



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

Interim Unaudited Financial Statements
31 March 2010



Dreamgate Corporation Bhd. (603831-K)

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Dreamgate Corporation Bhd. (603831-K)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2010**

	Note	3 MONTHS ENDED		3 MONTHS ENDED	
		31 MAR	31 MAR	31 MAR	31 MAR
		2010	2009	2010	2009
		RM'000	RM'000	RM'000	RM'000
			(Restated)		(Restated)
Revenue	10	31,219	35,576	31,219	35,576
Cost of sales		(36,280)	(30,249)	(36,280)	(30,249)
- Depreciation		(18,726)	(13,478)	(18,726)	(13,478)
- Others		(17,554)	(16,771)	(17,554)	(16,771)
Gross (loss)/ income		(5,061)	5,327	(5,061)	5,327
Other income		1,230	106	1,230	106
Administrative expenses		(12,196)	(11,670)	(12,196)	(11,670)
- Depreciation		(759)	(846)	(759)	(846)
- Others		(11,437)	(10,824)	(11,437)	(10,824)
Selling and marketing expenses		(365)	(500)	(365)	(500)
Other (expenses)/ gain, net		(1,068)	6,990	(1,068)	6,990
Operating (loss)/ profit		(17,460)	253	(17,460)	253
Finance costs		(2,538)	(2,348)	(2,538)	(2,348)
Share of profit/ (loss) of jointly controlled entities		89	(67)	89	(67)
Share of loss of associates		(361)	(195)	(361)	(195)
Loss before tax		(20,270)	(2,357)	(20,270)	(2,357)
Income tax expense	21	(13)	(168)	(13)	(168)
Loss for the period		(20,283)	(2,525)	(20,283)	(2,525)
Other comprehensive income					
- Foreign currency translation, representing other comprehensive income for the period		(8,503)	6,799	(8,503)	6,799
Total comprehensive income		(28,786)	4,274	(28,786)	4,274
Loss attributable to:					
Owners of the parent		(17,725)	(2,207)	(17,725)	(2,207)
Minority interests		(2,558)	(318)	(2,558)	(318)
		(20,283)	(2,525)	(20,283)	(2,525)
Total comprehensive income attributable to:					
Owners of the parent		(26,513)	(2,207)	(26,513)	(2,207)
Minority interests		(2,273)	(318)	(2,273)	(318)
		(28,786)	(2,525)	(28,786)	(2,525)
Loss per share attributable to owners of the Parent:					
Basic, for loss for the period (sen)	28	(1.56)	(0.25)	(1.56)	(0.25)



Dreamgate Corporation Bhd. (603831-K)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2010**

	Note	AS AT 31 MAR 2010 RM'000	AS AT 31 DEC 2009 RM'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	11	250,625	279,853
Investments in jointly controlled entities		1,380	1,307
Investments in associates		1,571	2,051
Other investment		4	4
Development costs		465	559
Long term lease receivables		-	903
Other receivables		1,491	1,838
Gaming licenses		589	617
Goodwill		272	272
		<u>256,397</u>	<u>287,404</u>
Current assets			
Inventories		17,729	16,044
Trade Receivables		69,646	87,259
Short term lease receivables		1,561	1,921
Other Receivables		15,313	12,356
Tax Recoverable		257	257
Due from jointly controlled entities		7	168
Due from associates		5,131	11,341
Deposits with licensed banks		5,419	5,280
Cash and bank balances		25,990	21,556
		<u>141,053</u>	<u>156,182</u>
TOTAL ASSETS		<u>397,450</u>	<u>443,586</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	8	115,105	104,151
Share premium		14,372	8,838
Foreign exchange translation reserve		(15,134)	(6,326)
Retained earnings		13,175	33,536
		<u>127,518</u>	<u>140,199</u>
Minority interests		-	2,273
Total equity		<u>127,518</u>	<u>142,472</u>
Non-current liabilities			
Borrowings	25	7,685	9,808
Deferred tax liabilities		786	786
		<u>8,471</u>	<u>10,594</u>
Current liabilities			
Borrowings	25	127,787	137,575
Trade payables		85,229	103,301
Other payables		26,408	25,573
Due to jointly controlled entities		3,012	3,674
Due to associates		2,065	2,841
Due to other shareholders		16,924	17,530
Tax payable		36	26
		<u>261,461</u>	<u>290,520</u>
Total liabilities		<u>269,932</u>	<u>301,114</u>
TOTAL EQUITY AND LIABILITIES		<u>397,450</u>	<u>443,586</u>
Net assets per share (sen)		<u>11</u>	<u>13</u>



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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2009 AND 31 MARCH 2010**

	----- Attributable to owners of the parent -----						Total Equity
	----- Non-Distributable -----			Distributable			
	Share Capital	Share Premium	Foreign Exchange Translation Reserve	Retained Earnings	Total	Minority Interest	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2009	87,205	827	(5,208)	92,326	178,392	4,918	183,310
Total comprehensive income for the period	-	-	6,500	(2,207)	4,293	(19)	4,274
At 31 March 2009	87,205	827	1,292	90,119	182,685	4,899	187,584
At 1 January 2010	104,151	8,838	(6,326)	33,536	140,199	2,273	142,472
Effect of adopting FRS 139	-	-	(20)	(2,636)	(2,656)	-	(2,656)
At 1 January 2010 (As restated)	104,151	8,838	(6,346)	30,900	137,543	2,273	139,816
Total comprehensive income for the period	-	-	(8,788)	(17,725)	(26,513)	(2,273)	(28,786)
Transaction with owners							
Issue of ordinary shares pursuant to Share Placement	10,954	5,534	-	-	16,488	-	16,488
At 31 March 2010	115,105	14,372	(15,134)	13,175	127,518	-	127,518



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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2010**

	3 MONTHS ENDED	
	31 MAR 2010 RM'000	31 MAR 2009 RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(20,270)	(2,357)
Adjustments for:		
Amortisation of development costs	95	140
Deposits written off	-	363
Depreciation	19,484	14,324
Impairment of property, plant and equipment	-	467
Impairment of property, plant and equipment written back	(583)	(260)
Impairment of lease receivables	329	-
(Gain)/ Loss on disposal of equipment	(155)	17
Property, plant and equipment written off	30	26
Provision for doubtful debts	428	461
Provision for doubtful debts (non-trade)	-	227
Reversal of provision for doubtful debts	-	(376)
Share of (profit)/ loss of jointly controlled entities	(89)	67
Share of loss of associates	361	195
Interest expense	2,484	2,277
Interest income	(21)	(52)
Operating profit before working capital changes	2,093	15,519
Net changes in receivables, amount due from associates, jointly controlled entities and inventories	17,539	13,456
Net changes in payables, amount due to jointly controlled entities, associate companies and other shareholders	(19,281)	25,367
Interest paid	(738)	(721)
Taxes paid	(3)	(43)
Net cash flow (used in)/generated from operating activities	(390)	53,578



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**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE PERIOD ENDED 31 MARCH 2010**

	3 MONTHS ENDED	
	31 MAR 2010 RM'000	31 MAR 2009 RM'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,881)	(60,423)
Proceeds from disposal of property, plant and equipment	1,421	44
Interest received	21	52
Net cash flow generated from investing activities	(1,439)	(60,327)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (repayment)/ drawdown of bankers' acceptance and onshore foreign currency loan	(5,454)	3,030
Net repayment of term loan and commercial papers	(6,305)	(5,317)
Net repayment of hire purchase	-	(63)
Proceeds from issuance of ordinary shares	16,488	-
Net cash flow generated from/(used in) financing activities	4,729	(2,350)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,900	(9,099)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	3,570	(5,080)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	21,131	34,127
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	27,601	19,948
* Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	25,990	15,042
Deposits with licensed banks	5,419	6,741
Less: Bank Overdrafts	(3,808)	(1,835)
	27,601	19,948



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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 2009. 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 2009.

2. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2010, the Group adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2010.

- FRS 7 *Financial Instruments: Disclosures*
- FRS 8 *Operating Segments*
- FRS 101 *Presentation of Financial Statements* (Revised)
- FRS 123 *Borrowing Costs*
- FRS 139 *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards* and FRS 127 *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
- Amendments to FRS 132 *Financial Instruments: Presentation*
- Amendments to FRS 139 *Financial Instruments: Recognition and Measurement*, FRS 7 *Financial Instruments: Disclosures* and IC Interpretation 9 *Reassessment of Embedded Derivatives*
- Improvements to FRS issued in 2009
- IC Interpretation 9 *Reassessment of Embedded Derivatives*
- IC Interpretation 10 *Interim Financial Reporting and Impairment*
- IC Interpretation 11 *FRS 2 – Group and Treasury Share Transactions*
- IC Interpretation 13 *Customer Loyalty Programmes*
- IC Interpretation 14 *FRS119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

FRS 4 *Insurance Contracts* and TR i-3 *Presentation of Financial Statements of Islamic Financial Institutions* will also be effective for annual periods beginning on or after 1 January 2010. These FRS are, however, not applicable to the Group.



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1. Changes in Accounting Policies (Continued)

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group except for those discussed below:

FRS 8 Operating Segments

FRS 8, which replaces FRS 114 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively.

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present this statement as one single statement.

The revised FRS 101 was adopted retrospectively by the Group.

Amendments to FRS 117 Leases

The amendments to FRS 117 clarify that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. They also clarify that the present value of the residual value of property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee. Hence, the adoption of the amendments to FRS 117 has resulted in certain unexpired land leases to be reclassified as finance leases. The Group has applied this change in accounting policy retrospectively and certain comparatives have been restated. The following are effects to the consolidated statement of financial position as at 31 March 2010 arising from the above change in accounting policy:

	31 MAR 2010 RM'000
Increase in property, plant and equipment	1,374
Decrease in prepaid land lease payments	(1,374)
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2. Changes in Accounting Policies (Continued)

The following comparatives have been restated:

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
Consolidated statement of financial position 31 December 2009			
Property, plant and equipment	278,473	1,380	279,853
Prepaid land lease payments	1,380	(1,380)	-
<hr/>			
For the period ended 31 March 2009			
Depreciation	19,479	5	19,484
Amortisation of prepaid land lease payments	5	(5)	-
<hr/>			

FRS 139 *Financial Instruments: Recognition and Measurement*

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group has adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

- Impairment of receivables
Prior to 1 January 2010, provision for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate.
- Amortised cost of other receivables and advances
During the current and prior years, the Group granted interest-free or low-interest loans and advances to third parties and its associates. Prior to 1 January 2010, these loans and advances were recorded at cost in the Group's financial statements. Upon the adoption of FRS 139, the interest-free or low-interest loans or advances are recorded initially at a fair value that is lower than cost. The difference between the fair value and cost of the loan or advance is recognised as an expense or as an increase in the investment in associates. Subsequent to initial recognition, the loans and advances are measured at amortised cost.

As at 1 January 2010, the Group has remeasured the allowance for impairment losses for receivables as at that date. The Group has also remeasured interest-free or low interest loans and advances at their amortised cost. The adjustments to their previous carrying amounts are recognised as adjustments to the opening balance of retained earnings as at that date.



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2. Changes in Accounting Policies (Continued)

	1 JAN 2010 RM'000
Decrease in other receivables (long term)	228
Decrease in trade receivables	119
Decrease in other receivables	1,530
Decrease in amount due from jointly controlled entities	6
Decrease in amount due from associates	773
Decrease in foreign exchange translation reserve	(20)
Decrease in retained earnings	<u>(2,636)</u>

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2009 was not qualified.

4. Significant Event

During the quarter under review, there were no 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 factor except for the sales of machines which are subject to seasonal fluctuation.

6. Unusual Items due to their Nature, Size or Incidence

There were no items affecting assets, liabilities, equity, net income, or cash flows during the interim period.

7. Changes in Estimates

There were no changes in the nature and amount of estimates reported that will have a material effect in the current quarter.



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8. Changes in Debts and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities except for the following:

- **Share Capital**

	Number of Ordinary Shares ('000) of RM0.10 each	
	2010	2009
As at 1 January	1,041,510	872,050
Issue of ordinary shares pursuant to Share Placement	109,540	169,460
As at 31 March/December	<u>1,151,050</u>	<u>1,041,510</u>

Via private placements on 13 January 2010, 15 January 2010 and 19 January 2010, the Company issued a total of 109,540,000 new ordinary shares of RM0.10 each fully paid up at issue price of RM 0.16 each to increase the Share Capital by RM10.9 million and Share Premium Account by RM5.5 million.

9. Dividend

No dividend was paid for the financial period ended 31 March 2010.



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10. Segmental Information

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

	3 MONTHS ENDED		3 MONTHS ENDED	
	31 MAR	31 MAR	31 MAR	31 MAR
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Sales and Marketing	11,139	14,699	11,139	14,699
Technical Support and Management	17,442	16,671	17,442	16,671
Leisure and Entertainment (1)	2,293	129	2,293	129
Others (2)	435	4,167	435	4,167
	<u>31,309</u>	<u>35,666</u>	<u>31,309</u>	<u>35,666</u>
Eliminations	(90)	(90)	(90)	(90)
Revenue	<u>31,219</u>	<u>35,576</u>	<u>31,219</u>	<u>35,576</u>
EBITDA* before impairment				
Sales and Marketing	(224)	1,298	(224)	1,298
Technical Support and Management	11,228	8,465	11,228	8,465
Leisure and Entertainment	(7,163)	(2,468)	(7,163)	(2,468)
Others	(693)	1,558	(693)	1,558
Unallocated	(1,803)	5,804	(1,803)	5,804
	<u>1,345</u>	<u>14,657</u>	<u>1,345</u>	<u>14,657</u>
Segment Results				
Sales and Marketing	(309)	1,122	(309)	1,122
Technical Support and Management	(7,245)	(5,251)	(7,245)	(5,251)
Leisure and Entertainment	(7,424)	(2,944)	(7,424)	(2,944)
Others	(736)	1,489	(736)	1,489
	<u>(15,714)</u>	<u>(5,584)</u>	<u>(15,714)</u>	<u>(5,584)</u>
Unallocated (Expenses)/ Income	(1,746)	5,837	(1,746)	5,837
- Foreign exchange loss/ (gain)	1,776	(7,240)	1,776	(7,240)
- Non-trade receivables written off	-	227	-	227
- Sundry income	(1,202)	(46)	(1,202)	(46)
- Other expenses	1,172	1,222	1,172	1,222
Operating (loss)/ profit	<u>(17,460)</u>	<u>253</u>	<u>(17,460)</u>	<u>253</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.

* Earnings before interest, taxation, depreciation & amortization



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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.

12. Subsequent Events

At the 7th Annual General Meeting held on 26th May 2010, the shareholders had approved the change of company name from Dreamgate Corporation Bhd. to RGB International Bhd. The change of name will be effective from the date of issuance of Certificate of Incorporation on the change of name of the Company by the Companies Commissions of Malaysia.

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 31 MAR 2010 RM'000
Gaming machines and equipment	<u>12,400</u>

16. Significant Related Party Transactions

There were no significant related party transactions entered into during the current quarter.



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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			3 MONTHS ENDED		
	31 MAR 2010 RM'000	31 MAR 2009 RM'000	% +/-)	31 MAR 2010 RM'000	31 MAR 2009 RM'000	% +/-)
Revenue						
Sales and Marketing	11,139	14,699	-24%	11,139	14,699	-24%
Technical Support and Management	17,442	16,671	+5%	17,442	16,671	+5%
Leisure and Entertainment (1)	2,293	129	+1678%	2,293	129	+1678%
Others (2)	345	4,077	-92%	345	4,077	-92%
Total	31,219	35,576	-12%	31,219	35,576	-12%
EBITDA* before impairment						
Sales and Marketing	(224)	1,298	-117%	(224)	1,298	-117%
Technical Support and Management	11,228	8,465	+33%	11,228	8,465	+33%
Leisure and Entertainment (1)	(7,163)	(2,468)	+190%	(7,163)	(2,468)	+190%
Others (2)	(693)	1,558	-144%	(693)	1,558	-144%
Unallocated	(1,803)	5,804	-131%	(1,803)	5,804	-131%
Total	1,345	14,657	-91%	1,345	14,657	-91%
(Loss)/ Profit before tax						
Sales and Marketing	(309)	1,122	-128%	(309)	1,122	-128%
Technical Support and Management	(7,245)	(5,251)	+38%	(7,245)	(5,251)	+38%
Leisure and Entertainment	(7,424)	(2,944)	+152%	(7,424)	(2,944)	+152%
Others	(1,008)	1,227	-182%	(1,008)	1,227	-182%
	(15,986)	(5,846)	+173%	(15,986)	(5,846)	+173%
Unallocated (Expenses)/ Income	(4,284)	3,489	-223%	(4,284)	3,489	-223%
- Finance cost	2,538	2,348	+8%	2,538	2,348	+8%
- Foreign exchange loss/ (gain)	1,776	(7,240)	+125%	1,776	(7,240)	+125%
- Non-trade receivable written off	-	227	-100%	-	227	-100%
- Sundry Income	(1,202)	(46)	+2513%	(1,202)	(46)	+2513%
- Other expenses	1,172	1,222	-4%	1,172	1,222	-4%
Loss before tax	(20,270)	(2,357)	+760%	(20,270)	(2,357)	+760%

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.

* Earnings before interest, taxation, depreciation & amortisation



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17. Performance Review (Continued)

The decrease in revenue by 24% for quarter ended 31 March 2010 as compared to previous year's corresponding quarter for Sales and Marketing ("SSM") division is mainly due to :-

- soft market demand; and
- deferment of projects/capital expenditure for casino operators in Philippines owing to the general election.

The Group was able to secure sales to Macau and Vietnam in this quarter.

The summary of machines sold is as follows:-

Country	Number of machines sold	
	31 Mar 2010	31 Mar 2009
	(Unit)	(Unit)
Macau	44	8
Malaysia	-	54
Philippines	24	132
Vietnam	29	-
Others	5	-
Grand Total:	102	194

The negative EBITDA before impairment and loss before tax for SSM is mainly due to lower profit margin for products sold and impairment loss on lease receivables.

The revenue for Technical Support and Management ("TSM") division increased slightly by 5% for the quarter ended 31 March 2010 as compared to previous year's corresponding quarter. The increase in sales is mainly due to more machines in operations with the opening of 11 new outlets and closure of 5 non-performing outlets throughout period from April 2009 to March 2010. The summary of outlets in operations and the number of machines placed as at 31 March 2010 and 2009 are as follows:-

Country	Number of outlets as at	
	31 Mar 2010	31 Mar 2009
Cambodia	11	12
Philippines	18	15
Vietnam	2	3
Macau	6	2
Laos	2	1
Grand Total:	39	33



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17. Performance Review (Continued)

Country	Number of machines placed as at	
	31 Mar 2010 (Unit)	31 Mar 2009 (Unit)
Cambodia	1,976	1,953
Philippines	2,040	1,648
Vietnam	152	194
Macau	871	218
Laos	159	59
Grand Total:	5,198	4,072

Included in the 5,198 machines are 194 units (2009 : 136 units) which are owned by 3rd parties under profit sharing agreements with the Group.

The continuing emphasis to improve the yield per machine and effective cost reduction plan enabled TSM division to achieve a positive EBITDA before impairment of RM11 million, reflecting an increase of 33% as compared to previous years' corresponding quarter. The loss before tax increased by 38% due to high depreciation expenses arising from more machines in operations and under the mobilization plan. The planned mobilization of machines for this and the 2nd quarter were delayed and will be installed in the 2nd half of the year due to delay in opening of new sites in the Philippines and Laos by the licence holders.

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



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18. Comparison with previous quarter's results

	CURRENT QUARTER RM'000	PREVIOUS QUARTER RM'000	% + / (-)
Revenue			
Sales and Marketing	11,139	41,920	-73%
Technical Support and Management	17,442	15,195	+15%
Leisure and Entertainment (1)	2,293	6,845	-67%
Others (2)	345	1,426	-76%
	<u>31,219</u>	<u>65,386</u>	<u>-52%</u>
EBITDA* before impairment			
Sales and Marketing	(224)	4,376	-105%
Technical Support and Management	11,228	7,729	+45%
Leisure and Entertainment	(7,163)	(1,423)	+403%
Others	(693)	(753)	-8%
Unallocated	(1,803)	(1,794)	+1%
	<u>1,345</u>	<u>8,135</u>	<u>-83%</u>
(Loss)/ Profit before tax			
Sales and Marketing	(309)	3,962	-108%
Technical Support and Management	(7,245)	(30,042)	-76%
Leisure and Entertainment	(7,424)	(2,094)	+255%
Others	(1,008)	(1,079)	-7%
	<u>(15,986)</u>	<u>(29,253)</u>	<u>-45%</u>
Unallocated Expenses	(4,284)	(8,592)	-50%
- Finance cost	2,538	2,364	+7%
- Foreign exchange loss	1,776	1,364	+30%
- Non-trade receivables written off	-	64	-100%
- Sundry Income	(1,202)	(146)	+723%
- Other expenses	1,172	4,946	-76%
	<u>(20,270)</u>	<u>(37,845)</u>	<u>-46%</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.

* Earnings before interest, taxation, depreciation & amortisation



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

The decrease in revenue and profit before tax for Sales and Marketing (“SSM”) division in this quarter was due to a decreased in the number of machines sold as tabulated below. The decrease in sales was mainly due to seasonal fluctuations.

Country	Number of machines sold	
	31 Mar 2010	31 Dec 2009
	(Unit)	(Unit)
Macau	44	10
Philippines	24	310
Vietnam	29	22
Others	5	200
Grand Total:	102	542

The increase in revenue from TSM due to better income from outlets (opened last year) which have started to generate positive cash flow and revenues as a result of marketing and promotional activities and review of layout and machines mix.

The EBITDA before impairment for TSM division improved by 45% to RM11 million primarily due to higher revenue driven by a higher average daily income per machine, substantially reduced operating expenses and lower mobilization costs. The division recorded a loss before tax of RM7 million (2009: RM5 million before impairment charge on machines of RM25 million) is mainly due to higher depreciation expenses.

The revenue of Chateau declined by 67% as compared to previous quarter is due to high winnings by junket players.

19. Commentary on Prospects

Although the number of machines sold in the 1st quarter was low, the Group still expects the sales till the end of 2010 to match quantities sold in 2009 as it is planning to launch its in-house developed games including Manny Pacquiao “Pacman Poker” series in the 2nd half of 2010.

The Group expects to open 11 outlets with approximately 2,500 machines by end of 2010, of which 1,400 will be from the remaining mobilized machines and the rest will be new machines to be supplied under a proposed profit sharing scheme.

The Group continues to intensify efforts to improve the yield per machine for all concessions and outlets which continue to underperform will be closed.

In April 2010 the Group has strengthened its marketing strategy at Chateau to capture a wider segment of the mass market and it is experiencing an increase in players resulting in an increase in revenue in the 2nd quarter of 2010.

In view of the foregoing, the Group expects to perform better than last year.



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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		3 MONTHS ENDED	
	31 MAR 2010	31 MAR 2009	31 MAR 2010	31 MAR 2009
	RM'000	RM'000	RM'000	RM'000
Income Tax				
- Current period	13	168	13	168

Domestic income tax is calculated at the Malaysian statutory rate of 25% (2009: 25%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

22. Profit on sale of Investments and/or Properties

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

23. Purchase and Disposal of Quoted Securities

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



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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 Mar 2010 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 March 2010, the Company has outstanding CPs of RM99 million with tenure of 1 month.



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25. Borrowings

	AS AT 31 MAR 2010 RM'000	AS AT 31 DEC 2009 RM'000
Short Term Borrowings:		
<u>Secured</u>		
Bank overdrafts	3,808	5,705
Bankers' acceptances	-	1,369
Onshore foreign currency loan	13,120	17,205
Term loans	11,964	14,632
<u>Unsecured</u>		
Commercial Papers	98,895	98,664
	127,787	137,575
Long Term Borrowings:		
<u>Secured</u>		
Term loans	7,685	9,808
Total borrowings	<u>135,472</u>	<u>147,383</u>
Borrowings denominated in foreign currency as at 31 Mar 2010:		
	USD'000	RM'000
Borrowings	<u>7,908</u>	<u>25,880</u>

26. Derivative Financial Instruments

The Group does not have any derivative financial instruments 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. Loss Per Share

(a) Basic

Basic loss per share amounts are calculated by dividing the loss for the period attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period.

	3 MONTHS ENDED		3 MONTHS ENDED	
	31 MAR	31 MAR	31 MAR	31 MAR
	2010	2009	2010	2009
Loss attributable to owners of the parent (RM'000)	<u>(17,725)</u>	<u>(2,207)</u>	<u>(17,725)</u>	<u>(2,207)</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,133,376</u>	<u>872,050</u>	<u>1,133,376</u>	<u>872,050</u>
Basic loss per share (sen)	<u>(1.56)</u>	<u>(0.25)</u>	<u>(1.56)</u>	<u>(0.25)</u>

29. Authorisation For Issue

On 26 May 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
26 May 2010