



Dreamgate Corporation Bhd (603831-K)

(Incorporated in Malaysia)

Interim Unaudited Financial Statements
30 September 2008



Dreamgate Corporation Bhd (603831-K)

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

	Note	3 MONTHS ENDED		9 MONTHS ENDED	
		30 SEPT 2008 RM'000	30 SEPT 2007 RM'000	30 SEPT 2008 RM'000	30 SEPT 2007 RM'000
Revenue	10	52,663	59,917	180,988	195,945
Cost of sales		(30,375)	(37,529)	(113,882)	(130,104)
- Depreciation		(14,799)	(9,962)	(41,050)	(27,059)
- Others		(15,576)	(27,567)	(72,832)	(103,045)
Gross profit		22,288	22,388	67,106	65,841
Other income		118	789	439	1,561
Administrative expenses		(15,557)	(14,139)	(38,777)	(29,893)
- Depreciation		(1,193)	(471)	(2,582)	(1,255)
- Others		(14,364)	(13,668)	(36,195)	(28,638)
Selling and marketing expenses		(1,774)	(701)	(4,142)	(3,793)
Other (expenses)/ gains, net		3,440	(121)	995	476
Operating profit		8,515	8,216	25,621	34,192
Finance costs		(2,257)	(1,951)	(6,852)	(5,355)
Share of loss of jointly controlled entities		(108)	-	(250)	-
Share of profit of associates		91	(164)	1,267	(34)
Profit before tax		6,241	6,101	19,786	28,803
Income tax expense	21	177	(210)	137	(854)
Profit for the period		<u>6,418</u>	<u>5,891</u>	<u>19,923</u>	<u>27,949</u>
Attributable to:					
Equity holders of the Company		6,220	5,896	19,899	27,954
Minority interests		198	(5)	24	(5)
		<u>6,418</u>	<u>5,891</u>	<u>19,923</u>	<u>27,949</u>
Earnings per share attributable to equity holders of the Company:					
Basic, for profit for the period (sen)	28	<u>0.71</u>	<u>0.68</u>	<u>2.28</u>	<u>3.25</u>
Diluted, for profit for the period (sen)	28	<u>0.71</u>	<u>0.67</u>	<u>2.27</u>	<u>3.19</u>



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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2008

	Note	AS AT 30 SEPT 2008 RM'000	AS AT 31 DEC 2007 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	247,755	203,608
Prepaid land lease payments		1,406	1,422
Investments in jointly controlled entities		1,401	1,593
Investments in associates		2,133	3,860
Other investment		4	4
Development costs		1,258	1,749
Long term lease receivables		3,983	4,804
Other receivables		682	715
Gaming licenses		2,673	-
Goodwill		269	-
		261,564	217,755
Current assets			
Inventories		12,170	7,446
Trade Receivables		90,410	103,257
Short term lease receivables		1,921	1,921
Other Receivables, Deposits and Prepayments		21,713	20,213
Tax Recoverable		926	490
Due from jointly controlled entities		1,087	247
Due from associates		8,757	8,361
Deposits with licensed banks		5,074	7,937
Cash and bank balances		38,759	35,000
		180,817	184,872
TOTAL ASSETS		442,381	402,627
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	8	87,205	87,165
Share premium		827	651
Foreign exchange translation reserve		(4,695)	(13,730)
Share option reserve		3,224	2,998
Retained earnings		113,978	98,876
		200,539	175,960
Minority interest		206	51
Total equity		200,745	176,011
Non-current liabilities			
Borrowings	25	29,223	41,448
Deferred tax liabilities		634	634
		29,857	42,082
Current liabilities			
Borrowings	25	128,179	99,382
Trade payables		51,885	69,209
Other payables		17,787	14,612
Due to a jointly controlled entity		799	586
Due to an associated company		9	-
Due to minority shareholder of subsidiaries		12,581	-
Tax payable		539	745
		211,779	184,534
Total liabilities		241,636	226,616
TOTAL EQUITY AND LIABILITIES		442,381	402,627
Net assets per share (sen)		23	20



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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	-	-	(3,874)	-	-	(3,874)
Profit for the period	-	-	-	-	27,954	27,954
Dividend	-	-	-	-	(4,919)	(4,919)
Total recognised income and expense for the period	-	-	(3,874)	-	23,035	19,161
Issue of ordinary shares pursuant to ESOS	740	8,335	-	(938)	-	8,137
Share options granted under ESOS	-	-	-	778	-	778
Bonus issues	57,991	(38,929)	-	-	(19,062)	-
At 30 September 2007	86,986	-	(10,293)	2,883	87,199	166,775



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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	-	-	9,035	-	-	9,035	-	9,035
Profit for the period	-	-	-	-	19,899	19,899	24	19,923
Dividend	-	-	-	-	(4,797)	(4,797)	-	(4,797)
Total recognised income and expense for the period	-	-	9,035	-	15,102	24,137	24	24,161
Issue of ordinary shares pursuant to ESOS	40	176	-	(64)	-	152	-	152
Share options granted under ESOS	-	-	-	290	-	290	1	291
Subscription of ordinary shares by minority interests in a subsidiary	-	-	-	-	-	-	130	130
At 30 September 2008	87,205	827	(4,695)	3,224	113,978	200,539	206	200,745



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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2008**

	9 MONTHS ENDED	
	30 SEPT 2008 RM'000	30 SEPT 2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	19,786	28,803
Adjustments for:		
Amortisation of development costs	491	216
Amortisation of prepaid land lease payments	15	15
Depreciation	43,632	28,314
Equipment written off	618	427
Loss on disposal of equipment	3	14
Provision for doubtful debts	70	5,287
Reversal of provision for doubtful debts	(382)	-
Reversal of impairment of property, plant and equipment	(105)	-
Share options granted under ESOS	291	778
Share of loss of jointly controlled entities	250	-
Share of (profit)/loss of associates	(1,267)	34
Interest expense	6,673	5,129
Interest income	(453)	(1,546)
Operating profit before working capital changes	69,622	67,471
Net changes in receivables, amount due from associates, jointly controlled entities and inventories	10,396	(7,223)
Net changes in payables, amount due to a jointly controlled entity, associate company and other shareholders	(7,047)	16,917
Interest paid	(3,418)	(5,129)
Taxes paid	(505)	(2,694)
Net cash flow from operating activities	69,048	69,342



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

	9 MONTHS ENDED	
	30 SEPT 2008 RM'000	30 SEPT 2007 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(80,694)	(66,961)
Prepayment of land lease	-	(1,400)
Proceeds from disposal of property, plant and equipment	6,886	1,596
Net cash from acquisition of subsidiary companies	(358)	-
Acquisition of gaming licenses	(1,580)	-
Investment in associates	555	(7,053)
Acquisition of jointly controlled entities	(50)	-
Expenditure on development costs	-	(700)
Interest received	453	1,546
Net cash flow from investing activities	(74,788)	(72,972)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown/ (repayment) of onshore foreign currency loan and bankers'	12,416	(6,100)
Net drawdown of term loan and commercial papers	(6)	56,352
Net (repayment)/ drawdown of hire purchase	(126)	45
Dividends paid	(4,797)	(3,591)
Proceeds from subscription of ordinary shares by minority interests	130	-
Proceeds from issuance of ordinary shares	152	8,137
Net cash flow from financing activities	7,769	54,843
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,029	51,213
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(1,988)	540
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	41,029	18,632
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL	41,070	70,385
* Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	38,759	62,591
Deposits with licensed banks	5,074	7,794
Less: Bank Overdrafts	(2,763)	-
	41,070	70,385



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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.

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 except for the adoption of the following new and revised FRS and Interpretations effective for financial periods beginning on or after 1 January 2008.

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
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

The adoption of the abovementioned FRSs does not result in significant financial impact on the financial statements of the Group.



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2. Changes in Accounting Policies (Contd.)

At the date of authorization of these financial statements, the Group has not yet applied FRS 139 Financial Instruments: Recognition and Measurement, which is effective from 1 January 2010.

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 September 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.



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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 Sept 2008 '000
19 Oct 2005	0.35	24,311	276	440	23,595
7 July 2006	0.43	5,698	110	411	5,177
29 July 2006	0.42	4,700	-	180	4,520
29 June 2007	0.48	2,085	17	105	1,963
		<u>36,794</u>	<u>403</u>	<u>1,136</u>	<u>35,255</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 September/ 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.



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10. Segmental Information

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

	3 MONTHS ENDED		9 MONTHS ENDED	
	30 SEPT 2008	30 SEPT 2007	30 SEPT 2008	30 SEPT 2007
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Sales and Marketing	13,299	27,019	68,160	105,814
Technical Support and Management	33,739	32,308	103,037	86,790
Leisure and Entertainment	5,203	-	8,490	-
Others	512	680	1,641	3,611
	<u>52,753</u>	<u>60,007</u>	<u>181,328</u>	<u>196,215</u>
Eliminations	(90)	(90)	(340)	(270)
Revenue	<u>52,663</u>	<u>59,917</u>	<u>180,988</u>	<u>195,945</u>
Segment Results				
Sales and Marketing	125	419	1,505	8,086
Technical Support and Management	7,633	10,700	28,109	32,288
Leisure and Entertainment	876	(845)	794	(845)
Others	(1,500)	(515)	(1,791)	(501)
	<u>7,134</u>	<u>9,759</u>	<u>28,617</u>	<u>39,028</u>
Unallocated	1,381	(1,543)	(2,996)	(4,836)
- Foreign exchange (gain)/ loss	(3,525)	104	(1,585)	(898)
- Others	2,144	1,439	4,581	5,734
Operating profit	<u>8,515</u>	<u>8,216</u>	<u>25,621</u>	<u>34,192</u>

"Others" consist of revenue from manufacturing activities, research & development activities and inter-segment transaction.

"Leisure and Entertainment" consist of revenue from companies involved in gaming and leisure activities.

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.



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12. Subsequent Events

• **Jointly Controlled Entity**

RGB (Cambodia) Ltd subscribed for a 50% equity interest in Star Legend Import Export Co., Ltd (“STAR”), a company incorporated in Cambodia. The issued and registered share capital of STAR is 40,000,000 Riels. (1 MYR: Riel 1,100) The intended activities for STAR are provision of forwarding and custom clearance services.

13. Changes in the Composition of the Group during the Quarter

Macrocept Sdn Bhd acquired at par, additional 1% of equity interest in Diamond House (Nipo) Co., Ltd. (“DHN”) comprising 10 ordinary shares with face value of 20,000 Riels each and consequently it became subsidiary of the Group.

14. Changes in Contingent Liabilities and Contingent Assets

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

15. Capital Commitments

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

	AS AT
	30 SEPT 2008
	RM'000
Property, plant and equipment	148,120
Share of capital commitments of jointly controlled entities	365
	<u>148,485</u>



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16. Significant Related Party Transactions

	1.7.2008 to 30.9.2008 RM'000	1.1.2008 to 30.9.2008 RM'000
Sales of gaming and amusement machines, spare parts and accessories to:		
- Dreamgate (Malaysia) Sdn. Bhd.	59	67
- Standard RGB Pte Ltd	-	2
- Euro Computer Engineering & Parts Sdn Bhd	-	60
- Fort-Garden Marketing Sdn Bhd	-	14
Purchase of gaming and amusement machines and accessories from:		
- Denver System Sdn. Bhd.	5	31
- Dreamgate (Malaysia) Sdn. Bhd.	132	224
Purchase of spare parts and services from:		
- Standard RGB Pte Ltd	22	45
Repair and maintenance services provided to:		
- Denver System Sdn. Bhd.	-	39
- Dreamgate (Malaysia) Sdn. Bhd.	-	37
- Euro Computer Engineering & Parts Sdn. Bhd.	-	22
- Standard RGB Pte Ltd	-	62
Renting of premises from Dreamgate (Malaysia) Sdn Bhd	45	135

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

17. Performance Review

	3 MONTHS ENDED			9 MONTHS ENDED		
	30 SEPT 2008	30 SEPT 2007	%	30 SEPT 2008	30 SEPT 2007	%
	RM'000	RM'000	+/(-)	RM'000	RM'000	+/(-)
Revenue						
Sales and Marketing	13,299	27,019	-51%	68,091	105,814	-36%
Technical Support and Management	33,739	32,308	+4%	103,037	86,790	+19%
Leisure and Entertainment	5,203	-	+100%	8,490	-	+100%
Others	422	590	-28%	1,370	3,341	-59%
Total	52,663	59,917	-12%	180,988	195,945	-8%
Profit before tax						
Sales and Marketing	125	419	-70%	1,505	8,086	-81%
Technical Support and Management	7,633	10,700	-29%	28,109	32,288	-13%
Leisure and Entertainment	876	(845)	+204%	794	(845)	+194%
Others	(1,517)	(679)	+123%	(774)	(535)	+45%
	7,117	9,595	-26%	29,634	38,994	-24%
Unallocated	(876)	(3,494)	-75%	(9,848)	(10,191)	-3%
- Finance cost	2,257	1,951	+16%	6,852	5,355	+28%
- Foreign exchange (gain)/ loss	(3,525)	104	-3489%	(1,585)	(898)	+77%
- Others	2,144	1,439	+49%	4,581	5,734	-20%
Profit before tax	6,241	6,101	+2%	19,786	28,803	-31%

“Others” consist of revenue from manufacturing activities, research & development activities and inter-segment transaction.

“Leisure and Entertainment” consist of revenue from companies involved in gaming and leisure activities.

As compare to the previous year’s corresponding quarter, the Group registered a decrease in total of revenue of 12% to RM52.7 million and an increase of profit before tax by 2% to RM6.2 million.



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17. Performance Review (Continued)

The decrease in revenue and profit before tax of Sales and Marketing division by 51% and 70% respectively for quarter ended 30 September 2008 as compare to the previous years' corresponding quarter is due to general softening market sentiment resulting from the global financial crisis. Casino/club operators are being conservative and cutting back on major capital expenditure including purchasing of gaming machines.

Revenue of TSM division increased by 4% for the quarter ended 30 September 2008 as compare to the previous years' corresponding quarter. However, profit before tax reduced by 29% due to increase competition from new outlets and cessation of the management of two outlets.

The opening of a themed club "Mekong Hotel and Club" in Phnom Penh (owned by a subsidiary company) at beginning of the year has contributed in an increase in revenue of the Leisure and Entertainment division by 100% and profit before tax by 204% as compared to the corresponding quarter in the preceding year.

The decrease in revenue from Sales and Marketing division by 36% for nine months period ended 30 September 2008 as compared to preceding year is mainly due to softening of market demand and conservative purchasing of casino/club operators as a result of global financial crisis. During the quarter, a total of 150 machines were concluded under technical support and management instead of direct sales to a casino.

The summary of number of machines sold for 9 months ended 30 September 2008 and 2007 are as follows:-

Country	Number of machines sold	
	30 Sept 2008 (Unit)	30 Sept 2007 (Unit)
Cambodia	64	135
Macau	201	306
Malaysia	79	213
Philippines	522	905
Singapore	-	109
Vietnam	84	20
Others	-	30
Grand Total:	950	1,718

The profit before tax for Sales and Marketing divisions dropped by 81% due to drop of sales resulted from softening market demand.



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17. Performance Review (Continued)

The revenue from Technical Support and Management division increased by 19% for period ended 30 September 2008 as compared to preceding year due to the increase of machine placements in existing outlets and opening of new outlets.

The summary of outlets in operation and the number of machines placed as at 30 September 2008 and 2007 are as follows:-

Number of outlets as at		
Country	30 Sept 2008	30 Sept 2007
Cambodia	51	41
Vietnam	3	3
Laos	1	1
Philippines	12	9
Grand Total:	67	54

Number of machines placed as at		
Country	30 Sept 2008	30 Sept 2007
	(Unit)	(Unit)
Cambodia	4,826	3,117
Vietnam	194	219
Laos	59	59
Philippines	1,304	976
Grand Total:	6,383	4,371

The profit before tax from Technical Support and Management division decreased by 13% for period ended 30 September 2008 as compared to preceding year due to increase competition from new outlets and cessation of management of two outlets contributed to the drop in profit. Further to this, high initial set up and marketing cost incurred with the set up of 10 new outlets in Cambodia and 3 new outlets in Philippines.

The profit before tax for nine months period ended 30 September 2008 was also affected by the increase in finance cost.



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18. Comparison with previous quarter's results

	CURRENT QUARTER RM'000	PREVIOUS QUARTER RM'000	% + / (-)
Revenue			
Sales and Marketing	13,299	44,139	-70%
Technical Support and Management	33,739	37,085	-9%
Leisure and Entertainment	5,203	3,084	+69%
Others	422	381	+11%
	<u>52,663</u>	<u>84,689</u>	<u>-38%</u>
Profit before taxation			
Sales and Marketing	125	1,196	-90%
Technical Support and Management	7,633	10,552	-28%
Leisure and Entertainment	876	121	+624%
Others	(1,517)	373	-507%
	<u>7,117</u>	<u>12,242</u>	<u>-42%</u>
Unallocated expenses	(876)	(4,247)	-79%
- Finance cost	2,257	2,324	-3%
- Foreign exchange (gain)/loss	(3,525)	587	-701%
- Others	2,144	1,336	+60%
	<u>6,241</u>	<u>7,995</u>	<u>-22%</u>

The substantial decrease in revenue and profit before taxation for the Sales and Marketing division was due to softening of market demand and conservative purchasing of casino/club operators as a result of global financial crisis.

The decrease in revenue and profit before tax for the Technical Support and Management division was due to cessation of the management of two outlets in the quarter and the current global economy downturn.

The increase in revenue and profit before tax for the Leisure and Entertainment division was mainly contributed by a themed club "Mekong Hotel and Club" in Phnom Penh (owned by a subsidiary company) which commenced operations in February 2008.

The Others segment incurred a loss before taxation in current quarter mainly due to cost of testing/certifying additional new games developed by Research and Development department.



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19. Commentary on Prospects

The global economic down turn has not spared the Group and it is unlikely that the profit for year 2008 can match that achieved last year. However, the Group is still optimistic that it will achieve positive result in year 2009 base on the following:-

- The market for sales of machines in 2008 has been affected by the global financial crisis. However, this crisis has in turn created opportunities for Technical support and management division to supply machines under concession programs. Recently, the Group has concluded an agreement with SOCIEDE DE JOGOS DE MACAU, S.A., under our technical support and management programs. We expect this pattern of operation to continue for year 2009.
- The Technical support and management division expects to place a total of up to 7,000 units of machines by end of year 2008 and the Group expects to place another 3,000 machines in year 2009.
- The Group will open its first boutique casino and hotel and another themed club in Cambodia in year 2009.
- The Group expects to roll out new and innovative games under our own brand “RGBGames” aggressively in 2009 and expects to increase our market share.

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		9 MONTHS ENDED	
	30 SEPT 2008	30 SEPT 2007	30 SEPT 2008	30 SEPT 2007
	RM'000	RM'000	RM'000	RM'000
Income Tax				
- Current period	(177)	210	(137)	854

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.



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23. Purchase and Disposal of Quoted Securities

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

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 SEPT 2008	Expected Utilisation by 12 JAN 2009
	RM'000	RM'000	RM'000
Purchase of plant and machinery	4,000	3,415	585
Research & development	5,000	4,990	10
Overseas expansion	15,000	15,000	-
Regional Trade Mark registration	1,000	170	830
Advertising, promotion and branding	3,000	3,000	-
Working capital	7,461	7,461	-
Estimated listing expenses	1,753	1,753	-
Total	37,214	35,789	1,425

(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 July 2008 '000	Exercised '000	Lapsed '000	Balance 30 Sept 2008 '000
19 Oct 2005	0.35	23,930	-	335	23,595
7 July 2006	0.43	5,468	-	291	5,177
29 July 2006	0.42	4,700	-	180	4,520
29 June 2007	0.48	1,995	-	32	1,963
		36,093	-	838	35,255

All the above options expire on 18 October 2010.



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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 September 2008, the Company has outstanding CPs of RM95 million with tenure of 1 - 3 months.

25. Borrowings

	AS AT 30 SEPT 2008 RM'000	AS AT 31 DEC 2007 RM'000
Short Term Borrowings:		
<u>Secured</u>		
Bank overdrafts	2,763	1,908
Bankers' acceptances	12,416	-
Term loans	18,607	18,151
Hire purchase payable	124	56
<u>Unsecured</u>		
Commercial Papers	94,269	79,267
	128,179	99,382
Long Term Borrowings:		
<u>Secured</u>		
Term loans	29,223	41,434
Hire Purchase payable	-	14
	29,223	41,448
Total borrowings	<u>157,402</u>	<u>140,830</u>

Borrowings denominated in foreign currency as at 30 September 2008:

	USD'000	RM'000
Borrowings in US Dollars	<u>10,322</u>	<u>35,678</u>



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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		9 MONTHS ENDED	
	30 SEPT	30 SEPT	30 SEPT	30 SEPT
	2008	2007	2008	2007
Profit attributable to ordinary equity holders of the Company (RM'000)	<u>6,220</u>	<u>5,896</u>	<u>19,899</u>	<u>27,954</u>
Weighted average number of ordinary shares in issue ('000)	<u>872,050</u>	<u>868,357</u>	<u>872,018</u>	<u>861,032</u>
Basic earnings per share (sen)	<u>0.71</u>	<u>0.68</u>	<u>2.28</u>	<u>3.25</u>



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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		9 MONTHS ENDED	
	30 SEPT	30 SEPT	30 SEPT	30 SEPT
	2008	2007	2008	2007
Profit attributable to ordinary equity holders of the Company (RM'000)	<u>6,220</u>	<u>5,896</u>	<u>19,899</u>	<u>27,954</u>
Weighted average number of ordinary shares in issue ('000)	872,050	868,357	872,018	861,032
Effect of dilution of share options	<u>-</u>	<u>14,228</u>	<u>5,009</u>	<u>14,628</u>
Adjusted weighted average number of ordinary shares in issue and issuable	<u>872,050</u>	<u>882,585</u>	<u>877,028</u>	<u>875,660</u>
Diluted earnings per share (sen)	<u>0.71</u>	<u>0.67</u>	<u>2.27</u>	<u>3.19</u>

29. Authorisation For Issue

On 24 November 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
24 November 2008