



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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2009

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 (the “Directors”) of M Dream Inworld Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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

HIGHLIGHTS
(Unaudited)

- The turnover of the Company and its subsidiaries (together the “Group”) was approximately HK\$2.96 million for the three months ended 31 March 2009 (the “Period”) representing a decrease of approximately 15.9% as compared to the turnover for the corresponding period in 2008 of approximately HK\$3.52 million.
- The Group recorded a loss attributable to equity shareholders of the Company of approximately HK\$3.54 million for the Period compared to the loss of approximately HK\$2.07 million for the same period last year.
- Loss per share for loss attributable to equity shareholders of the Company for the Period was HK0.43 cents.

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Group for the Period, together with the comparative unaudited figures for the corresponding period in 2008, as follows:

CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the three months ended 31 March 2009

(Expressed in Hong Kong dollars)

		Three months ended	
		31 March	
	<i>Notes</i>	2009	2008
		\$'000	\$'000
			(restated)
Turnover	2	2,964	3,523
Cost of sales		(1,945)	(2,344)
Gross profit		1,019	1,179
Other revenue and net income	3	132	523
Selling and administrative expenses	3	(4,919)	(3,744)
Loss from operations		(3,768)	(2,042)
Finance costs		(3)	(30)
Loss before taxation		(3,771)	(2,072)
Income tax credit/(expense)	4	–	–
Loss for the period		(3,771)	(2,072)
Attributable to:			
Equity shareholders of the Company		(3,545)	(2,072)
Minority interests		(226)	–
Loss for the period		(3,771)	(2,072)
Loss per share			
Basic	5	(HK0.43 cents)	(HK0.26 cents)
Diluted	5	N/A	N/A

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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 GEM (the “GEM Listing Rules”) of the Stock Exchange.

2. TURNOVER

	Three months ended	
	31 March	
	2009	2008
	HK\$'000	HK\$'000
Turnover		
Sales of software and hardware and system solutions services income	1,358	3,523
Sales of display equipment, Components and related technology	1,606	–
	<u>2,964</u>	<u>3,523</u>

3. RESTATEMENT

For the three months ended 31 March 2008, the recognition of a gain of approximately HK\$8.6 million on a disposal of 30% shareholding of the Group’s Singapore subsidiary is de-recognized. For details, please refer to the “Business review” in the Company’s 2008 annual report. Approximately HK\$100,000 relevant professional fee of the disposal is adjusted from administration expenses.

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 (2008: 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 (2008: Nil).

5. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the Period of approximately HK\$3,545,000 (2008: HK\$2,072,000 (restated)) and the weighted average of 819,838,000 (2008: 810,989,000) ordinary shares in issue during the Period.

No diluted earnings per share has been presented because there were no dilutive events during the Period and the corresponding period in 2008.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

	Three months ended 31 March					
	Sales of software and hardware and system solution services		Sales of display equipment, components and related technology		Consolidated	
	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	1,358	3,523	1,606	–	2,964	3,523
Segment result	(702)	(735)	(481)	–	(1,183)	(735)
Unallocated operating income and expenses					(2,585)	(1,307)
Loss from operations					(3,768)	(2,042)
Finance costs					(3)	(30)
Loss for the period					(3,771)	(2,072)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. The details of geographical segments are as follows:

	Three months ended 31 March							
	Hong Kong		Singapore		PRC		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	1,183	565	993	2,958	788	–	2,964	3,523

7. RESERVES

The Group

	Share premium \$'000	Contributed surplus \$'000	Exchange reserve \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 2008	159,239	6,426	(483)	(138,371)	26,811
Issue of new shares	5,227	–	–	–	5,227
Exchange differences	–	–	(683)	–	(683)
Net loss for the period (restated)	–	–	–	(2,072)	(2,072)
At 31 March 2008	<u>164,466</u>	<u>6,426</u>	<u>(1,166)</u>	<u>(140,443)</u>	<u>29,283</u>
At 1 January 2009	164,284	6,426	482	(146,729)	24,463
Exchange differences	–	–	(211)	–	(211)
Net loss for the Period	–	–	–	(3,545)	(3,545)
At 31 March 2009	<u>164,284</u>	<u>6,426</u>	<u>271</u>	<u>(150,274)</u>	<u>20,707</u>

8. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the Period (2008: Nil).

9. CONTINUING CONNECTED TRANSACTIONS

The Group's wholly owned subsidiary, 廣泰益昌(北京) 科技有限公司 (“Guang Tai Yichang (Beijing) Technology Co., Ltd.”), entered into a framework agreement with 鴻源控股有限公司 (“Greatsource Holding Co Ltd”), a PRC company which is controlled by Ms Li Fang Hong, an Executive Director and substantial shareholder of the Company, and her associate(s), to purchase display equipment and components and related technology, in an aggregate commercial value of, but not exceeding, HK\$97 million, HK\$126 million and HK\$149 million in the calendar years of 2009, 2010 and 2011 respectively. The transaction has been approved in an extraordinary general meeting on 9 March 2009. Details of the transaction and the results of the extraordinary general meeting are set out in the Company's announcements dated 18 February and 9 March 2009 respectively.

10. RELATED PARTY TRANSACTIONS

During the Period, the Group entered into the following transactions with related parties:

		Three months ended	
		31 March	
Name of related party	Nature of transactions	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
鴻源控股有限公司 ("Greatsource Holding Co. Ltd.") and its subsidiaries (<i>Note</i>)	Purchases of display equipment and components and related technology	1,076	—

Note:

鴻源控股有限公司 ("Greatsource Holding Co Ltd") is a PRC company which is controlled by Ms Li Fang Hong, an Executive Director and substantial shareholder of the Company, and her associate(s).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Under the present harsh global economic situation, the sales of the Group for the Period has dropped about 16% compared to the same period in 2008. Despite there were some new display equipment business generated of amount about HK\$1,600,000 during the Period, there was a significant decrease in the sales from our principal Singapore subsidiary, Elipva, which it normally used to be the major contributor for the Group's sales. The sales from Elipva for the Period was only HK\$993,000 compared to its sales for the same period in 2008 of HK\$2,958,000. The business environment in Singapore was extremely bad that there has been much less system services contracts available in the market, and the profit margin for the contracts has been eroded due to competitive tendering. It seems there still be quite a long time before any recovery signs appear in the Singapore market.

The new subsidiary in Beijing which engaged in display equipment and services has recorded sales of approximately HK\$788,000 during the Period. With the recent expansion of the sales team this subsidiary is expected to play an important role in future in the contribution of the Group sales.

FINANCIAL REVIEW

Turnover

The turnover of the Group was approximately HK\$2.96 million for the Period, representing a decrease of 15.9% compared to the turnover for the corresponding period in 2008 of approximately HK\$3.52 million.

Loss for the Period

The Group recorded a loss attributable to shareholders of the Company for the Period was approximately HK\$3.54 million compared to the loss of approximately HK\$2.07 million for the same period last year. The increase in loss is mainly due to the decline of the business in Singapore, and the increase in administration expenses of the Hong Kong and the new PRC operations.

Capital structure

There has been no significant 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 do not consider that the Group was exposed to any significant 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 or disposal during the Period.

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

The gloomy economy in Singapore has seriously affected the operations of our principal subsidiary in there. It has not performed well during the Period and its result may slide further if there is no new contract procured. However the new display equipment and services business carried out by the new Beijing subsidiary will become the focus of the Group due to huge market opportunity and the relatively strong economy in China. The Group has put in extra resources to develop this new business. Both the management and the sales of this Beijing subsidiary have been improved by addition of talented staff, it will also actively involve in products exhibitions so to increase its profile, and it will through different means introduce its products to all type of users. The Company will take necessary measure to control the cost and expenses while expanding in this sector.

DIRECTORS' INTERESTS IN CONTRACT

Save as disclosed in note 9 above, none of the Directors had any interests in any contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, and which subsisted at the end of the Period or at any time during the Period.

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

As at 31 March 2009, 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 shares and underlying 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 31 March 2009, 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.

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 granted under this scheme as at 31 March 2009.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2009, the following persons had, or were deemed to have, interests or short positions in the shares or underlying shares which would require to be disclosed to the Company and the Stock Exchange under the provision of Divisions 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 details 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%
Yu Shu Kuen (<i>Note 2</i>)	205,000,000	25%
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 is deemed to be interested in the shares 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, has purchased, sold or redeemed any of the Company’s shares during the Period.

COMPETING INTEREST

As at the date of this announcement 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.

CORPORATE GOVERNANCE

During the Period under review, the Company complied with the provisions set out in Appendix 15 of the Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on the GEM.

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 Ms. Zhao Yang, Mr. Cho Chun Wai and Mr. Chan Kam Kwan, Jason. 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.

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.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all shareholders for their full support.

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

4 May 2009

As at the date of this announcement, the Board consists of Mr. Yu Shu Kuen, Ms. Li Fang Hong and Mr. Rong Hsu being the Executive Directors, Mr. Cho Chun Wai, Mr. Chan Kam Kwan, Jason and Ms. Zhao Yang being the Independent Non-executive Directors.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the day of its posting.