



Dreamgate Corporation Bhd. (603831-K)
(Incorporated in Malaysia)

Interim Unaudited Financial Statements
31 December 2009



Dreamgate Corporation Bhd. (603831-K)

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Dreamgate Corporation Bhd. (603831-K)

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 DECEMBER 2009**

	Note	3 MONTHS ENDED		12 MONTHS ENDED	
		31 DEC 2009 RM'000	31 DEC 2008 RM'000	31 DEC 2009 RM'000	31 DEC 2008 RM'000
Revenue	10	65,386	46,821	170,202	227,809
Cost of sales		(55,775)	(33,656)	(142,424)	(147,538)
- Depreciation		(13,062)	(15,205)	(48,148)	(56,255)
- Others		(42,713)	(18,451)	(94,276)	(91,283)
Gross profit		9,611	13,165	27,778	80,271
Other income		894	235	1,291	674
Administrative expenses		(15,984)	(17,692)	(51,313)	(56,468)
- Depreciation		(1,219)	(986)	(4,067)	(3,568)
- Others		(14,765)	(16,706)	(47,246)	(52,900)
Selling and marketing expenses		(399)	(751)	(2,820)	(4,893)
Other expenses, net		(25,237)	(13,967)	(26,707)	(12,973)
Operating (loss)/ profit		(31,115)	(19,010)	(51,771)	6,611
Finance costs		(2,364)	(2,703)	(9,231)	(9,555)
Share of profit/ (loss) of jointly controlled entities		35	44	58	(206)
Share of (loss)/ profit of associates		(227)	(1,411)	434	(144)
Loss before tax		(33,671)	(23,080)	(60,510)	(3,294)
Income tax expense	21	422	(456)	(67)	(319)
Loss for the period		(33,249)	(23,536)	(60,577)	(3,613)
Attributable to:					
Equity holders of the Company		(32,722)	(22,773)	(57,847)	(2,874)
Minority interests		(527)	(763)	(2,730)	(739)
		(33,249)	(23,536)	(60,577)	(3,613)
Earnings per share attributable to equity holders of the Company:					
Basic, for loss for the period (sen)	28	(3.22)	(2.61)	(6.26)	(0.33)
Diluted, for loss for the period (sen)	28	N/A	(2.61)	N/A	(0.33)



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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2009

	Note	AS AT 31 DEC 2009 RM'000	AS AT 31 DEC 2008 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	282,692	236,600
Prepaid land lease payments		1,379	1,401
Investments in jointly controlled entities		1,298	1,187
Investments in associates		2,051	1,599
Other investment		4	4
Development costs		559	1,119
Long term lease receivables		903	2,957
Other receivables		1,838	1,059
Gaming licenses		617	625
Goodwill		272	272
		291,613	246,823
Current assets			
Inventories		16,044	11,562
Trade Receivables		87,259	88,796
Short term lease receivables		1,921	1,921
Other Receivables, Deposits and Prepayments		12,356	15,940
Tax Recoverable		257	876
Due from jointly controlled entities		168	358
Due from associates		11,341	7,663
Deposits with licensed banks		5,280	5,074
Cash and bank balances		21,556	31,062
		156,182	163,252
TOTAL ASSETS		447,795	410,075
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	8	104,151	87,205
Share premium		8,838	827
Foreign exchange translation reserve		(6,302)	(5,208)
Share option reserve		-	3,242
Retained earnings		37,721	92,326
		144,408	178,392
Minority interests		2,273	4,918
Total equity		146,681	183,310
Non-current liabilities			
Borrowings	25	9,808	24,641
Deferred tax liabilities		786	794
		10,594	25,435
Current liabilities			
Borrowings	25	137,575	127,992
Trade payables		103,301	46,584
Other payables		25,573	13,630
Due to jointly controlled entities		3,674	957
Due to an associated company		2,841	9
Due to other shareholders		17,530	11,384
Tax payable		26	774
		290,520	201,330
Total liabilities		301,114	226,765
TOTAL EQUITY AND LIABILITIES		447,795	410,075
Net assets per share (sen)		14	20



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008**

	----- Attributable to Equity Holders of the Parent -----							Total RM'000	Minority Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Foreign Exchange Translation Reserve RM'000	Share Option Reserve RM'000	Retained Earnings RM'000	Non-Distributable RM'000	Distributable 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	-	-	8,537	-	-	8,537	264	8,801		
Loss for the year	-	-	-	-	(2,874)	(2,874)	(739)	(3,613)		
Dividend	-	-	-	-	(4,796)	(4,796)	-	(4,796)		
Total recognised income and expense for the year	-	-	8,537	-	(7,670)	867	(475)	392		
Issue of ordinary shares pursuant to ESOS	40	176	-	(64)	-	152	-	152		
Share options granted under ESOS	-	-	-	308	-	308	4	312		
Subscription of ordinary shares by minority interests in a subsidiary	-	-	-	-	-	-	5,338	5,338		
At 31 December 2008	87,205	827	(5,208)	3,242	92,326	178,392	4,918	183,310		



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

	----- Attributable to Equity Holders of the Parent -----					Total	Minority Interest	Total Equity
	----- Non-Distributable -----			Distributable				
	Share Capital	Share Premium	Foreign Exchange Translation Reserve	Share Option Reserve	Retained Earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 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	-	-	(1,094)	-	-	(1,094)	85	(1,009)
Loss for the year	-	-	-	-	(57,847)	(57,847)	(2,730)	(60,577)
Total recognised income and expense for the year	-	-	(1,094)	-	(57,847)	(58,941)	(2,645)	(61,586)
Issue of ordinary shares :								
Pursuant to Share Placement	16,946	8,011	-	-	-	24,957	-	24,957
Pursuant to ESOS	-	-	-	-	-	-	-	-
Termination of ESOS	-	-	-	(3,242)	3,242	-	-	-
At 31 December 2009	104,151	8,838	(6,302)	-	37,721	144,408	2,273	146,681



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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	12 MONTHS ENDED	
	31 DEC 2009 RM'000	31 DEC 2008 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(60,510)	(3,294)
Adjustments for:		
Amortisation of development costs	560	631
Amortisation of deferred expenditure	302	-
Amortisation of prepaid land lease payments	20	20
Bad debts written off	-	213
Deposits written off	797	2,900
Depreciation	52,215	59,824
Impairment of intangible assets	-	2,063
Impairment of investment	9	-
Impairment of property, plant and equipment	25,658	13,985
Impairment of property, plant and equipment written back	(3,548)	(149)
(Gain)/ Loss on disposal of equipment	(575)	1
Property, plant and equipment written off	3,301	948
Provision for doubtful debts	2,755	1,898
Provision for doubtful debts (non-trade)	281	1,376
Reversal of provision for doubtful debts	(1,483)	(661)
Reversal of provision for doubtful debts (non-trade)	(24)	-
Write down of inventories	1,043	994
Share options granted under ESOS	-	312
Share of (profit)/ loss of jointly controlled entities	(58)	206
Share of (profit)/ loss of associates	(434)	144
Interest expense	9,017	9,141
Interest income	(763)	(518)
Operating profit before working capital changes	28,563	90,034
Net changes in receivables, amount due from associates, jointly controlled entities and inventories	(1,389)	21,275
Net changes in payables, amount due to jointly controlled entities, associate companies and other shareholders	80,355	(17,277)
Interest paid	(2,293)	(4,312)
Taxes paid	(204)	(515)
Net cash flow from operating activities	105,032	89,205



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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009**

	12 MONTHS ENDED	
	31 DEC 2009 RM'000	31 DEC 2008 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(135,524)	(98,965)
Proceeds from disposal of property, plant and equipment	2,650	997
Acquisition of gaming licenses	-	(1,225)
Acquisition of subsidiary companies	-	(358)
Acquisition of jointly controlled entities	(5)	(59)
Proceeds from disposal of associates	-	87
Interest received	162	518
Net cash flow from investing activities	(132,717)	(99,005)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown of bankers' acceptance and onshore foreign currency loan	5,585	12,989
Net repayment of term loan and commercial papers	(21,194)	(6,106)
Net repayment of hire purchase	(63)	(188)
Proceeds from issuance of ordinary shares	24,957	152
Proceeds from subscription of ordinary shares by minority interests	-	5,338
Dividends paid	-	(4,796)
Net cash flow from financing activities	9,285	7,389
NET CHANGE IN CASH AND CASH EQUIVALENTS	(18,400)	(2,411)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	5,404	(4,491)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	34,127	41,029
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	21,131	34,127
* Cash and cash equivalents at end of the financial year comprise the following:		
Cash and bank balances	21,556	31,062
Deposits with licensed banks	5,280	5,074
Less: Bank Overdrafts	(5,705)	(2,009)
	21,131	34,127



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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”)**

The ESOS introduced in 2005 was terminated with the consent of all outstanding option holders, and with the approval of shareholders on 16 October 2009.

No options have been granted under the new ESOS introduced in 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	169,460	-
As at 31 December	<u>1,041,510</u>	<u>872,050</u>

Via private placements on 15 July 2009, 11 August 2009 and 28 October 2009, the Company issued in total of 169,460,000 new ordinary shares RM0.10 each fully paid up to increase the Share Capital by RM16.9 million and Share Premium Account by RM8 million.

9. Dividend

No dividend was paid for the financial period ended 31 December 2009.



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10. Segmental Information

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

	3 MONTHS ENDED		12 MONTHS ENDED	
	31 DEC 2009	31 DEC 2008	31 DEC 2009	31 DEC 2008
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Sales and Marketing	41,920	12,077	88,958	80,238
Technical Support and Management	15,195	25,768	67,329	128,804
Leisure and Entertainment (1)	6,845	3,536	10,639	12,026
Others (2)	1,516	5,530	3,636	7,171
	<u>65,476</u>	<u>46,911</u>	<u>170,562</u>	<u>228,239</u>
Eliminations	(90)	(90)	(360)	(430)
Revenue	<u><u>65,386</u></u>	<u><u>46,821</u></u>	<u><u>170,202</u></u>	<u><u>227,809</u></u>
Segment Results				
Sales and Marketing	3,962	13	5,458	1,519
Technical Support and Management	(30,050)	(11,616)	(38,089)	16,492
Leisure and Entertainment	(2,094)	(8,341)	(11,223)	(7,547)
Others	(889)	996	(1,103)	(795)
	<u>(29,071)</u>	<u>(18,948)</u>	<u>(44,957)</u>	<u>9,669</u>
Unallocated Expenses	(2,044)	(62)	(6,814)	(3,058)
- Foreign exchange loss/ (gain)	1,364	(2,283)	2,414	(3,868)
- Non-trade receivables written off	64	1,376	281	1,376
- Other expenses	616	969	4,119	5,550
Operating (loss)/ profit	<u><u>(31,115)</u></u>	<u><u>(19,010)</u></u>	<u><u>(51,771)</u></u>	<u><u>6,611</u></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) Via private placements on 13 January 2010, 15 January 2010 and 19 January 2010, the Company issued in total of 109,540,000 new ordinary shares of RM0.10 each fully paid up to increase the Share Capital by RM10.9 million and Share Premium Account by RM5.5 million.

13. Changes in the Composition of the Group

There were no changes in the composition of the Group since the last quarterly report for the financial period ended 30 September 2009.

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
	31 DEC 2009
	RM'000
Gaming machines - RGBGames	12,400
- 3rd Party Machines	20,000
Property, plant and equipment	3,400
Share of capital commitments of jointly controlled entities	120
	<u>35,920</u>



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16. Significant Related Party Transactions

	1.10.2009 to 31.12.2009 RM'000	1.1.2009 to 31.12.2009 RM'000
Sales of gaming and amusement machines, spare parts and accessories to:		
- Suneka Sdn. Bhd.	82	124
- Denver System Sdn. Bhd.	-	48
Repair and maintenance services provided to:		
- Denver System Sdn. Bhd.	-	2
Consultancy fees paid to Capital Investment Australia Pty Ltd	-	76
Renting of premises from Dreamgate (Malaysia) Sdn Bhd	-	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			12 MONTHS ENDED		
	31 DEC 2009 RM'000	31 DEC 2008 RM'000	% +/-)	31 DEC 2009 RM'000	31 DEC 2008 RM'000	% +/-)
Revenue						
Sales and Marketing	41,920	12,077	+247%	88,958	80,168	+11%
Technical Support and Management	15,195	25,768	-41%	67,329	128,804	-48%
Leisure and Entertainment (1)	6,845	3,536	+94%	10,639	12,026	-12%
Others (2)	1,426	5,440	-74%	3,276	6,811	-52%
Total	65,386	46,821	+40%	170,202	227,809	-25%
Gross Profit						
Sales and Marketing	5,215	1,272	+310%	12,001	10,582	+13%
Technical Support and Management	225	7,523	-97%	8,759	57,016	-85%
Leisure and Entertainment (1)	4,165	2,709	+54%	3,963	9,827	-60%
Others (2)	6	1,661	-100%	3,055	2,846	+7%
Total	9,611	13,165	-27%	27,778	80,271	-65%
Profit/ (Loss) before tax						
Sales and Marketing	3,962	13	+30377%	5,458	1,519	+259%
Technical Support and Management	(30,050)	(11,616)	+159%	(38,089)	16,492	-331%
Leisure and Entertainment	(2,094)	(8,341)	-75%	(11,223)	(7,547)	+49%
Others	(1,081)	(371)	+191%	(611)	(1,145)	-47%
	(29,263)	(20,315)	+44%	(44,465)	9,319	-577%
Unallocated Expenses	(4,408)	(2,765)	+59%	(16,045)	(12,613)	+27%
- Finance cost	2,364	2,703	-13%	9,231	9,555	-3%
- Foreign exchange loss/ (gain)	1,364	(2,283)	+160%	2,414	(3,868)	+162%
- Non-trade receivable written off	64	1,376	-95%	281	1,376	-80%
- Other expenses	616	969	-36%	4,119	5,550	-26%
Loss before tax	(33,671)	(23,080)	+46%	(60,510)	(3,294)	+1737%

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 revenue for Sales and Marketing ("SSM") division increased by 247% for quarter ended 31 December 2009 as compared to previous year's corresponding quarter as the Group managed to sell 542 units (as compared to 195 units) mainly to Integrated Resort in Singapore and casinos in Philippines and Macau.

The improvement in profit before tax by approximately RM3.9 million is due to the increase in sales, better margins and cost cutting measures implemented since the beginning of the year.

During the quarter, the Group added one new concession in a casino in Cambodia with 277 machines and signed a service and management agreement of 100 machines (machines owned by license holder) for an outlet in Laos. These machines were transferred from clubs affected by the forced closure in Cambodia. The Group closed one underperforming concession each in Cambodia and the Philippines with 100 machines.

The revenue for Technical Support and Management ("TSM") division decreased by 41% for the quarter ended 31 December 2009 as compared to previous year's corresponding quarter due to lower number of machines in operation as a result of the forced closure of slot clubs in Cambodia. The performance of the majority of the outlets that have been in operations for more than a year are performing to our expectations while the new concessions which were opened in 2009 in Macau and Philippines have yet to yield optimum results.

Loss before tax increased by 159% as compared to the corresponding period due substantially to the loss of income arising from and impairment of machines affected by the forced closure of slot clubs in Cambodia.

The revenue for Leisure and Entertainment ("L&E") division was derived solely from 60% owned Chateau de Bavet Hotel and Casino ("Chateau") which had just commenced operations in August 2009. Chateau was not able to contribute positive results due to high promotional cost, training cost and junket commission. The loss in corresponding quarter in year 2008 was due to the closure of slot clubs in Cambodia owned by certain subsidiaries in the Group.

ii) Comparison with previous year

The revenue from SSM division increased by 11% for the 12 months period ended 31 December 2009 as compared to preceding year is mainly due to an increase in sales of machines and better margins. This is in spite of the Group entering into TSM concession agreements with former customers of SSM.



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17. Performance Review (Continued)

ii) Comparison with previous year (Continued)

The summary of number of machines sold for 12 months ended 31 December 2009 and 2008 are as follows:-

Country	Number of machines sold	
	31 Dec 2009 (Unit)	31 Dec 2008 (Unit)
Cambodia	-	124
Macau	40	217
Malaysia	70	87
Philippines	736	550
Singapore	220	22
Vietnam	38	120
Others	109	25
Grand Total:	1,213	1,145

During the year, the Group was able to penetrate the competitive Macau market with the signing of 6 concessions agreements, making a total of 16 new concessions across the region with 2,333 machines and signed a service and management agreement of 100 machines (machines owned by license holder) for an outlet in Laos.

The Group was forced to close 21 outlets and 2 underperforming concessions in Cambodia and another one in the Philippines. Approximately 3,400 units machines affected by the forced closure in Cambodia have to be placed under a mobilization plan. By year end, about 57% of the affected machines were placed back in operations in new and existing concessions across the region or sold while some were used as a source for spare parts. The balance is expected to be placed back in operations by end of 1st half of 2010. In addition, the Group placed 1,350 new 3rd party machines and 110 new RGBGames machines in certain new concessions in order to meet the demand in those markets. The income from new concessions is on a rising trend but have yet to achieve targeted daily income.

The revenue from TSM division decreased by 48% for 12 months period ended 31 December 2009 as compared to the preceding year due mainly to the disruption of operations in Cambodia as a result of the forced closure of slot clubs in Cambodia in early year 2009.



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17. Performance Review (Continued)

ii) Comparison with previous year (Continued)

The summary of outlets in operations and the number of machines placed as at 31 December 2009 and 2008 are as follows:-

Country	Number of outlets as at	
	31 Dec 2009	31 Dec 2008
Cambodia	11	37
Philippines	17	11
Vietnam	3	3
Macau	6	-
Laos	2	1
Others	1	-
Grand Total:	40	52

Country	Number of machines placed as at	
	31 Dec 2009	31 Dec 2008
	(Unit)	(Unit)
Cambodia	2,038	3,599
Philippines	2,016	1,117
Vietnam	154	194
Macau	888	-
Laos	59	59
Others	193	-
Grand Total:	5,348	4,969

TSM division made an operating loss of RM38.1 million during the year due substantially to the loss of income arising from and impairment of machines affected by the forced closure of slot clubs in Cambodia.

The decrease in revenue and loss before taxation of the L&E division is due to reasons stated in Note 17(i) above.



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18. Comparison with previous quarter's results

	CURRENT QUARTER RM'000	PREVIOUS QUARTER RM'000	% + / (-)
Revenue			
Sales and Marketing	41,920	10,193	+311%
Technical Support and Management	15,195	20,260	-25%
Leisure and Entertainment (1)	6,845	3,400	+101%
Others (2)	1,426	959	+49%
	<u>65,386</u>	<u>34,812</u>	<u>+88%</u>
Profit/ (Loss) before tax			
Sales and Marketing	3,962	583	+580%
Technical Support and Management	(30,050)	2,512	-1296%
Leisure and Entertainment	(2,094)	(4,529)	-54%
Others	(1,081)	(242)	+347%
	<u>(29,263)</u>	<u>(1,676)</u>	<u>+1646%</u>
Unallocated Expenses	(4,408)	(5,016)	-12%
- Finance cost	2,364	2,397	-1%
- Foreign exchange loss	1,364	1,594	-14%
- Non-trade receivables written off	64	8	+700%
- Other expenses	616	1,017	-39%
	<u>(33,671)</u>	<u>(6,692)</u>	<u>+403%</u>
Loss before tax	<u>(33,671)</u>	<u>(6,692)</u>	<u>+403%</u>

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 revenue and profit before tax for Sales and Marketing ("SSM") division increased in this quarter was due to higher volume of machines sold with better margins.

The revenue and profit before tax for the TSM division decreased due to:-

- (I) Floods in Philippines which caused reduction in players to certain venues as well as temporary closure of certain concessions for approximately three weeks
- (II) On-going political dispute between Thailand and Cambodia which caused the reduction of visitors to casinos on the Thai/Cambodia border
- (III) High promotion and depreciation cost for new outlets in Macau
- (IV) Impairment cost on affected machines (arising from the forced closure of slot clubs in Cambodia) that are not in operations at year end

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.



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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 sell as many machines in year 2010 as it did in year 2009 with continuing emphasis on promoting the Group's RGBGames machines.
2. The TSM division has substantially reversed the set-backs arising from the forced closure of slot clubs in Cambodia with 5,348 machines placed in concessions by end of year 2009. The Group will continue to look for opportunities and expects to sign additional concessions in year 2010 with a target of 2,000 additional machines.

The Group has successfully diversified its operations across the region. However, it is a challenge to successfully manage such new concessions in a competitive market like Macau. Nevertheless, the Group will continue to implement and review strategies to improve yield per machine for all concessions to achieve better results in year 2010.

3. Chateau is expected to show positive results in year 2010 for the L&E division as the facilities are expected to be fully completed by 1st half of year 2010. Currently, there are 38 tables and 109 machines in operations and an additional 30 tables will be set-up for junket operations by 1st half of 2010.
4. The sales of RGBGames machines manufactured in our Prai factory in Malaysia have been encouraging and is also expected to continue contributing positive results to the Group. In year 2010, the Group will introduce 4 new links and 7 new games. The Group's right to develop electronic poker games and casino live table games with Manny Pacquiao (the world renowned boxer from the Philippines) under the brand name of "Manny Pacman" is expected to be formalized soon.

Based on the forgoing and barring unforeseen circumstances, the Group expects to turn around and achieve positive results in year 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		12 MONTHS ENDED	
	31 DEC 2009	31 DEC 2008	31 DEC 2009	31 DEC 2008
	RM'000	RM'000	RM'000	RM'000
Income Tax				
- Current period	<u>(422)</u>	<u>456</u>	<u>67</u>	<u>319</u>

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 and Note 8, 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 31 Dec 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	178	492
Advertising, promotion and branding	3,000	3,000	-
Working capital	7,461	7,461	-
Estimated listing expenses	1,753	1,753	-
Total	37,214	36,722	492

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

As at 31 December 2009, the Company has outstanding CPs of RM99 million with tenure of 1 month.



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25. Borrowings

	AS AT 31 DEC 2009 RM'000	AS AT 31 DEC 2008 RM'000
Short Term Borrowings:		
<u>Secured</u>		
Bank overdrafts	5,705	2,009
Bankers' acceptances	1,369	12,989
Onshore foreign currency loan	17,205	-
Term loans	14,632	18,690
Hire purchase payable	-	63
<u>Unsecured</u>		
Commercial Papers	98,664	94,241
	137,575	127,992
Long Term Borrowings:		
<u>Secured</u>		
Term loans	9,808	24,641
Total borrowings	<u>147,383</u>	<u>152,633</u>
Borrowings denominated in foreign currency as at 31 Dec 2009:		
	USD'000	RM'000
Borrowings (USD'000)	<u>8,571</u>	<u>29,395</u>

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 for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

	3 MONTHS ENDED		12 MONTHS ENDED	
	31 DEC	31 DEC	31 DEC	31 DEC
	2009	2008	2009	2008
Loss attributable to ordinary equity holders of the Company (RM'000)	<u>(32,722)</u>	<u>(22,773)</u>	<u>(57,847)</u>	<u>(2,874)</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,014,673</u>	<u>872,050</u>	<u>924,206</u>	<u>872,018</u>
Basic loss per share (sen)	<u>(3.22)</u>	<u>(2.61)</u>	<u>(6.26)</u>	<u>(0.33)</u>

(b) Diluted

Diluted earnings per share for the current period has not been presented as the Group did not have any outstanding share options as at 31 December 2009. For the purpose of calculating diluted earnings per share for year 2008, the loss for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period have been adjusted for the dilutive effects of share options granted to employees.

	3 MONTHS ENDED		12 MONTHS ENDED	
	31 DEC	31 DEC	31 DEC	31 DEC
	2009	2008	2009	2008
Loss attributable to ordinary equity holders of the Company (RM'000)	<u>N/A</u>	<u>(22,773)</u>	<u>N/A</u>	<u>(2,874)</u>
Adjusted weighted average number of ordinary shares in issue and issuable	<u>N/A</u>	<u>872,050</u>	<u>N/A</u>	<u>872,050</u>
Diluted loss per share (sen)	<u>N/A</u>	<u>(2.61)</u>	<u>N/A</u>	<u>(0.33)</u>



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29. Authorisation For Issue

On 25 February 2010, 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
Group Managing Director
25 February 2010