



M DREAM INWORLD LIMITED

聯夢活力世界有限公司*

(Incorporated in the Cayman Islands with limited liability)

(the “Company”)

(Stock Code: 8100)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2006

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of the Stock Exchange for the purpose of giving information with regard to the company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purpose only

The board of directors (“the Board”) of M Dream Inworld Limited (“the Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together “the Group”) for the six months ended 30 June 2006 (“the Period”).

CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2006 (in HK Dollars)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Turnover	2	1,132	8,462	6,400	18,528
Cost of sales		(1,020)	(4,965)	(4,939)	(10,987)
Gross profit		112	3,497	1,461	7,541
Other revenue		6	31	10	66
Administrative expenses		(1,939)	(10,534)	(5,321)	(17,427)
Selling and distribution costs		(24)	(2,081)	(69)	(3,315)
Write off of goodwill upon disposal of equity interests in subsidiaries		-	-	-	(17,197)
Unrealized profit/(loss) on other investment		-	2,057	-	984
Loss from operations		(1,845)	(7,030)	(3,919)	(29,348)
Finance costs		(5)	(487)	(193)	(687)
Loss before taxation		(1,850)	(7,517)	(4,112)	(30,035)
Taxation	3	-	(50)	-	(50)
Loss after taxation		(1,850)	(7,567)	(4,112)	(30,085)
Minority interest		-	1,652	-	1,261
Net loss attributable to shareholders		(1,850)	(5,915)	(4,112)	(28,824)
Loss per share					
Basic (cents)	4	(0.0700)	(0.2270)	(0.1600)	(1.1060)
Diluted (cents)	4	N/A	N/A	N/A	N/A

CONSOLIDATED BALANCE SHEET

	30 June 2006 (unaudited) HK\$'000	31 December 2005 (audited) HK\$'000
Non-current assets		
Property, plant and equipment	196	256
Current assets		
Cash and bank balances	311	458
Prepayments, deposits and other receivables	2,386	846
Time deposits	191	495
Trade receivables	2,190	4,939
	5,078	6,738
Current liabilities		
Amounts due to directors	2,881	2,656
Amount due to a related party	223	238
Other payables and accruals	14,798	14,070
Short term unsecured interest bearing loan	17,578	17,578
Trade payables	12,294	10,840
	47,774	45,382
Net current liabilities	(42,696)	(38,644)
Total assets less current liabilities	(42,500)	(38,388)
Non-current liabilities		
Convertible notes	(9,484)	(9,484)
Net liabilities	(51,984)	(47,872)
Representing		
Share capital	26,069	26,069
Reserves	(78,053)	(73,941)
	(51,984)	(47,872)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Six months ended 30 June 2006 HK\$'000	Six months ended 30 June 2005 HK\$'000
Total equity at 1 January 2006/2005	(47,872)	88,785
Net loss for the period	(4,112)	(28,824)
Share issue expenses	<u>–</u>	<u>(227)</u>
Total equity at 30 June 2006/2005	<u>(51,984)</u>	<u>59,734</u>

**CONSOLIDATED CONDENSED CASH FLOW STATEMENT
(UNAUDITED)**

	Six months ended 30 June 2006 HK\$'000	30 June 2005 HK\$'000
Net cash used in operating activities	(451)	(14,111)
Net cash used in investing activities	–	(1,705)
Net cash generated from financing activities	<u>–</u>	<u>10,607</u>
Net decrease in cash and cash equivalents	(451)	(5,209)
Cash and cash equivalents at 1 January	<u>953</u>	<u>9,503</u>
Cash and cash equivalents at 30 June	<u>502</u>	<u>4,294</u>
Analysis of balance of cash and cash equivalents		
Cash and bank balances	311	3,805
Time deposits	<u>191</u>	<u>489</u>
	<u>502</u>	<u>4,294</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretation (“Ints”) issued by the Hong Kong Institute of Certified Public Accountants (“the HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules of the Hong Kong Stock Exchange.

The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets at fair value through profit and loss.

2. TURNOVER

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Turnover		
System solutions services income	6,400	10,095
Mobile game and value added services	–	8,401
Others	–	32
	<u>6,400</u>	<u>18,528</u>

3. TAXATION

No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profits in Hong Kong for the Period (2005: Nil).

Taxation on overseas profits is charged at the rates of taxation prevailing in the countries in which the Companies operate. No overseas taxation has been made in the financial statements for the subsidiaries operating outside Hong Kong for the Period (2005: HK\$50,000).

4. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the Period of approximately HK\$4,112,000 (2005: HK\$28,824,000) and the weighted average of 2,606,949,911 (2005: 2,606,949,911) ordinary shares in issue during the Period.

No diluted loss per share has been presented because the exercise price of the Company’s share options was higher than the average market price per share for the Period and other potential ordinary shares are anti-dilutive.

5. SEGMENT INFORMATION

The details of business segment are as follows:

	System solution services		Mobile game and value added services		Others		Consolidated	
	30 June 2006	30 June 2005	30 June 2006	30 June 2005	30 June 2006	30 June 2005	30 June 2006	30 June 2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<u>6,400</u>	<u>10,095</u>	<u>-</u>	<u>8,401</u>	<u>-</u>	<u>32</u>	<u>6,400</u>	<u>18,528</u>
Results	<u>(2,797)</u>	<u>(2,805)</u>	<u>-</u>	<u>(305)</u>	<u>(1,122)</u>	<u>(9,041)</u>	<u>(3,919)</u>	<u>(12,151)</u>
Written off of goodwill upon disposal of equity in subsidiaries							-	(17,197)
Finance costs							<u>(193)</u>	<u>(687)</u>
Loss before taxation							<u>(4,112)</u>	<u>(30,035)</u>
Taxation							<u>-</u>	<u>(50)</u>
Loss after taxation							<u>(4,112)</u>	<u>(30,085)</u>
Minority interests							<u>-</u>	<u>1,261</u>
Loss attributable to shareholders							<u>(4,112)</u>	<u>(28,824)</u>

The details of geographical segment are as follows:

	Six months ended	
	30 June	30 June
	2006	2005
	HK\$'000	HK\$'000
Turnover		
Mainland China	–	8,699
Singapore	6,400	9,609
Hong Kong	–	16
Philippines	–	172
Other countries	–	32
	<u>6,400</u>	<u>18,528</u>
Other revenue		
Singapore	8	15
Hong Kong	2	51
	<u>10</u>	<u>66</u>
Total revenue	<u>6,410</u>	<u>18,594</u>
Segment results		
Mainland China	–	(5,436)
Singapore	(2,797)	(2,049)
Hong Kong	(1,122)	(4,686)
Other countries	–	20
	<u>–</u>	<u>–</u>
Loss from operations	(3,919)	(12,151)
Written off of goodwill upon disposal of equity interest in subsidiaries	–	(17,197)
Finance costs	(193)	(687)
Taxation	–	(50)
Minority interests	–	1,261
	<u>–</u>	<u>–</u>
Loss attributable to shareholders	<u>(4,112)</u>	<u>(28,824)</u>

6. RESERVES

There were no movements in reserves of the Group during the Period other than loss attributable to shareholders of approximately HK\$4,112,000.

7. DIVIDEND

The Board does not recommend any payment of dividend for the Period (2005: Nil).

BUSINESS REVIEW

The company is an investment holding company. When the Company offered its initial public offering in December 2001, its subsidiaries focused on the provision of system solutions in the Asian region with a primary focus in Hong Kong, Mainland China and Singapore.

In retrospect, the Company had tried to venture into new business area like mobile value added business and online game operations in China, however, these projects were rather unsuccessful. Our subsidiary in Singapore Elipva Limited (“Elipva”) which specialized in the provision of system solutions, including e-services/consulting, internet application software and enterprise software/services such as e-business applications, identity and access management, security infrastructure, human capital and financial management, system and enterprise applications integration. The major customers of Elipva include various financial institutions, multinational companies as well as government agencies in Singapore. The performance of the system solution business was acceptable in view of the slower economics pickup in Singapore.

FINANCIAL REVIEW

Turnover

The turnover of the Group was approximately HK\$6 million for the Period, representing a decrease of 66% compared to the turnover for the period ended 30 June 2005 of approximately HK\$18 million.

Loss for the period

The loss attributable to shareholders for the Period was approximately HK\$4,112,000 compared to approximately HK\$28,824,000 for the period ended 30 June 2005. The significant reduce is due to there was no goodwill written off during the Period as all goodwill previously generate was fully impaired as at 31 December 2005.

Capital structure

There has been no change in the capital structure of the Company during the Period.

Foreign exchange exposure

During the Period the business activities of the Group were mainly denominated in Hong Kong dollars, Renminbi and Singapore dollars. The directors did not consider the Group was significantly exposed to any foreign currency exchange risk.

Significant investments

The Group had no significant investments during the Period.

Material acquisitions and disposals

The Group had no material acquisition during the Period.

OUTLOOK

The Period was a slow period for the Group. The Group will continue to grow organically by strengthening its technical edge and bringing ingenious offerings to the market. Although, the company has stopped operation for its MMORPG (Massively Multiplayer Online Role Play Game) and sold off its mobile value added service subsidiary; the company will actively look for opportunity to invest or acquire company in China.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 June 2006, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong ("SFO"), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long position in the ordinary shares of the Company

Name of director	Personal interests	Corporate interests	Total interests	Percentage of interests
Mr. Koh Tat Lee, Michael	–	323,104,376 (Note 1)	323,104,376	12.39%
Dr. Choong Ying Chuan	2,563,930	46,089,697 (Note 2)	48,653,627	1.87%

Notes:

1. These shares are held by Dynamate Limited of which the entire issued share capital is beneficially owned by Mr. Koh Tat Lee, Michael. Accordingly, Mr. Koh is deemed to be interested in the shares beneficially owned by Dynamate Limited.
2. These shares are held by eMatrix Pte Limited of which 83.33% of the entire issued capital is beneficially owned by Dr. Choong Ying Chuan. Accordingly, Dr. Choong is deemed to be interested in the shares beneficially owned by eMatrix Pte Limited.

Save as disclosed above, as at 30 June 2006, none of the Directors or chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Apart from those as disclosed under the heading "Share Options" below, at no time during the Period was the Company or any of its subsidiaries a party to any arrangements to enable the directors and chief executives, their respective spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTIONS

Pre-IPO share option scheme

On 14 December 2001, the Pre-IPO Share Option Scheme was approved and adopted by a written resolution of all the Shareholders. The purpose of the Pre-IPO Share Option Scheme is to recognize the contribution of certain directors and employees of the Group to the growth of the Group and/or the listing of the Shares on GEM.

No options granted under the Pre-IPO Share Option Scheme were outstanding up to the date of the approval of the financial statements.

Share option scheme

The Company has also adopted a share option scheme on 14 December 2001 ("Share Option Scheme") under which the directors may at their discretion grant options to employees (whether under full-time or part-time employment) and directors (whether executive, non-executive or independent non-executive) of the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated in the Share Option Scheme. An aggregate of 129,220,000 options were outstanding under the share option scheme up as at the end of the Period.

Particulars and movements during the Period of the outstanding share options granted under the Share Option Scheme were as follows:

Name or Category of participant	As at 1 January 2006	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	As at 30 June 2006	Date of grant of share options	Exercise period of share options	Exercise price of share options
Mr. Wong Kean Li	16,000,000	-	-	-	-	16,000,000	20 May 2004	20 May 2004 to 19 May 2014	HK\$0.036
Mr. Chen Domingo	22,000,000	-	-	-	-	22,000,000	24 November 2004	24 November 2004 to 23 November 2014	HK\$0.034
Dr. Chung Ying Chuan	16,000,000	-	-	-	-	16,000,000	24 November 2004	24 November 2004 to 23 November 2014	HK\$0.034
Employees	17,000,000	-	-	-	-	17,000,000	9 October 2003	9 October 2003 to 8 October 2013	HK\$0.076
Employees	1,500,000	-	-	-	-	1,500,000	31 March 2004	31 March 2004 to 30 March 2014	HK\$0.060
Employees	35,400,000	-	-	-	-	35,400,000	20 May 2004	20 May 2004 to 19 May 2014	HK\$0.036
Employees	14,500,000	-	-	-	-	14,500,000	30 June 2004	30 June 2004 to 29 June 2014	HK\$0.047
Employees	6,820,000	-	-	-	-	6,820,000	24 November 2004	1 July 2005 to 23 November 2014 (Note 1)	HK\$0.034
Total	<u>129,220,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>- 129,220,000</u>			

Note 1: Options granted to these grantees are entitled to exercise (i) half of the options granted to them after 30 June 2005; (ii) the remaining options after 31 December 2005.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, the following persons (not being directors or chief executives of the Company whose interest are disclosed above) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Division 2 and 3 or Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the group, or substantial shareholder required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholders	Number of shares held	Percentage of the Company's share capital
Temasek Holdings (Private) Limited (<i>Note 1</i>)	507,862,364	19.48%
Singapore Technologies Telemedia Pte Ltd (<i>Note 1</i>)	507,862,364	19.48%
STT Communications Ltd (<i>Note 1</i>)	507,862,364	19.48%
stt Ventures Ltd (<i>Note 1</i>)	507,862,364	19.48%
Yu Chung Choi, Chaucer	307,000,000	11.78%
Madam Lidya Suryawaty (<i>Note 2</i>)	204,870,228	7.86%
Dr. Mochtar Riady (<i>Note 2</i>)	204,870,228	7.86%
Lanius Limited (<i>Note 2</i>)	204,870,228	7.86%
Lippo Cayman Limited (<i>Note 2</i>)	204,870,228	7.86%
Lippo Limited (<i>Note 2</i>)	204,870,228	7.86%
Lippo China Resources Limited (<i>Note 2</i>)	204,870,228	7.86%
HKCL Holdings Limited (<i>Note 2</i>)	204,870,228	7.86%
Hongkong Chinese Limited (<i>Note 2</i>)	204,870,228	7.86%
Allwin Asia Inc. (<i>Note 2</i>)	204,870,228	7.86%
Dynamate Limited (<i>Note 3</i>)	323,104,376	12.39%
Koh Tat Lee, Michael (<i>Note 3</i>)	323,104,376	12.39%
Shenzhen Ingen Technology Company Limited	147,440,000	5.66%

Notes:

- These shares are held by stt Ventures Limited, which is a wholly-owned subsidiary of STT Communications Limited ("STTC"). 99.99% of the interest of STTC is in turn held by Singapore Technologies Telemedia Pte Ltd, which is in turn a wholly-owned indirect subsidiary of Temasek Holdings (Private) Limited. Accordingly, Temasek Holdings (Private) Limited, Singapore Technologies Telemedia Pte Ltd and STTC are deemed to be interested in the shares beneficially owned by stt Ventures Limited.

2. These shares are held by Allwin Asia Inc., which is a wholly-owned indirect subsidiary of Hongkong Chinese Limited. 60.97% of the interest of Hongkong Chinese Limited is in turn held by HKCL Holdings Limited, which is in turn a wholly-owned indirect subsidiary of Lippo China Resources Limited. 71.13% of the interest of Lippo China Resources Limited is in turn indirectly held by Lippo Limited.

Lippo Cayman Limited is the holding company of Lippo Limited through direct holding and through wholly-owned subsidiaries, one of which is Lippo Capital Limited which controls an approximate 50.47% interest in Lippo Limited.

Lanius Limited is the registered shareholder of the entire issued share capital of Lippo Cayman Limited and is the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanius Limited is accustomed to act. The beneficiaries of the trust include Dr. Mochtar Riady and his family members. Madam Lidya Suryawaty is the spouse of Dr. Mochtar Riady. Dr. Mochtar Riady is not the registered holder of any shares in issued share capital of Lanius Limited.

According, Madam Lidya Suryawaty, Dr. Mochtar Riady, Lanius Limited, Lippo Cayman Limited, Lippo Limited, Lippo China Resources Limited, HKCL Holdings Limited and Hongkong Chinese Limited are deemed to be interested in the shares beneficially owned by Allwin Asia Inc.

3. These shares are held by Dynamate Limited of which the entire issued capital is beneficially owned by Mr. Koh Tat Lee, Michael. Accordingly, Mr. Koh is deemed to be interested in the shares beneficially owned by Dynamate Limited.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the Period.

COMPETING INTEREST

As at the date of this report none of the directors, or the management shareholders of the Company has any interest in a business which competes or may compete with the business of the Group.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in accordance with Rules 5.34 to 5.45 of the GEM Listing Rules. The audit committee members as at the date of this report are Mr. Cheung Wai Shing, Mr. Tsang Kwok Wai and Mr. Chu, Ray. They are the independent non-executive directors of the Company. The audit committee's principal duties are to review and supervise the financial reporting process and internal control procedures of the Group.

The Company's financial statements for Period have been reviewed and discussed by the audit committee before any disclosure and release of information.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules during the Period.

By order of the Board
M Dream Inworld Limited
Koh Tat Lee, Michael
Chairman

Hong Kong, 6 October 2006

As at the date of this announcement, the board of Directors consists of Mr. Koh Tat Lee, Michael, Mr. Domingo Chen and Dr. Choong Ying Chuan, being the executive Directors, Mr. Wong Kean Li, being the non-executive Director, Mr. Cheung Wai Shing, Mr. Tsang Kwok Wai and Mr. Chu, Ray, being the independent non-executive directors.

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