



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 2011

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This announcement, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* for identification purpose only

HIGHLIGHTS
(unaudited)

- The turnover of the Group was approximately HK\$695,000 for the Period representing a decrease of approximately 69.70% as compared to the turnover for the corresponding period in 2010 of approximately HK\$2,294,000.
- The Group recorded a loss attributable to equity shareholders of the Company of approximately HK\$1,316,000 for the Period compared to the loss of approximately HK\$2,197,000 for the same period last year.
- Loss per share for loss attributable to equity shareholders of the Company for the Period was HK0.08 cents.
- The Board does not recommend the payment of any dividend for the three months ended 31 March 2011.

The board of Directors (the “Board”) of M Dream Inworld Limited (“the Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together the “Group”) for the three months ended 31 March 2011 (the “Period”), together with the comparative unaudited figures for the corresponding period in 2010, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT — UNAUDITED

For the three months ended 31 March 2011

(Expressed in Hong Kong dollars)

		Three months ended	
		31 March	
	<i>Notes</i>	2011	2010
		HK\$'000	HK\$'000
Turnover	2	695	2,294
Cost of sales		(39)	(2,045)
Gross profits		656	249
Other revenue and net income	3	211	543
Selling and administrative expenses		(2,143)	(2,984)
Loss from operations		(1,276)	(2,192)
Finance costs		(32)	(5)
Loss before taxation		(1,308)	(2,197)
Income tax expenses	4	(8)	—
Net Loss attributable to equity shareholders of the Company		(1,316)	(2,197)
Loss per share attributable to equity shareholders of the Company	5		(Restated)
Basic		(HK\$0.08 cents)	(HK\$0.83 cents)
Diluted		N/A	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED*For the three months ended 31 March 2011**(Expressed in Hong Kong dollars)*

	Three months ended	
	31 March	
	2011	2010
	HK\$'000	HK\$'000
Loss for the period	(1,316)	(2,197)
Other comprehensive income for the period		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>38</u>	<u>—</u>
Total comprehensive loss for the period	<u>(1,278)</u>	<u>(2,197)</u>
Attributable to:		
Total comprehensive loss attributable to equity shareholders of the Company	<u>(1,278)</u>	<u>(2,197)</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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. The accounting policies and basis of preparation used in the preparation of the unaudited consolidated results are consistent with those used in the Company’s annual financial statements for the year ended 31 December 2010.

2. TURNOVER

	Three months ended	
	31 March	
	2011	2010
	HK\$’000	HK\$’000
Provision of website development, electronic learning products and services	695	—
Sales of optical display equipment, components and related technology	—	2,294
	<u>695</u>	<u>2,294</u>

3. OTHER REVENUE AND NET INCOME

	Three months ended	
	31 March	
	2011	2010
	HK\$’000	HK\$’000
Other revenue		
Bank interest income	110	17
Service fee income	60	—
	<u>170</u>	<u>17</u>
Other net income		
Foreign exchange gain	12	—
Written back of impairment on trade receivables	29	—
Gain on disposal of subsidiary company	—	526
	<u>41</u>	<u>526</u>
	<u>211</u>	<u>543</u>

4. TAXATION

The amount of taxation charged to the consolidated income statement (unaudited) represents:

		Three months ended 31 March	
	Note	2011 HK\$'000	2010 HK\$'000
Hong Kong profit tax	(i)	8	—
Overseas profit tax	(ii)	—	—
		<u>8</u>	<u>—</u>

Notes:

- (i) Hong Kong profit tax has been provided at the rate of 16.5% on the respective estimated taxable profits of the Company within the Company operating in Hong Kong during the Period (2010: Nil).
- (ii) 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 (2010: Nil).

5. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK\$1,316,000 (2010: HK\$2,197,000) and the weighted average of 1,621,694,771 ordinary shares (2010: 265,212,344 shares) in issue during the Period.

The weighted average number of ordinary shares for the purposes of calculating basic loss per share for the period ended 31 March 2010 and 31 March 2011 have been retrospectively adjusted to reflect the placement of shares in August 2010, the consolidation of shares in December 2010 on the basis of five shares consolidated into one share, and the open offer and its associated bonus issue taken place in January 2011.

(b) Diluted loss per share

No diluted loss per share has been presented as there were no dilutive events during the periods ended 31 March 2011 and 2010.

6. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments.

- Sales of optical display equipment, components and related technology
- Provision of website development, electronic learning products and services

(a) Segment results

	Three months ended 31 March							
	Optical display equipment, components and related technology		Website development, electronic learning products and services		Unallocated		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	<u>—</u>	<u>2,294</u>	<u>695</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>695</u>	<u>2,294</u>
Segment result	<u>(59)</u>	<u>(525)</u>	<u>131</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>72</u>	<u>(525)</u>
Interest income							110	17
Unallocated income							—	526
Unallocated expenses							<u>(1,458)</u>	<u>(2,210)</u>
Loss from operations							<u>(1,276)</u>	<u>(2,192)</u>
Finance costs							<u>(32)</u>	<u>(5)</u>
Loss before tax expenses							<u>(1,308)</u>	<u>(2,197)</u>
Tax expenses							<u>(8)</u>	<u>—</u>
Loss after tax expenses							<u>(1,316)</u>	<u>(2,197)</u>
Other segment information								
Depreciation	3	126	—	—	126	87	129	213
Capital expenditure	—	—	6	—	—	—	6	—

(b) Geographical segments

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

	2011 HK\$'000	2010 HK\$'000
Revenue from external customers		
PRC	—	2,294
Hong Kong (place of domicile)	<u>695</u>	<u>—</u>
	<u>695</u>	<u>2,294</u>

7. 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 at 1 January 2010	10,931	173,039	6,426	(66)	(160,895)	29,435
Net loss for the period	—	—	—	—	(2,197)	(2,197)
Balance at 31 March 2010	<u>10,931</u>	<u>173,039</u>	<u>6,426</u>	<u>(66)</u>	<u>(163,092)</u>	<u>27,238</u>
Balance at 1 January 2011	13,111	192,064	6,426	123	(174,044)	37,680
Issue of new shares						
— open offer	52,445	52,445	—	—	—	104,890
Issue of new shares						
— bonus shares	39,333	(39,333)	—	—	—	—
Professional expenses incurred in placing	—	(3,694)	—	—	—	(3,694)
Exchange differences	—	—	—	38	—	38
Net loss for the period	—	—	—	—	(1,316)	(1,316)
Balance at 31 March 2011	<u>104,889</u>	<u>201,482</u>	<u>6,426</u>	<u>161</u>	<u>(175,360)</u>	<u>137,598</u>

8. DIVIDENDS

The Directors of the Company do not recommend the payment of any dividend in respect of the Period (2010: Nil).

9. CONTINUING CONNECTED TRANSACTIONS

The Group has maintained three Agreements for Continuing Connected Transactions during the Period.

A company controlled by a former a 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, a former Executive Director and former 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\$97,000,000, HK\$126,000,000 and HK\$149,000,000 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. The amount of purchase for the Period is shown in Note 10.

A Supply Agreement for Continuing Connected Transactions was entered by the Group on 19 November 2010 with KanHan Technologies Limited (“KanHan Technologies”) which is a connected person to the Company. During the Period, the Group has provided website development, electronic learning products and services to KanHan Technologies under this Agreement. The amount was approximately HK\$322,000 which was classified as Continuing Connected Transactions.

A Business Centre Service Agreement for Continuing Connected Transactions was also entered by the Group on 19 November 2010 with KanHan Technologies. During the Period, the Group has provided business centre services to KanHan Technologies under this Agreement. The amount was HK\$60,000 which was classified as Continuing Connected Transactions.

The details of both the Supply Agreement and the Business Centre Service Agreement and the relevant Continuing Connected Transactions are contained in the announcement of the Company dated 19 November 2010.

10. RELATED PARTIES TRANSACTIONS

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

Name of related party	Nature of transactions	Three months ended	
		2011	2010
		HK\$'000	HK\$'000
Greatsource Holding Co., Ltd. and its subsidiaries (<i>Note 1</i>)	Purchase of display equipment, components and related technology	—	1,561
KanHan Technologies (<i>Note 2</i>)	Sales of website development, electronic learning product and services	322	—
KanHan Technologies (<i>Note 2</i>)	Income from Business Centre Services	60	—

Note 1: 鴻源控股有限公司 (“Greatsource Holding Co., Ltd.”) is a PRC company which is controlled by Ms. Li Fang Hong, a former Director and former substantial shareholder of the Company, and her associate(s).

Note 2: KanHan Technologies was previously the shareholder of the entire equity interests of KanHan Education Services Limited (“KanHan Education”), a company incorporated in Hong Kong which is an indirectly wholly owned subsidiary of the Company. As at the date of this announcement, the ultimate sole shareholder of KanHan Technologies is also a common director for both KanHan Technologies and KanHan Education.

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

During the Period there was no turnover generated from the optical display business. A minimal amount of display units was kept by the Beijing subsidiary and some effort was put in to try to dispose them, but there was no result produced due to the high competition of the market.

The e-learning business was stable in the Period and the turnover of it for the Period was HK\$695,000. With such turnover the profit contribution of this business to the Group was HK\$131,000. This indicates the good prospect of the business.

FINANCIAL REVIEW

Turnover

The turnover of the Group was approximately HK\$695,000 for the Period, representing a decrease of approximately 69.70% compared to the turnover for the period ended 31 March 2010 of approximately HK\$2,294,000.

Loss for the period

The loss attributable to the equity shareholders of the Company for the Period was approximately HK\$1,316,000 compared to loss attributable to equity shareholders of approximately HK\$2,197,000 for the period ended 31 March 2010. The improvement in the loss attributable to shareholders was due to tight management control on cutting down administrative expenses.

Capital structure

During the Period the Company has raised approximately HK\$104,889,000 by issuing 1,048,894,324 offer shares and 786,670,743 bonus shares in aggregate to the shareholders of the Company. Details of this open offer and bonus issue are set out in the Company's announcement published on 15 October 2010 and the circulars issued on 17 November 2010 and 29 December 2010. The changes in equity of the Company by this open offer and bonus issue are shown in note 7.

Foreign exchange exposure

During the Period the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. 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 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.

OUTLOOK

The e-learning business is becoming the engine of growth now for the Group. The services to schools in producing e-learning materials have been started recently and hence the turnover will increase remarkably in the rest of the year. The profit guarantee before tax from this business is HK\$2,200,000 for this year and the Company is confident that such target will be achieved.

With the open offer completed in the Period bringing in approximately HK\$100,000,000 new capital, the Company is actively looking for investment opportunities. By carefully selecting investment with great potential, the Company believes the value of shareholders will be enhanced when appropriate investment is made.

OTHER INFORMATION

DIRECTORS' INTERESTS IN CONTRACT

Save as disclosed in note 10 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 2011, none of the Directors and chief executives of the Company had any interests or short positions 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.

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

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

No options were ever granted under this Scheme as at 31 March 2011.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2011 no natural person or any entity had, or was 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 was 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, nor there was any substantial shareholder whose detail was required to be kept by the Company under section 336 of the SFO.

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

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 during the Period.

CORPORATE GOVERNANCE

During the Period and the corresponding period in 2010, the Company has complied with the code provisions set out in Appendix 15 of the GEM Listing Rules except for temporary violation of Code Provision A2.1 which requires the separation of the roles of chairman and chief executive officer. Since the former chairman resigned on 30 September 2009, the former Managing Director of the Company, Ms. Li Fang Hong, has temporarily taken up the role as chairman while carrying out her duties as the Managing Director until she resigned as Director on 9 July 2010. Mr. Chi Chi Hung, Kenneth has been appointed as Executive Director and chairman of the Company on 8 July 2010. Mr. Ng Kay Kwok has been appointed as Executive Director of the Company on 9 July 2010 and since then he has been carrying out the duties as the chief executive officer.

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. B Ray Tam, Billy, Mr. Yu Pak Yan, Peter and Ms. Chan Hoi Ling. 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 Rules 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 support to the Company.

By Order of the Board
M Dream Inworld Limited
Chi Chi Hung, Kenneth
Chairman

12 May 2011

As at the date of this announcement, the Board consists of Mr. Chi Chi Hung, Kenneth, and Mr. Ng Kay Kwok being the Executive Directors, Mr. Billy B Ray Tam, Ms. Chan Hoi Ling and Mr. Yu Pak Yan, Peter being the Independent Non-executive Directors.

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