



Dreamgate Corporation Bhd (603831-K)

(Incorporated in Malaysia)

Interim Unaudited Financial Statements
30 September 2009



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 – 11
EXPLANATORY NOTES PURSUANT TO APPENDIX 9B (RULE 9.22(2)) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”)	12 – 21



Dreamgate Corporation Bhd (603831-K)

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

	Note	3 MONTHS ENDED		9 MONTHS ENDED	
		30 SEPT 2009 RM'000	30 SEPT 2008 RM'000	30 SEPT 2009 RM'000	30 SEPT 2008 RM'000
Revenue	10	34,812	52,663	104,816	180,988
Cost of sales		(26,620)	(30,375)	(86,650)	(113,882)
- Depreciation		(11,163)	(14,799)	(35,086)	(41,050)
- Others		(15,457)	(15,576)	(51,564)	(72,832)
Gross profit		8,192	22,288	18,166	67,106
Other income		109	118	397	439
Administrative expenses		(11,498)	(15,557)	(35,329)	(38,777)
- Depreciation		(1,107)	(1,193)	(2,848)	(2,582)
- Others		(10,391)	(14,364)	(32,481)	(36,195)
Selling and marketing expenses		(816)	(1,774)	(2,421)	(4,142)
Other (expenses)/ gain, net		(1,165)	3,440	(1,470)	995
Operating (loss)/ profit		(5,178)	8,515	(20,657)	25,621
Finance costs		(2,397)	(2,257)	(6,867)	(6,852)
Share of profit/ (loss) of jointly controlled entities		58	(108)	23	(250)
Share of profit of associates		825	91	661	1,267
(Loss)/ Profit before tax		(6,692)	6,241	(26,840)	19,786
Income tax expense	21	(309)	177	(489)	137
(Loss)/ Profit for the period		(7,001)	6,418	(27,329)	19,923
Attributable to:					
Equity holders of the Company		(5,346)	6,220	(25,126)	19,899
Minority interests		(1,655)	198	(2,203)	24
		(7,001)	6,418	(27,329)	19,923
Earnings per share attributable to equity holders of the Company:					
Basic, for (loss)/ profit for the period (sen)	28	(0.57)	0.71	(2.81)	2.28
Diluted, for (loss)/ profit for the period (sen)	28	(0.57)	0.71	(2.81)	2.27



Dreamgate Corporation Bhd (603831-K)

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2009

	Note	AS AT 30 SEPT 2009 RM'000	AS AT 31 DEC 2008 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	321,629	236,600
Prepaid land lease payments		1,385	1,401
Investments in jointly controlled entities		1,262	1,187
Investments in associates		2,434	1,599
Other investment		4	4
Development costs		699	1,119
Long term lease receivables		1,459	2,957
Other receivables		385	1,059
Gaming licenses		627	625
Goodwill		272	272
		330,156	246,823
Current assets			
Inventories		18,516	11,562
Trade Receivables		80,256	88,796
Short term lease receivables		1,921	1,921
Other Receivables, Deposits and Prepayments		18,454	15,940
Tax Recoverable		534	876
Due from jointly controlled entities		574	358
Due from associates		7,968	7,663
Deposits with licensed banks		5,281	5,074
Cash and bank balances		7,820	31,062
		141,324	163,252
TOTAL ASSETS		471,480	410,075
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	8	95,921	87,205
Share premium		4,665	827
Foreign exchange translation reserve		(4,261)	(5,208)
Share option reserve		3,242	3,242
Retained earnings		67,200	92,326
		166,767	178,392
Minority interests		2,790	4,918
Total equity		169,557	183,310
Non-current liabilities			
Borrowings	25	13,383	24,641
Deferred tax liabilities		794	794
		14,177	25,435
Current liabilities			
Borrowings	25	137,997	127,992
Trade payables		97,577	46,584
Other payables		29,309	13,630
Due to jointly controlled entities		1,646	957
Due to an associated company		2,681	9
Due to other shareholders		17,816	11,384
Tax payable		720	774
		287,746	201,330
Total liabilities		301,923	226,765
TOTAL EQUITY AND LIABILITIES		471,480	410,075
Net assets per share (sen)		17	20



Dreamgate Corporation Bhd (603831-K)

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

	----- Attributable to Equity Holders of the Parent -----					Total	Minority Interests	Total Equity
	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 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	-	-	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	(4,710)	3,224	115,098	201,644	206	201,850



Dreamgate Corporation Bhd (603831-K)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 expenses recognised directly in equity	-	-	947	-	-	947	-	947
Loss for the period	-	-	-	-	(25,126)	(25,126)	(2,128)	(27,254)
Total recognised income and expense for the period	-	-	947	-	(25,126)	(24,179)	(2,128)	(26,307)
Issue of ordinary shares :								
Pursuant to Share Placement	8,716	3,838	-	-	-	12,554	-	12,554
Pursuant to ESOS	-	-	-	-	-	-	-	-
Share options granted under ESOS	-	-	-	-	-	-	-	-
At 30 September 2009	95,921	4,665	(4,261)	3,242	67,200	166,767	2,790	169,557



Dreamgate Corporation Bhd (603831-K)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2009**

	9 MONTHS ENDED	
	30 SEPT 2009 RM'000	30 SEPT 2008 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/ Profit before tax	(26,840)	19,786
Adjustments for:		
Amortisation of development costs	420	491
Amortisation of deferred expenditure	302	-
Amortisation of prepaid land lease payments	15	15
Bad debts written off	-	-
Bad debts recovered	-	-
Deposits written off	517	-
Depreciation	37,934	43,632
Goodwill written off	-	-
Impairment of intangible assets	-	-
Impairment of investment	-	-
Impairment of property, plant and equipment	717	-
Impairment of property, plant and equipment written back	(3,532)	(105)
Loss on disposal of equipment	3	-
Loss on disposal of investment	-	3
Property, plant and equipment written off	3,242	618
Provision for doubtful debts	1,895	70
Provision for doubtful debts (non-trade)	217	(382)
Reversal of provision for doubtful debts	(1,483)	-
Reversal of provision for doubtful debts (non-trade)	(3)	-
Write down of inventories	899	-
Share options granted under ESOS	-	291
Share of (profit)/ loss of jointly controlled entities	(23)	250
Share of profit of associates	(661)	(1,267)
Dividend income	-	-
Interest expense	6,695	6,503
Interest income	(138)	(453)
Operating profit before working capital changes	<u>20,176</u>	<u>69,452</u>
Net changes in receivables, amount due from associates, jointly controlled entities and inventories	1,630	16,296
Net changes in payables, amount due to jointly controlled entities, associate company and other shareholders	76,465	(7,047)
Interest paid	(1,734)	(3,248)
Taxes paid	(201)	(505)
Net cash flow from operating activities	<u>96,336</u>	<u>74,948</u>



Dreamgate Corporation Bhd (603831-K)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2009

	9 MONTHS ENDED	
	30 SEPT 2009 RM'000	30 SEPT 2008 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(128,340)	(80,694)
Proceeds from disposal of property, plant and equipment	192	986
Acquisition of gaming licenses	-	(1,580)
Acquisition of subsidiary companies	-	(358)
Acquisition of jointly controlled entities	-	(50)
Acquisition of associates	-	555
Interest received	138	453
Net cash flow from investing activities	(128,010)	(80,688)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown of bankers' acceptance and onshore foreign currency loan	3,937	12,416
Net repayment of term loan and commercial papers	(14,416)	(6)
Net repayment of hire purchase	(63)	(126)
Proceeds from issuance of ordinary shares	12,554	152
Proceeds from subscription of ordinary shares by minority interests	-	129
Dividends paid	-	(4,796)
Net cash flow from financing activities	2,012	7,769
NET CHANGE IN CASH AND CASH EQUIVALENTS	(29,662)	2,029
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	2,299	(1,988)
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	6,764	41,070
* Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	7,820	38,759
Deposits with licensed banks	5,281	5,074
Less: Bank Overdrafts	(6,337)	(2,763)
	6,764	41,070



Dreamgate Corporation Bhd (603831-K)

**PART A - EXPLANATORY NOTES PURSUANT 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.



Dreamgate Corporation Bhd (603831-K)

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 Sept 2009 '000
		Balance as at 1 Jan 2009 '000	Exercised '000	Lapsed '000	
19 Oct 2005	0.35	23,595	-	5,605	17,990
7 July 2006	0.43	4,607	-	645	3,962
29 July 2006	0.42	4,179	-	930	3,249
29 June 2007	0.48	1,923	-	430	1,493
		34,304	-	7,610	26,694

All the option holders have consented for the termination of the above scheme and it was duly approved by shareholders on 16 October 2009.

- **Share Capital**

	Number of Ordinary Shares ('000) of RM0.10 each	
	2009	2008
As at 1 January	872,050	871,647
Issue of ordinary shares:		
Persuant to ESOS	-	403
Persuant to Share Placement	87,160	-
As at 30 September/ 31 December	959,210	872,050

On 15th July, 2009 and 11th August, 2009, the Company allotted in total of 87,160,000 new ordinary shares of RM0.10 each fully paid up to increase the Share Capital by RM 8.7 million and Share Premium Account by RM 3.8 million.



Dreamgate Corporation Bhd (603831-K)

9. Dividend

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

10. Segmental Information

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

	3 MONTHS ENDED		9 MONTHS ENDED	
	30 SEPT 2009	30 SEPT 2008	30 SEPT 2009	30 SEPT 2008
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Sales and Marketing	10,193	13,299	47,038	68,160
Technical Support and Management	20,260	33,739	52,134	103,037
Leisure and Entertainment (1)	3,400	5,203	3,794	8,490
Others (2)	1,049	512	2,120	1,641
	<u>34,902</u>	<u>52,753</u>	<u>105,086</u>	<u>181,328</u>
Eliminations	(90)	(90)	(270)	(340)
Revenue	<u>34,812</u>	<u>52,663</u>	<u>104,816</u>	<u>180,988</u>
Segment Results				
Sales and Marketing	583	125	1,496	1,505
Technical Support and Management	2,512	7,633	(8,039)	28,109
Leisure and Entertainment	(4,529)	876	(9,129)	794
Others	(1,125)	(1,500)	(214)	(1,791)
	<u>(2,559)</u>	<u>7,134</u>	<u>(15,886)</u>	<u>28,617</u>
Unallocated (Expenses)/ Income	(2,619)	1,381	(4,771)	(2,996)
- Foreign exchange loss/ (gain)	1,594	(3,525)	1,050	(1,585)
- Non-trade receivables written off	8	-	217	-
- Other expenses	1,017	2,144	3,504	4,581
Operating (loss)/ profit	<u>(5,178)</u>	<u>8,515</u>	<u>(20,657)</u>	<u>25,621</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.



Dreamgate Corporation Bhd (603831-K)

12. Subsequent Events

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

- (i) At an Extraordinary General Meeting held on 16 October 2009, the Company approved the following:-
 - Private Placement of up to 191,841,000 new ordinary shares of RM0.10 each at an issue price to be determined later
 - Termination of the existing ESOS
 - Establishment of a new ESOS
- (ii) On 28 October 2009, the Company allotted 82,300,000 new ordinary shares of RM0.10 each fully paid up respectively at RM0.18 pursuant to its Private Placement exercise. The said shares were listed and quoted on the Main Board of Bursa Malaysia Securities Berhad on 30 October 2009. The Company proposes to continue raising funds through issuance of securities and/or debts instruments to enlarge its share capital and improve cash position.
- (iii) On 21 October 2009, the Company issued letter of offer for 76,025,410 ordinary shares to eligible directors and employees of the Group at an option price of RM0.1726 per share.

13. Changes in the Composition of the Group

On 14 July 2009, CDI Corporation Sdn. Bhd. (“CDI”), a 60% owned subsidiary of the Company, was placed under Member’s Voluntary Winding-up.

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 2009 RM'000
Property, plant and equipment	3,158
Share of capital commitments of jointly controlled entities	122
	<u>3,280</u>



Dreamgate Corporation Bhd (603831-K)

16. Significant Related Party Transactions

	1.7.2009 to 30.09.2009 RM'000	1.1.2009 to 30.09.2009 RM'000
Sales of gaming and amusement machines, spare parts and accessories to:		
- Suneka Sdn. Bhd.	-	42
- Denver System Sdn. Bhd.	48	48
Repair and maintenance services provided to:		
- Denver System Sdn. Bhd.	2	2
Consultancy fees paid to Capital Investment Australia Pty Ltd	-	76
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.



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			9 MONTHS ENDED		
	30 SEPT	30 SEPT	%	30 SEPT	30 SEPT	%
	2009	2008		2009	2008	
	RM'000	RM'000	+ / (-)	RM'000	RM'000	+ / (-)
Revenue						
Sales and Marketing	10,193	13,299	-23%	47,038	68,091	-31%
Technical Support and Management	20,260	33,739	-40%	52,134	103,037	-49%
Leisure and Entertainment (1)	3,400	5,203	-35%	3,794	8,490	-55%
Others (2)	959	422	+127%	1,850	1,370	+35%
Total	34,812	52,663	-34%	104,816	180,988	-42%
Gross Profit						
Sales and Marketing	1,991	2,983	-33%	6,786	9,310	-27%
Technical Support and Management	6,028	15,070	-60%	8,534	49,493	-83%
Leisure and Entertainment (1)	33	4,430	-99%	(202)	7,118	-103%
Others (2)	140	(195)	+172%	3,048	1,185	+157%
Total	8,192	22,288	-63%	18,166	67,106	-73%
Profit/ (Loss) before tax						
Sales and Marketing	583	125	+366%	1,496	1,505	-1%
Technical Support and Management	2,512	7,633	-67%	(8,039)	28,109	-129%
Leisure and Entertainment	(4,529)	876	-617%	(9,129)	794	-1250%
Others	(242)	(1,517)	-84%	469	(774)	+161%
	(1,676)	7,117	-124%	(15,203)	29,634	-151%
Unallocated Expenses	(5,016)	(876)	+473%	(11,637)	(9,848)	+18%
- Finance cost	2,397	2,257	+6%	6,867	6,852	+0%
- Foreign exchange loss/ (gain)	1,594	(3,525)	+145%	1,050	(1,585)	+166%
- Non-trade receivable written off	8	-	+100%	217	-	+100%
- Other expenses	1,017	2,144	-53%	3,503	4,581	-24%
(Loss)/ Profit before tax	(6,692)	6,241	-207%	(26,840)	19,786	-236%

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.



Dreamgate Corporation Bhd (603831-K)

17. Performance Review (Continued)

i) Comparison with previous year's corresponding quarter

The revenue for Sales and Marketing ("SSM") division decreased by 23% for quarter ended 30 September 2009 compared to previous years' corresponding quarter, as the Group managed to sell 156 units as compared to 173 units of machines. Current quarter's sales include 100 units of reconditioned machines from the mobilization plan.

However, the improvement in profit before tax by approximately RM400,000 is due to cost cutting measures implemented since the beginning of the year.

The revenue for Technical Support and Management ("TSM") division decreased by 40% for the quarter ended 30 September 2009 compared to previous years' corresponding quarter due to lower number of machines in operation. Some of the machines under the mobilization plan in Cambodia are being relocated to other regions in Cambodia and elsewhere and is expected to be completed by early 2010. As a result of the drop in revenue, profit before tax dropped by 67% as compared to the corresponding period. However, the Group managed to cut costs by more than 50% for this division.

The revenue for Leisure and Entertainment ("L&E") division was contributed by 60% owned Chateau de Bavet Hotel and Casino which had a soft opening on 1 August 2009 with limited supporting facilities, and currently only two out of the four gaming floors are in operation. However, it was not able to contribute positive results in this quarter due to pre-operating expenses, initial promotional and training cost and junket commission.

This loss for the L&E division was further affected by cost of maintaining companies previously operating clubs in Cambodia, some of which maybe wound up by 2010.

The revenue and profit of "Others" division was mainly contributed by sales of "RGBGAMES" machines manufactured in Prai factory, Malaysia.

ii) Comparison with previous year's corresponding period

The revenue from SSM division decreased by 31% for the 9 months period ended 30 September 2009 as compared to preceding year is mainly due to reasons stated above.



Dreamgate Corporation Bhd (603831-K)

17. **Performance Review (Continued)**

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

The summary of number of machines sold for 9 months ended 30 September 2009 and 2008 are as follows:-

Country	Number of machines sold	
	30 Sept 2009 (Unit)	30 Sept 2008 (Unit)
Cambodia	-	64
Macau	30	201
Malaysia	70	79
Philippines	426	522
Singapore	20	-
Vietnam	16	84
Others	109	-
Grand Total:	671	950

The revenue from TSM division decreased by 49% for 9 months period ended 30 September 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 September 2009 and 2008 are as follows:-

Country	Number of outlets as at	
	30 Sept 2009	30 Sept 2008
Cambodia	11	51
Philippines	18	12
Vietnam	3	3
Macau	6	-
Laos	1	1
Singapore	1	-
Grand Total:	40	67



Dreamgate Corporation Bhd (603831-K)

17. Performance Review (Continued)

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

Country	Number of machines placed as at	
	30 Sept 2009 (Unit)	30 Sept 2008 (Unit)
Cambodia	1,889	4,826
Philippines	1,954	1,304
Vietnam	224	194
Macau	968	-
Laos	59	59
Singapore	135	-
Grand Total:	5,229	6,383

TSM division made an operating loss of RM8.4 million during the period mainly due to the loss of income from closure of clubs in Cambodia, high depreciation cost on machines and cost of removal and relocation machines under the mobilization plan.

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 increased also due to reasons stated above.



Dreamgate Corporation Bhd (603831-K)

18. Comparison with previous quarter's results

	CURRENT QUARTER RM'000	PREVIOUS QUARTER RM'000	% + / (-)
Revenue			
Sales and Marketing	10,193	22,146	-54%
Technical Support and Management	20,260	15,203	+33%
Leisure and Entertainment (1)	3,400	265	+1183%
Others (2)	959	329	+191%
	34,812	37,943	-8%
Profit/ (Loss) before tax			
Sales and Marketing	583	(209)	+379%
Technical Support and Management	2,512	(5,300)	+147%
Leisure and Entertainment	(4,529)	(1,656)	+173%
Others	(242)	(516)	-53%
	(1,676)	(7,681)	-78%
Unallocated Expenses	(5,016)	(10,110)	-50%
- Finance cost	2,397	2,122	+13%
- Foreign exchange loss	1,594	6,696	-76%
- Non-trade receivables written off	8	(18)	+144%
- Other expenses	1,017	1,310	-22%
	(6,692)	(17,791)	-62%

Note

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

The market for machines remained soft during the current quarter. The lower sales in this quarter was because projected sales to new projects have been deferred to next quarter. This division managed to show higher profit before taxation due to cost cutting measure implemented since beginning of the year.

The revenue and profit before tax for the TSM division increased due to placement of more machines in this quarter. Some of these machines are mobilized from Cambodia and some are newly acquired. Furthermore, certain new venues had shown improvement in daily income per machine.

The revenue for L&E division was contributed by our casino in Bavet. The reasons for the losses of this division have been stated in Note 17.



Dreamgate Corporation Bhd (603831-K)

19. Commentary on Prospects

1. Although market for sales of machine remained soft, there are projects across the Asian region which will generate reasonable sales for the Group. Therefore SSM is expected to improve on its last year's result.
2. The TSM division has substantially reversed the set-backs arising from the closure of slot clubs in Cambodia and is expected to have approximately 60% of the machines under the mobilization plan generating income by end of the year. In addition, certain concessions are now generating higher yields. Therefore, the 4th quarter is expected to be better than 3rd quarter.
3. The Chateau de Bavet Hotel and Casino under the L&E division is not expected to show positive results in this year due to a six to nine months gestation period and the facilities are expected to be fully completed only by next year.
4. The sales of RGBGames machines manufactured in our Prai factory in Malaysia have been encouraging and is also expected to contribute profits to the Group. The Group is expected to obtain the rights to develop and market electronic poker machines and casino live table games called "Manny Pacman" with the agreement of Manny Pacquiao (the world renowned Boxer from the Philippines) in the Philippines and other international gaming venues on RGBGames machines in 2010.

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 2009	30 SEPT 2008	30 SEPT 2009	30 SEPT 2008
	RM'000	RM'000	RM'000	RM'000
Income Tax				
- Current period	309	(177)	489	(137)

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.

22. Profit on sale of Investments and/or Properties

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



Dreamgate Corporation Bhd (603831-K)

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 Sept 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	175	495
Advertising, promotion and branding	3,000	3,000	-
Working capital	7,461	7,461	-
Estimated listing expenses	1,753	1,753	-
Total	37,214	36,719	495

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

Grant Date	Adjusted Exercise Price RM	Number of Options Over Ordinary Shares of RM0.10 each			Balance as at 30 Sept 2009 '000
		Balance as at 1 July 2009 '000	Exercised '000	Lapsed '000	
19 Oct 2005	0.35	18,735	-	745	17,990
7 July 2006	0.43	4,322	-	360	3,962
29 July 2006	0.42	3,369	-	120	3,249
29 June 2007	0.48	1,539	-	46	1,493
		27,965	-	1,271	26,694

All the option holders have consented for the termination of the above scheme and it was duly approved by shareholders on 16 October 2009.



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 September 2009, the Company has outstanding CPs of RM99 million with tenure of 1 - 3 months.

25. Borrowings

	AS AT 30 SEPT 2009 RM’000	AS AT 31 DEC 2008 RM’000
Short Term Borrowings:		
<u>Secured</u>		
Bank overdrafts	6,337	2,009
Bankers’ acceptances	3,138	12,989
Onshore foreign currency loan	13,788	-
Term loans	16,032	18,690
Hire purchase payable	-	63
<u>Unsecured</u>		
Commercial Papers	98,702	94,241
	137,997	127,992
Long Term Borrowings:		
<u>Secured</u>		
Term loans	13,383	24,641
	151,380	152,633
Borrowings denominated in foreign currency as at 30 Sept 2009:		
	USD’000	RM’000
Borrowings (USD’000)	9,202	32,075

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.



Dreamgate Corporation Bhd (603831-K)

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		9 MONTHS ENDED	
	30 SEPT	30 SEPT	30 SEPT	30 SEPT
	2009	2008	2009	2008
(Loss)/Profit attributable to ordinary equity holders of the Company (RM'000)	<u>(5,346)</u>	<u>6,220</u>	<u>(25,126)</u>	<u>19,899</u>
Weighted average number of ordinary shares in issue ('000)	<u>936,349</u>	<u>872,050</u>	<u>893,719</u>	<u>872,018</u>
Basic (loss)/earnings per share (sen)	<u>(0.57)</u>	<u>0.71</u>	<u>(2.81)</u>	<u>2.28</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		9 MONTHS ENDED	
	30 SEPT	30 SEPT	30 SEPT	30 SEPT
	2009	2008	2009	2008
(Loss)/Profit attributable to ordinary equity holders of the Company (RM'000)	<u>(5,346)</u>	<u>6,220</u>	<u>(25,126)</u>	<u>19,899</u>
Weighted average number of ordinary shares in issue ('000)	<u>936,349</u>	<u>872,050</u>	<u>893,719</u>	<u>872,018</u>
Effect of dilution of share options	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,010</u>
Adjusted weighted average number of ordinary shares in issue and issuable	<u>936,349</u>	<u>872,050</u>	<u>893,719</u>	<u>877,028</u>
Diluted (loss)/earnings per share (sen)	<u>(0.57)</u>	<u>0.71</u>	<u>(2.81)</u>	<u>2.27</u>



Dreamgate Corporation Bhd (603831-K)

29. Authorisation For Issue

On 24 November 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
24 November 2009