to a customer and increased in operating expenses.

The revenue from Technical Support and Management division increased by 27% for period ended 30 June 2008 as compared to preceding year is due to better performance of existing outlets and the opening of new outlets. The summary of outlets in operations and the number of machines placed as at 30 June 2008 and 2007 are as follows:-

Country	Number of outlets as at	
	30 June 2008	30 June 2007
Cambodia	54	42
Vietnam	3	3
Laos	1	1
Philippines	12	9
Grand Total:	70	55

Country	Number of machines placed as at	
	30 June 2008	30 June 2007
	(Unit)	(Unit)
Cambodia	4,901	2,740
Vietnam	194	218
Laos	59	43
Philippines	1,280	922
Grand Total:	6,434	3,923



Dreamgate Corporation Bhd (603831-K)

17. Performance Review (Continued)

However, the profit before tax of Technical support and management division dropped due to the increase in set-up costs for opening of seven outlets in Cambodia and one outlet in Philippines and higher operating expenses due to additional outlets. The underperformance of one outlet and the cessation of another outlet also contributed to the drop in profit and appropriate measures have been identified to address this issue.

The profit before tax for six months period ended 30 June 2008 was also affected by the foreign exchange loss and increase in finance cost.

18. Comparison with previous quarter's results

	CURRENT QUARTER RM'000	PREVIOUS QUARTER RM'000	% +/(-)
Revenue			
Sales and Marketing	44,139	10,653	+314%
Technical Support and Management	37,085	32,213	+15%
Others	3,465	770	+350%
	<u>84,689</u>	<u>43,636</u>	<u>+94%</u>
Profit before taxation			
Sales and Marketing	1,196	184	+550%
Technical Support and Management	10,552	9,924	+6%
Others	494	167	+196%
	<u>12,242</u>	<u>10,275</u>	<u>+19%</u>
Unallocated expenses	(4,247)	(4,725)	-10%
- Finance cost	2,324	2,271	+2%
- Foreign exchange loss	587	1,353	-57%
- Others	1,336	1,101	+21%
	<u>7,995</u>	<u>5,550</u>	<u>+44%</u>
Profit before tax	<u>7,995</u>	<u>5,550</u>	<u>+44%</u>

The substantial increase in revenue and profit before taxation for the Sales and Marketing division was due to completion of certain deliveries to a customer in Philippines in the current quarter which were originally scheduled to be delivered in the previous quarter.

The revenue and profit before tax for the Technical Support and Management division increased due to the increase of machines placements in the existing outlets.

The increase in revenue and profit before taxation for the Others division was mainly contributed by a club in Phnom Penh (owned by a subsidiary company) which commenced operations in February 2008.



Dreamgate Corporation Bhd (603831-K)

19. Commentary on Prospects

The market for sales of machines has been badly affected by global credit squeeze, fuel crisis and inflation. However, this has created opportunities for Technical support and management division to supply machines under concession program. We expect to place a total of 1000 units of machines under this program.

The Technical Support and Management division expects to place a total of 8,000 units of machines by end of year 2008.

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

20. Profit Forecast

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

21. Income Tax Expense

	3 MONTHS ENDED		6 MONTHS ENDED	
	30 JUNE 2008	30 JUNE 2007	30 JUNE 2008	30 JUNE 2007
	RM'000	RM'000	RM'000	RM'000
Income Tax				
- Current period	8	389	40	644

Domestic income tax is calculated at the Malaysian statutory rate of 26% (2007: 27%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

22. Profit on sale of Investments and/or Properties

There was no disposal of investment or properties during the quarter under review.

23. Purchase and Disposal of Quoted Securities

There was no purchase or disposal of quoted securities during the quarter under review.



Dreamgate Corporation Bhd (603831-K)

24. 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 JUNE 2008	Expected Utilisation by 12 JAN 2009
	RM'000	RM'000	RM'000
Purchase of plant and machinery	4,000	3,190	810
Research & development	5,000	4,289	711
Overseas expansion	15,000	15,000	-
Regional Trade Mark registration	1,000	134	866
Advertising, promotion and branding	3,000	3,000	-
Working capital	7,461	7,461	-
Estimated listing expenses	1,753	1,753	-
Total	<u>37,214</u>	<u>34,827</u>	<u>2,387</u>

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

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

Grant Date	Adjusted Exercise Price RM	Balance 1 April 2008 '000	Exercised '000	Lapsed '000	Balance 30 June 2008 '000
19 Oct 2005	0.35	23,935	5	-	23,930
7 July 2006	0.43	5,468	-	-	5,468
29 July 2006	0.42	4,700	-	-	4,700
29 June 2007	0.48	2,043	-	48	1,995
		<u>36,146</u>	<u>5</u>	<u>48</u>	<u>36,093</u>

All the above options expire on 18 October 2010.



Dreamgate Corporation Bhd (603831-K)

24. 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)

As at 30 June 2008, the Company has outstanding CPs of RM96 million with tenure of 3 months.

25. Borrowings

	AS AT 30 JUNE 2008 RM'000	AS AT 31 DEC 2007 RM'000
Short Term Borrowings:		
<u>Secured</u>		
Bank overdrafts	2,809	1,908
Onshore foreign currency loan	19,848	-
Term loans	17,772	18,151
Hire purchase payable	177	56
<u>Unsecured</u>		
Commercial Papers	95,480	79,267
	136,086	99,382
Long Term Borrowings:		
<u>Secured</u>		
Term loans	32,538	41,434
Hire Purchase payable	-	14
	32,538	41,448
Total borrowings	<u>168,624</u>	<u>140,830</u>
Borrowings denominated in foreign currency as at 30 June 2008:		
Borrowings (USD'000)	<u>17,506</u>	
Borrowings (RM'000 Equivalent)	<u>57,150</u>	



Dreamgate Corporation Bhd (603831-K)

26. 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.

27. 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.

28. 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		6 MONTHS ENDED	
	30 JUNE	30 JUNE	30 JUNE	30 JUNE
	2008	2007	2008	2007
Profit attributable to ordinary equity holders of the Company (RM'000)	<u>8,110</u>	<u>12,519</u>	<u>13,679</u>	<u>22,058</u>
Weighted average number of ordinary shares in issue ('000)	<u>872,050</u>	<u>862,720</u>	<u>872,002</u>	<u>857,309</u>
Basic earnings per share (sen)	<u>0.93</u>	<u>1.45</u>	<u>1.57</u>	<u>2.57</u>



Dreamgate Corporation Bhd (603831-K)

28. 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 employee

	3 MONTHS ENDED		6 MONTHS ENDED	
	30 JUNE	30 JUNE	30 JUNE	30 JUNE
	2008	2007	2008	2007
Profit attributable to ordinary equity holders of the Company (RM'000)	<u>8,110</u>	<u>12,519</u>	<u>13,679</u>	<u>22,058</u>
Weighted average number of ordinary shares in issue ('000)	872,050	862,720	872,002	857,309
Effect of dilution of share options	<u>3,102</u>	<u>15,473</u>	<u>7,844</u>	<u>14,861</u>
Adjusted weighted average number of ordinary shares in issue and issuable	<u>875,152</u>	<u>878,193</u>	<u>879,846</u>	<u>872,170</u>
Diluted earnings per share (sen)	<u>0.93</u>	<u>1.43</u>	<u>1.55</u>	<u>2.53</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.

29. Authorisation For Issue

On 21 August 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
21 August 2008