



M DREAM INWORLD LIMITED

聯夢活力世界有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8100

THIRD QUARTERLY REPORT 2008

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

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This report, 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

RESULTS

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 nine months ended 30 September 2008 (“the Period”).

CONSOLIDATED INCOME STATEMENT

For the period ended 30 September 2008 (in HK Dollars)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Turnover	2	4,393	2,513	11,470	10,648
Cost of sales		(2,465)	(971)	(6,542)	(3,105)
Gross profit		1,928	1,542	4,928	7,543
Other revenue	3	93	224	9,365	16,773
Administrative expenses		(3,299)	(3,643)	(11,638)	(11,203)
Selling and distribution costs		(4)	(15)	(26)	(39)
Profit/(Loss) from operations		(1,282)	(1,892)	2,629	13,074
Finance costs		(2)	(1)	(43)	(150)
Profit/(Loss) before taxation		(1,284)	(1,893)	2,586	12,924
Taxation	4	-	-	-	-
Net profit/(loss) attributable to shareholders		(1,284)	(1,893)	2,586	12,924
Earning/(Loss) per share					
Basic (cents)	5	(0.16)	(0.73)	0.32	4.96
Diluted (cents)	5	N/A	N/A	N/A	N/A

NOTES

1. Basis of preparation

The consolidated financial statements of the Company have been prepared under the historical cost convention in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “GEM Listing Rules”) of the Hong Kong Stock Exchange Limited (the “Stock Exchange”).

The HKICPA has issued certain new and revised HKFRSs recently including HKFRS 7 and the amendment of HKAS 1. Both HKFRS 7 and the amendment of HKAS 1 do not have any material impact on then classification, recognition and measurements of the amounts recognized in the financial statements.

2. Turnover

	Nine months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
Turnover		
System solutions services income	11,470	9,884
Others	–	764
	11,470	10,648

3. Other revenue

Including in the other revenue is an amount of approximately HK\$8,887,000 which is generated upon disposing 30% shareholding of the Singapore subsidiary Elipva to its chief executive officer during the Period. The accumulated loss of Elipva after it became a subsidiary is partly taken up by the chief executive officer as minority resulting such gain. For the same period in 2007, the Company recorded a gain on derecognition of unsecured loans of HK\$16,137,000.

RESULTS

4. 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 (2007: 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 (2007: Nil).

5. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net profit attributable to shareholders for the Period of approximately HK\$2,586,000 (2007: HK\$12,924,000) and the weighted average of 816,899,263 (2007:260,694,991(restated)) ordinary shares in issue during the Period.

No diluted earnings/(loss) per share has been presented because there were no dilutive events during the Period and the same period for 2007.

6. Segment information

The details of business segment are as follows:

	System solution services		Other		Consolidated	
	Nine months ended	Nine months ended	Nine months ended	Nine months ended	Nine months ended	Nine months ended
	30 September 2008	30 September 2007	30 September 2008	30 September 2007	30 September 2008	30 September 2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	11,470	10,648	9,365	16,773	20,835	27,421
Operating results	(423)	(1,334)	3,052	14,408	2,629	13,074
Finance costs					(43)	(150)
Profit before taxation					2,586	12,924
Taxation					-	-
Net profit attributable to shareholders					2,586	12,924

The details of geographical segments are as follows:

	Nine months ended	
	30 September 2008 HK\$'000	30 September 2007 HK\$'000
Turnover		
Mainland China	–	764
Singapore	10,150	7,309
Hong Kong	1,320	2,575
	<hr/> 11,470	<hr/> 10,648
Other revenue		
Mainland China	85	–
Singapore	–	20
Hong Kong	9,280	16,753
	<hr/> 9,365	<hr/> 16,773
Total revenue	<hr/> 20,835	<hr/> 27,421
Segment results		
Mainland China	(19)	(88)
Singapore	(702)	(1,535)
Hong Kong	3,350	14,697
	<hr/> 2,629	<hr/> 13,074
Profit from operations	2,629	13,074
Finance costs	(43)	(150)
Taxation	–	–
	<hr/> 2,586	<hr/> 12,924
Net profit attributable to shareholders	<hr/> 2,586	<hr/> 12,924

05

7. Capital

During the Period the Company has issued 19,143,439 ordinary shares to two creditors as settlement for debts with total amount of HK\$5,418,000.

RESULTS

8. Reserves

	Share Capital HK\$'000	Share Premium HK\$'000	Contributed Surplus HK\$'000	Exchange Reserve HK\$'000	Accumulated Losses HK\$'000	Total HK\$'000
Balance as at						
1 January 2007	26,069	106,730	6,426	(307)	(172,396)	(33,478)
Exchange realignment	-	-	-	(182)	-	(182)
Net profit for the period	-	-	-	-	12,924	12,924
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance as at						
30 September 2007	<u>26,069</u>	<u>106,730</u>	<u>6,426</u>	<u>(489)</u>	<u>(159,472)</u>	<u>(20,736)</u>
Balance as at						
1 January 2008	8,007	159,239	6,426	(483)	(138,371)	34,818
Issue of new shares	191	5,227	-	-	-	5,418
Exchange realignment	-	-	-	899	-	899
Net profit for the Period	-	-	-	-	2,586	2,586
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance as at						
30 September 2008	<u>8,198</u>	<u>164,466</u>	<u>6,426</u>	<u>416</u>	<u>(135,785)</u>	<u>43,721</u>

9. Dividend

The Board does not recommend any payment of dividend for the Period (2007: Nil).

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

Everyone would remember 2008 as a year when the global economy is suffered so deeply that recession is right at the corner. The financial tsunami has almost affected every industry and its magnitude is yet to be known. In the first three quarter the Group recorded turnover in amount similar to the same period in 2007.

Despite the terrible economic environment the Company has sufficient cash reserve after the placement in last year and the money has been kept as fixed deposit in bank to earn interest. The Company has not ever spent the money on any security or derivatives investment. The prudence of the management is correct as there is no suffer at all to the Company in the recent crash of the worldwide stock markets.

FINANCIAL REVIEW

Turnover

The turnover of the Group was approximately HK\$11,470,000 for the Period, representing an increase of 8% compared to the turnover for the period ended 30 September 2007 of approximately HK\$10,648,000.

Profits for the period

The profits attributable to shareholders for the Period was approximately HK\$2,586,000 compared to profits attributable to shareholders of approximately HK\$12,924,000 for the period ended 30 September 2007. The impressive result of last year was due a large gain on derecognition of unsecured loans of about HK\$16,137,000.

Capital structure

There has been no significant change in the capital structure of the Company during the Period except the issue of new shares of 2,338,460 shares and 16,804,979 shares respectively in two loan capitalization exercises.

Foreign exchange exposure

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

MANAGEMENT DISCUSSIONS AND ANALYSIS

Aging of trade receivables and payables

The aging of the Group's trade receivables and payables as at the end of the Period were normal and within two months.

Significant investments

The Group had no significant investments during the Period.

Material acquisitions and disposals

The Group had no material acquisition or disposal during the Period except the disposal of 30% shareholding of the Singapore subsidiary to its chief executive officer at a consideration of Singapore \$100,000. The Group still holds 70% shareholding of it.

CORPORATE GOVERNANCE

The Directors are pleased to report that throughout the Period the Company substantially complied with the Code of Corporate Governance Practices ("the Code") as set out in Appendix 15 of the Listing Rules. In particular, the Company has ensured:

- the appointment to and the composition and operation of the Board of Directors;
- duty delegation by the Board;
- operations of committees and
- accountability and internal control,

were in compliance with the Code.

MANAGEMENT DISCUSSIONS AND ANALYSIS

DEALINGS FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has relied on Rules 5.48 to 5.67 of the GEM Listing Rules as the required standard of dealings in respect to any dealings in the Company's securities by the Company's Directors.

General and specific enquiries have been made to all Directors and they all confirmed they have complied with the said GEM Listing Rules during the Period.

The Company has established written guidelines to further govern Directors when dealing in the Company's securities.

OUTLOOK

As the economic environment has been deteriorating the Company should develop more new business. The Company is setting up a new wholly owned subsidiary in Beijing and this subsidiary will come into operations in the fourth quarter with principal activity in trading and development of IT products and systems. The registered capital of HK\$ 10 million has been injected and there have been some negotiations with a few prospective customers. The management believes this new subsidiary will contribute significantly to the sales of the Group, in long run can create great value to shareholders.

The management is still actively exploring any business with good prospects so to increase the scale of operations of the Group. When the right opportunity appears, among all others things the support and approval from the shareholders of the Company is essential.

OTHER INFORMATION

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 September 2008, 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 ("SFO"), Chapter 571 under the Laws of Hong Kong), 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 5.67 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. Yu Shu Kuen	-	205,000,000 (Note 1)	205,000,000	25.00%
Ms. Li Fang Hong	-	155,000,000 (Note 2)	155,000,000	18.91%

Notes:

1. These shares are held by Ample Field Limited, which is wholly and beneficially owned by Mr. Yu Shu Kuen.
2. These shares are held by Universal Target Limited and it is wholly owned by Eternal Mass Limited. Eternal Mass Limited is 40% beneficially owned by Ms. Li Fang Hong and the rest 60% is beneficially owned by Mr. Gui Song, who is the spouse of Ms. Li Fang Hong.

Save as disclosed above, as at 30 September 2008, 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 5.67 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

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.

11

SHARE OPTION SCHEME

2007 New Share Option Scheme

On 24 December 2007 this new share option scheme was approved by shareholders of the Company in an extraordinary general meeting. This scheme is to enable the Company to grant option to either Directors or employees of the Group in order to recognize and motivate their contribution, to provide incentives and to help the Group in retaining its existing employees and recruiting additional quality employees and to provide them with a direct economic interest in attaining the long term business objectives of the Group.

No options were ever granted under this scheme as at 30 September 2008.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2008, the following persons 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>)	50,786,236	6.19%
Singapore Technologies Telemedia Pte Ltd (<i>Note 1</i>)	50,786,236	6.19%
STT Communications Ltd (<i>Note 1</i>)	50,786,236	6.19%
stt Ventures Ltd (<i>Note 1</i>)	50,786,236	6.19%
Ample Field Limited (<i>Note 2</i>)	205,000,000	25.00%
Mr. Yu Shu Kuen (<i>Note 2</i>)	205,000,000	25.00%
Universal Target Limited (<i>Note 3</i>)	155,000,000	18.91%
Eternal Mass Limited (<i>Note 3</i>)	155,000,000	18.91%
Mr. Gui Song (<i>Note 3</i>)	155,000,000	18.91%
Ms. Li Fang Hong (<i>Note 3</i>)	155,000,000	18.91%

Notes :

1. 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 Ample Field Limited of which the entire issued capital is beneficially owned by Mr. Yu Shu Kuen. Accordingly, Mr. Yu Shu Kuen is deemed to be interested in the shares of the Company beneficially owned by Ample Field Limited.

3. These shares are held by Universal Target Limited and it is wholly owned by Eternal Mass Limited. Eternal Mass Limited is 40% beneficially owned by Ms. Li Fang Hong and the rest 60% is beneficially owned by Mr. Gui Song, who is the spouse of Ms. Li Fang Hong. Accordingly, Eternal Mass Limited, Mr. Gui Song and Ms. Li Fang Hong are deemed to be interested in the shares of the Company beneficially owned by Universal Target 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 shareholder of the Company has any interest in any 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 5.28 to 5.33 of the GEM Listing Rules. The audit committee members as at the date of this announcement are Mr. Tsang Kwok Wai, Mr. Rong Hsu and Ms. Zhao Yang. 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 the Period have been reviewed and discussed by the audit committee before any disclosure and release of information.

OTHER INFORMATION

BOARD PRACTICES AND PROCEDURES

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

By order of the Board
M Dream Inworld Limited
Yu Shu Kuen
Chairman

Hong Kong, 24 October 2008

As at the date of this report, the Board of Directors consists of Mr. Yu Shu Kuen and Ms. Li Fang Hong being the Executive Directors, Mr. Tsang Kwok Wai, Mr. Rong Hsu and Ms. Zhao Yang being the Independent Non-executive Directors.