



Dreamgate Corporation Bhd (603831-K)

(Incorporated in Malaysia)

Interim Unaudited Financial Statements
30 June 2009



Dreamgate Corporation Bhd (603831-K)

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**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2009**

	Note	3 MONTHS ENDED		6 MONTHS ENDED	
		30 JUNE	30 JUNE	30 JUNE	30 JUNE
		2009	2008	2009	2008
		RM'000	RM'000	RM'000	RM'000
Revenue	10	41,402	84,689	76,978	128,325
Cost of sales		(36,755)	(58,761)	(67,004)	(83,507)
- Depreciation		(10,449)	(14,037)	(23,923)	(26,251)
- Others		(26,306)	(44,724)	(43,081)	(57,256)
Gross profit		4,647	25,928	9,974	44,818
Other income		182	124	288	321
Administrative expenses		(12,161)	(13,669)	(23,831)	(23,220)
- Depreciation		(896)	(804)	(1,741)	(1,389)
- Others		(11,265)	(12,865)	(22,090)	(21,831)
Selling and marketing expenses		(1,105)	(1,400)	(1,605)	(2,368)
Other expenses, net		(7,295)	(1,120)	(305)	(2,445)
Operating (loss)/ profit		(15,732)	9,863	(15,479)	17,106
Finance costs		(2,122)	(2,324)	(4,470)	(4,595)
Share of profit/ (loss) of jointly controlled entities		32	(79)	(35)	(142)
Share of profit/ (loss) of associates		31	535	(164)	1,176
(Loss)/ Profit before tax		(17,791)	7,995	(20,148)	13,545
Income tax expense	21	(12)	(8)	(180)	(40)
(Loss)/ Profit for the period		(17,803)	7,987	(20,328)	13,505
Attributable to:					
Equity holders of the Company		(17,573)	8,110	(19,780)	13,679
Minority interests		(230)	(123)	(548)	(174)
		(17,803)	7,987	(20,328)	13,505
Earnings per share attributable to equity holders of the Company:					
Basic, for (loss)/ profit for the period (sen)	28	(2.02)	0.93	(2.27)	1.57
Diluted, for (loss)/ profit for the period (sen)	28	(2.02)	0.93	(2.27)	1.55



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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2009

	Note	AS AT 30 JUNE 2009 RM'000	AS AT 31 DEC 2008 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	290,663	236,600
Prepaid land lease payments		1,390	1,401
Investments in jointly controlled entities		1,202	1,187
Investments in associates		1,408	1,599
Other investment		4	4
Development costs		839	1,119
Long term lease receivables		1,919	2,957
Other receivables		366	1,059
Gaming licenses		635	625
Goodwill		272	272
		298,698	246,823
Current assets			
Inventories		9,929	11,562
Trade Receivables		74,425	88,796
Short term lease receivables		1,921	1,921
Other Receivables, Deposits and Prepayments		19,273	15,940
Tax Recoverable		324	876
Due from jointly controlled entities		536	358
Due from associates		8,021	7,663
Deposits with licensed banks		5,278	5,074
Cash and bank balances		11,009	31,062
		130,716	163,252
TOTAL ASSETS		429,414	410,075
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	8	87,205	87,205
Share premium		827	827
Foreign exchange translation reserve		(2,904)	(5,208)
Share option reserve		3,242	3,242
Retained earnings		72,547	92,326
		160,917	178,392
Minority interests		4,439	4,918
Total equity		165,356	183,310
Non-current liabilities			
Borrowings	25	15,277	24,641
Deferred tax liabilities		794	794
		16,071	25,435
Current liabilities			
Borrowings	25	134,403	127,992
Trade payables		70,928	46,584
Other payables		24,212	13,630
Due to jointly controlled entities		1,578	957
Due to associates		578	9
Due to other shareholders		15,932	11,384
Tax payable		356	774
		247,987	201,330
Total liabilities		264,058	226,765
TOTAL EQUITY AND LIABILITIES		429,414	410,075
Net assets per share (sen)		18	20



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

	----- Attributable to Equity Holders of the Parent -----				Retained Earnings	Total	Minority Interests	Total Equity
	Share Capital	Share Premium	Foreign Exchange Translation Reserve	Share Option Reserve				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2008								
As previously stated	87,165	651	(13,730)	2,998	98,875	175,959	51	176,010
Restatement of prior year comparatives	-	-	(15)	-	1,121	1,106	-	1,106
At 1 January 2008 (restated)	87,165	651	(13,745)	2,998	99,996	177,065	51	177,116
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	(16,403)	3,122	113,675	188,425	-	188,425



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2009

|----- 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 2009	87,205	827	(5,208)	3,242	92,326	178,392	4,918	183,310
Foreign currency translation, representing net income recognised directly in equity	-	-	2,304	-	-	2,304	-	2,304
Loss for the period	-	-	-	-	(19,779)	(19,779)	(479)	(20,258)
Total recognised income and expense for the period	-	-	2,304	-	(19,779)	(17,475)	(479)	(17,954)
At 30 June 2009	87,205	827	(2,904)	3,242	72,547	160,917	4,439	165,356



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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2009**

	6 MONTHS ENDED	
	30 JUNE	30 JUNE
	2009	2008
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/ Profit before tax	(20,148)	13,545
Adjustments for:		
Amortisation of development costs	280	351
Amortisation of deferred expenditure	302	-
Amortisation of prepaid land lease payments	10	10
Deposits written off	484	-
Depreciation	25,664	27,641
Impairment loss on property, plant and equipment	980	-
Impairment of property, plant and equipment written back	(3,378)	(75)
Loss on disposal of equipment	5	-
Property, plant and equipment written off	3,241	536
Provision for doubtful debts	1,902	-
Provision for doubtful debts (non-trade)	209	-
Reversal of provision for doubtful debts	(766)	(228)
Reversal of provision for doubtful debts (non-trade)	(3)	-
Write down of inventories	899	-
Share options granted under ESOS	-	188
Share of loss of jointly controlled entities	35	142
Share of loss/ (profit) of associates	164	(1,176)
Interest expense	4,356	4,338
Interest income	(97)	(336)
Operating profit before working capital changes	14,139	44,936
Net changes in receivables, amount due from associates, jointly controlled entities and inventories	11,509	6,411
Net changes in payables, amount due to jointly controlled entities, associate company and other shareholders	40,664	12,258
Interest paid	(1,162)	(2,350)
Taxes paid	(46)	(297)
Net cash flow from operating activities	65,104	60,958



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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2009**

	6 MONTHS ENDED	
	30 JUNE 2009 RM'000	30 JUNE 2008 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(79,377)	(69,391)
Proceeds from disposal of property, plant and equipment	175	13
Acquisition of gaming licenses	-	(1,597)
Acquisition of subsidiary companies	-	(351)
Acquisition of associates	-	(222)
Interest received	97	336
Net cash flow from investing activities	(79,105)	(71,212)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown of onshore foreign currency loan and bankers' acceptance	6,232	19,848
Net (repayment)/ drawdown of term loan and commercial papers	(13,085)	4,951
Net repayment of hire purchase	(63)	(73)
Proceeds from issuance of ordinary shares	-	152
Proceeds from subscription of ordinary shares by minority interests	-	122
Net cash flow from financing activities	(6,916)	25,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	(20,917)	14,746
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	299	(482)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	34,127	41,029
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	13,509	55,293
* Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	11,009	53,137
Deposits with licensed banks	5,278	4,965
Less: Bank Overdrafts	(2,778)	(2,809)
	13,509	55,293



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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 2008. 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 2008.

2. Changes in Accounting Policies

The significant accounting policies adopted in the interim financial report are consistent with those of adopted in the most recent available annual audited financial statements for the year ended 31 December 2008 and in the previous quarter.

3. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements for the year ended 31 December 2008 was not qualified.

4. Significant Event

During the quarter under review, there were no 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 except for 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.



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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.

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 as at 30 June 2009 '000
		Balance as at 1 Jan 2009 '000	Exercised '000	Lapsed '000	
19 Oct 2005	0.35	23,595	-	4,860	18,735
7 July 2006	0.43	4,607	-	285	4,322
29 July 2006	0.42	4,179	-	810	3,369
29 June 2007	0.48	1,923	-	384	1,539
		<u>34,304</u>	-	<u>6,339</u>	<u>27,965</u>

All the above options expire on 18 Oct 2010.

- **Share Capital**

	Number of Ordinary Shares ('000) of RM0.10 each	
	2009	2008
As at 1 January	872,050	871,647
Ordinary shares issued pursuant to ESOS	-	403
As at 30 June/ 31 December	<u>872,050</u>	<u>872,050</u>

9. Dividend

No dividend was paid for the financial period ended 30 June 2009.



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10. Segmental Information

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

	3 MONTHS ENDED		6 MONTHS ENDED	
	30 JUNE 2009 RM'000	30 JUNE 2008 RM'000	30 JUNE 2009 RM'000	30 JUNE 2008 RM'000
Segment Revenue				
Sales and Marketing	22,146	44,167	36,845	54,861
Technical Support and Management	15,203	37,085	31,874	69,298
Leisure and Entertainment (1)	265	3,084	394	3,287
Others (2)	3,878	471	8,045	1,128
	<u>41,492</u>	<u>84,807</u>	<u>77,158</u>	<u>128,574</u>
Eliminations	(90)	(118)	(180)	(249)
Revenue	<u>41,402</u>	<u>84,689</u>	<u>76,978</u>	<u>128,325</u>
Segment Results				
Sales and Marketing	(209)	1,196	913	1,380
Technical Support and Management	(5,300)	10,552	(10,551)	20,476
Leisure and Entertainment	(1,656)	122	(4,600)	(82)
Others	(578)	(84)	911	(291)
	<u>(7,743)</u>	<u>11,786</u>	<u>(13,327)</u>	<u>21,483</u>
Unallocated Expenses	(7,989)	(1,923)	(2,152)	(4,377)
- Foreign exchange loss/ (gain)	6,696	587	(544)	1,940
- Provision for doubtful debts (non-trade)	(18)	-	209	-
- Other expenses	1,311	1,336	2,487	2,437
Operating (loss)/ profit	<u>(15,732)</u>	<u>9,863</u>	<u>(15,479)</u>	<u>17,106</u>

Note

- (1) "Leisure and Entertainment" consist of revenue from companies involved in gaming and leisure activities.
- (2) "Others" consist of revenue from manufacturing activities, research & development 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.



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12. Subsequent Events

There were no material events subsequent to the end of the current quarter under review except for the following:

- (i) On 14th July, 2009, CDI Corporation Sdn. Bhd. (“CDI”), a 60% owned subsidiary of the Company, was placed under Member’s Voluntary Winding-up.
- (ii) On 15th July, 2009 and 11th August, 2009, the Company allotted 72,160,000 and 15,000,000 new ordinary shares of RM0.10 each fully paid up respectively at RM 0.157 and RM 0.169 respectively pursuant to its Private Placement exercise. The said shares were listed and quoted on the Main Board of Bursa Malaysia Securities Berhad on 20 July 2009 and 13 August 2009. The Private Placement is consistent with long term objective of the Group to enlarge its share capital and to raise fund for working capital and expansion program.

13. Changes in the Composition of the Group

There were no material changes in the composition 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 JUNE 2009 RM’000
Gaming machines	35,661
Property, plant and equipment	9,666
Share of capital commitments of jointly controlled entities	583
	<u>45,910</u>



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16. Significant Related Party Transactions

	1.4.2009 to 30.06.2009 RM'000	1.1.2009 to 30.06.2009 RM'000
Sales of gaming and amusement machines, spare parts and accessories to Suneka Sdn. Bhd.	-	42
Consultancy fees paid to Capital Investment Australia Pty Ltd	32	76
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.



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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			6 MONTHS ENDED		
	30 JUNE	30 JUNE	%	30 JUNE	30 JUNE	%
	2009	2008		2009	2008	
	RM'000	RM'000	+ / (-)	RM'000	RM'000	+ / (-)
Revenue						
Sales and Marketing	22,146	44,139	-50%	36,845	54,792	-33%
Technical Support and Management	15,203	37,085	-59%	31,874	69,298	-54%
Leisure and Entertainment (1)	265	3,084	-91%	394	3,287	-88%
Others (2)	3,788	381	+894%	7,865	948	+730%
Total	41,402	84,689	-51%	76,978	128,325	-40%
Gross Profit						
Sales and Marketing	2,305	4,202	-45%	4,795	6,327	-24%
Technical Support and Management	2,094	18,359	-89%	2,506	34,423	-93%
Leisure and Entertainment	(180)	2,609	-107%	(235)	2,688	-109%
Others	428	758	-44%	2,908	1,380	+111%
Total	4,647	25,928	-82%	9,974	44,818	-78%
(Loss)/ Profit before tax						
Sales and Marketing	(209)	1,196	-117%	913	1,380	-34%
Technical Support and Management	(5,300)	10,552	-150%	(10,551)	20,476	-152%
Leisure and Entertainment	(1,656)	122	-1457%	(4,600)	(82)	+5510%
Others	(516)	372	-239%	711	742	-4%
	(7,681)	12,242	-163%	(13,527)	22,516	-160%
Unallocated Expenses	(10,110)	(4,247)	+138%	(6,621)	(8,971)	-26%
- Finance cost	2,122	2,324	-9%	4,470	4,595	-3%
- Foreign exchange loss/ (gain)	6,696	587	+1041%	(544)	1,940	-128%
- Provision for doubtful debts (non-trade)	(18)	-	+100%	209	-	+100%
- Other expenses	1,310	1,336	-2%	2,486	2,436	+2%
(Loss)/ Profit before tax	(17,791)	7,995	-323%	(20,148)	13,545	-249%

Note

- (1) "Leisure and Entertainment" consist of revenue from companies involved in gaming and leisure activities.
- (2) "Others" consist of revenue from manufacturing activities, research & development activities and inter-segment transaction.



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17. Performance Review (Continued)

i) Comparison with previous year's corresponding quarter

The decrease in revenue and profit before tax for Sales and Marketing (“SSM”) division by 50% and 117% respectively for quarter ended 30 June 2009 compared to previous years’ corresponding quarter was due to drop in number of machines sold as tabled below.

Country	Number of machines sold	
	3 months ended 30 June 2009 (Unit)	3 months ended 30 June 2008 (Unit)
Cambodia	-	56
Macau	22	168
Malaysia	9	12
Philippines	270	420
Singapore	20	-
Vietnam	-	22
Grand Total:	321	678

The sale of machines was affected by the continuing economic slowdown and the preference of casino operators to enter into concession programs rather than outright purchase due to budget constraint. In addition to the above sales, the Group managed to place approximately 100 machines under concessions in Macau and Philippines.

The drop in revenue and gross profit as above resulted in the drop in profit before tax as certain expenses are fixed in nature even though the gross profit margin is consistent with previous year corresponding quarter. Included in the loss before tax is impairment on assets and stock written off amounting to RM0.4 million in this quarter.

The revenue of Technical Support and Management (“TSM”) division decreased by 59% for the quarter ended 30 June 2009 compared to previous years’ corresponding quarter due to decrease in no of machines under concession and new concessions in Philippines and Macau not being able to generate sufficient revenue. It is the Group’s target to achieve the required revenue within 9 months for new concession.

TSM division made an operating loss of RM5.3 million during the quarter mainly due to high depreciation cost on machines, provision for doubtful debts of RM1.4 million and cost of removal and relocation of 1,500 machines out of 2,000 machines under the mobilization plan to be completed by end of the year.

The decrease in revenue of the Leisure and Entertainment (“L&E”) division is due to cessation of slot operation in Mekong Hotel and Club, Phnom Penh. The loss before tax of this division was contributed by:

- (i) pre-operating costs of Chateau Hotel and Casino, Bavet, Cambodia
- (ii) fixed operating costs and impairment loss arising from closure of slot operations in clubs in Cambodia



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17. Performance Review (Continued)

The increase in revenue of “Others” division was mainly by sales of AGT and Elaut machines assembled in our factory in Malaysia. Stock written off amounting to RM0.8 million is included in loss before tax for this quarter.

ii) Comparison with previous year’s corresponding period

The decrease in revenue and profit before tax from SSM division by 33% and 34% respectively for the six months period ended 30 June 2009 as compared to preceding year is mainly due to reasons stated above.

The summary of number of machines sold for 6 months ended 30 June 2009 and 2008 are as follows:-

Country	Number of machines sold	
	30 June 2009	30 June 2008
	(Unit)	(Unit)
Cambodia	-	56
Macau	30	180
Malaysia	63	12
Philippines	402	470
Singapore	20	-
Vietnam	-	59
Grand Total:	515	777

The revenue from TSM division decreased by 54% for six month period ended 30 June 2009 as compare to the preceding year due to reasons stated above.

The summary of outlets in operations and the number of machines placed as at 30 June 2009 and 2008 are as follows:-

Country	Number of outlets as at	
	30 June 2009	30 June 2008
Cambodia	11	54
Philippines	15	12
Vietnam	3	3
Macau	3	-
Laos	1	1
Grand Total:	33	70



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17. Performance Review (Continued)

ii) Comparison with previous year's corresponding period (Continued)

Country	Number of machines placed as at	
	30 June 2009 (Unit)	30 June 2008 (Unit)
Cambodia	1,805	4,901
Philippines	1,720	1,280
Vietnam	194	194
Macau	245	-
Laos	59	59
Grand Total:	4,023	6,434

TSM division made an operating loss of RM10.6 million during the period mainly due to reasons stated above.

The decrease in revenue and loss before taxation of the L&E division is due to reasons stated above.

The revenue and profit before tax of "Others" division increase was mainly contributed by sales of RGBGames, AGT and Elaut machines assembled in our factory in Malaysia.

	Number of machines sold	
	30 June 2009 (Unit)	30 June 2008 (Unit)
RGBGames	76	-
AGT	52	-
Elaut	24	-
Grand Total:	152	-



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18. Comparison with previous quarter's results

	CURRENT QUARTER RM'000	PREVIOUS QUARTER RM'000	% +/(-)
Revenue			
Sales and Marketing	22,146	14,699	+51%
Technical Support and Management	15,203	16,671	-9%
Leisure and Entertainment (1)	265	129	+105%
Others (2)	3,788	4,077	-7%
	<u>41,402</u>	<u>35,576</u>	<u>+16%</u>
Loss before tax			
Sales and Marketing	(209)	1,122	-119%
Technical Support and Management	(5,300)	(5,251)	+1%
Leisure and Entertainment	(1,656)	(2,944)	-44%
Others	(516)	1,227	-142%
	<u>(7,681)</u>	<u>(5,846)</u>	<u>+31%</u>
Unallocated (Expenses)/ Income	(10,110)	3,489	-390%
- Finance cost	2,122	2,348	-10%
- Foreign exchange loss/ (gain)	6,696	(7,240)	+192%
- Provision for doubtful debts (non-trade)	(18)	227	-108%
- Other expenses	1,310	1,176	+11%
	<u>(17,791)</u>	<u>(2,357)</u>	<u>+655%</u>

Note

- (1) "Leisure and Entertainment" consist of revenue from companies involved in gaming and leisure activities.
- (2) "Others" consist of revenue from manufacturing activities, research & development activities and inter-segment transaction.

The increase in revenue for the SSM division was mainly due to additional sales to a new casino in Philippines. The lower profit before taxation is due to the participation cost in a trade show in this quarter.

Revenue for the TSM division only fell marginally between the two quarters because the Group is able to mobilize and place additional machines in Macau and Philippines. Also the previous quarter enjoyed contribution from slot clubs in Cambodia for a period of two months before the closure on 26 February 2009.

The increase in revenue and decrease of loss before tax for the L&E division was due to the income from the food and beverage of Mekong Hotel and Club and the reduction in operating costs and closure cost of club operations.



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18. Comparison with previous quarter's results (Continued)

The loss before tax for “Others” segment was mainly due to lower margin, fixed operating expenses and stock written off.

During the current quarter, the Group also incurred a foreign exchange loss of RM6.7 million due to currency fluctuation.

19. Commentary on Prospects

Prospects for the Group are promising as:

1. The Group has to date secured orders for 400 machines for delivery before year end.
2. Since the beginning of 3rd quarter, the Group has placed an additional 700 machines and is expected to place a further 1,000 machines by year end. The Group has implemented strategies and plans to improve daily income of machines.
3. The Group’s first casino, Chateau Hotel and Casino, Bavet in Cambodia was opened for business on 1st August 2009 under the first phase of operations. The casino is currently operating 41 gaming tables and 183 units of slot machines and is expected to contribute positive results.
4. The Group is increasing its resources in promoting and developing our proprietary brand - RGBGames which are well received in certain markets. It expects to release 4 new games by year-end, which consists of progressive link themed and standalone games to cater for the needs of market.

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 2009	30 JUNE 2008	30 JUNE 2009	30 JUNE 2008
	RM'000	RM'000	RM'000	RM'000
Income Tax				
- Current period	12	8	180	40

Domestic income tax is calculated at the Malaysian statutory rate of 25% (2008: 26%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.



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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.

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	Revised Proposed Utilisation as approved by SC RM'000	Actual Utilisation as at 30 JUNE 2009 RM'000	Expected Utilisation by 12 JAN 2011 RM'000
Purchase of plant and machinery	3,415	3,415	-
Research & development	5,915	5,915	-
Overseas expansion	15,000	15,000	-
Regional Trade Mark registration	670	174	496
Advertising, promotion and branding	3,000	3,000	-
Working capital	7,461	7,461	-
Estimated listing expenses	1,753	1,753	-
Total	37,214	36,718	496

(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 as at 1 Apr 2009 '000	Exercised '000	Lapsed '000	Balance as at 30 June 2009 '000
19 Oct 2005	0.35	18,855	-	120	18,735
7 July 2006	0.43	4,322	-	-	4,322
29 July 2006	0.42	4,179	-	810	3,369
29 June 2007	0.48	1,665	-	126	1,539
		29,021	-	1,056	27,965

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 June 2009, the Company has outstanding CPs of RM94 million with tenure of 1 - 3 months.

25. Borrowings

	AS AT 30 JUNE 2009 RM'000	AS AT 31 DEC 2008 RM'000
Short Term Borrowings:		
<u>Secured</u>		
Bank overdrafts	2,778	2,009
Bankers' acceptances	3,445	12,989
Onshore foreign currency loan	15,776	-
Term loans	19,157	18,690
Hire purchase payable	-	63
<u>Unsecured</u>		
Commercial Papers	93,247	94,241
	134,403	127,992
Long Term Borrowings:		
<u>Secured</u>		
Term loans	15,277	24,641
	15,277	24,641
Total borrowings	149,680	152,633
Borrowings denominated in foreign currency as at 30 June 2009:		
	USD'000	RM'000
Borrowings (USD'000)	7,025	24,810

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.



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28. Earnings Per Share

(a) Basic

Basic earnings per share amounts are calculated by dividing the (loss) / 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
	2009	2008	2009	2008
(Loss)/Profit attributable to ordinary equity holders of the Company (RM'000)	<u>(17,573)</u>	<u>8,110</u>	<u>(19,780)</u>	<u>13,679</u>
Weighted average number of ordinary shares in issue ('000)	<u>872,050</u>	<u>872,050</u>	<u>872,050</u>	<u>872,002</u>
Basic (loss)/earnings per share (sen)	<u>(2.02)</u>	<u>0.93</u>	<u>(2.27)</u>	<u>1.57</u>

(b) Diluted

For the purpose of calculating diluted earnings per share, the (loss) / 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
	2009	2008	2009	2008
(Loss)/Profit attributable to ordinary equity holders of the Company (RM'000)	<u>(17,573)</u>	<u>8,110</u>	<u>(19,780)</u>	<u>13,679</u>
Weighted average number of ordinary shares in issue ('000)	<u>872,050</u>	<u>872,050</u>	<u>872,050</u>	<u>872,002</u>
Effect of dilution of share options	<u>-</u>	<u>3,102</u>	<u>-</u>	<u>7,844</u>
Adjusted weighted average number of ordinary shares in issue and issuable	<u>872,050</u>	<u>875,152</u>	<u>872,050</u>	<u>879,846</u>
Diluted (loss)/earnings per share (sen)	<u>(2.02)</u>	<u>0.93</u>	<u>(2.27)</u>	<u>1.55</u>



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29. Authorisation For Issue

On 17 August 2009, 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
17 August 2009