



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 RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

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 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\$1,945,000 for the Period representing a decrease of approximately 35.8% as compared to the turnover for the corresponding period in 2010 of approximately HK\$3,030,000.
- The Group recorded a loss attributable to equity shareholders of the Company of approximately HK\$5,888,000 for the Period compared to the loss of approximately HK\$8,029,000 for the same period last year.
- Loss per share for loss attributable to equity shareholders of the Company for the Period was HK\$0.55 cents.
- The Board does not recommend the payment of any dividend for the nine months ended 30 September 2011.

RESULT

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 and nine months ended 30 September 2011 (the “Period”), together with the comparative unaudited figures for the corresponding period in 2010, as follows:

CONDENSED CONSOLIDATED STATEMENT OF INCOME — UNAUDITED

For the three months and nine months ended 30 September 2011

(Expressed in Hong Kong dollars)

		Three months ended 30 September		Nine months ended 30 September	
		2011	2010	2011	2010
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Turnover	2	646	264	1,945	3,030
Cost of sales		(84)	(12)	(177)	(2,469)
Gross profit		562	252	1,768	561
Other revenue and net income	3	2,362	(554)	2,879	369
Selling and administrative expenses		(4,827)	(3,361)	(10,308)	(8,942)
Loss from operations		(1,903)	(3,663)	(5,661)	(8,012)
Finance costs		(10)	(1)	(120)	(17)
Loss before taxation		(1,913)	(3,664)	(5,781)	(8,029)
Income tax	5	(29)	—	(107)	—
Net loss attributable to equity shareholders of the Company		<u>(1,942)</u>	<u>(3,664)</u>	<u>(5,888)</u>	<u>(8,029)</u>
Loss per share attributable to equity shareholders of the Company	6				
Basic (HK\$ cents)		0.18	2.08	0.55	4.55
Diluted (HK\$ cents)		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
— UNAUDITED

For the three months and nine months ended 30 September 2011

(Expressed in Hong Kong dollars)

	Three months ended		Nine months ended	
	30 September		30 September	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	(1,942)	(3,664)	(5,888)	(8,029)
Other comprehensive income for the period				
Exchange gain on translation of financial statements of overseas subsidiaries	<u>64</u>	<u>—</u>	<u>152</u>	<u>97</u>
Total comprehensive expenses for the period	<u>(1,878)</u>	<u>(3,664)</u>	<u>(5,736)</u>	<u>(7,932)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2011

(Expressed in Hong Kong dollars)

	Share Capital <i>HK\$'000</i>	Share Premium <i>HK\$'000</i>	Contributed Surplus <i>HK\$'000</i>	Share Option Reserve <i>HK\$'000</i>	Exchange Reserve <i>HK\$'000</i>	Accumulated Losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
Balance at 1 January 2010 (Audited)	10,931	173,039	6,426	—	(66)	(160,895)	29,435
Placing shares	2,180	19,025	—	—	—	—	21,205
Total comprehensive income/(loss) for the period	—	—	—	—	97	(8,029)	(7,932)
Balance at 30 September 2010 (Unaudited)	<u>13,111</u>	<u>192,064</u>	<u>6,426</u>	<u>—</u>	<u>31</u>	<u>(168,924)</u>	<u>42,708</u>
Balance at 1 January 2011 (Audited)	13,111	192,064	6,426	—	123	(174,044)	37,680
Issue of new shares upon open offer	52,445	48,733	—	—	—	—	101,178
Bonus issue	39,333	(39,333)	—	—	—	—	—
Placing shares	20,000	5,197	—	—	—	—	25,197
Share-based payment	—	—	—	38	—	—	38
Total comprehensive income/(loss) for the period	—	—	—	—	152	(5,888)	(5,736)
Balance at 30 September 2011 (Unaudited)	<u>124,889</u>	<u>206,661</u>	<u>6,426</u>	<u>38</u>	<u>275</u>	<u>(179,932)</u>	<u>158,357</u>

NOTES TO THE FINANCIAL STATEMENTS

For the nine months ended 30 September 2011

(Expressed in Hong Kong dollars)

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements of the Company have been prepared 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 of Hong Kong Limited.

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value.

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

The Group has not early adopted any new HKFRSs that have been issued but are not yet effective.

2. TURNOVER

	Nine months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision of website development, electronic learning products and services	1,945	264
Sales of optical display equipment, components and related technology	—	2,766
	<u>1,945</u>	<u>3,030</u>

3. OTHER REVENUE AND NET INCOME

	Nine months ended	
	30 September	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other revenue		
Bank interest income	749	60
Loan interest income	16	—
Dividend income	—	390
Service fee income	180	—
	<u>945</u>	<u>450</u>
Other net income/(loss)		
Loss on disposal of an associate	—	(7)
Gain/(loss) on disposal of subsidiaries	1,278	(28)
Loss on disposal of fixed assets	(118)	(49)
Net foreign exchange gain	62	—
Written back of impairment on trade receivables	426	—
Net sundry income	286	3
	<u>1,934</u>	<u>(81)</u>
	<u><u>2,879</u></u>	<u><u>369</u></u>

4. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period's presentation.

5. INCOME TAX

Income tax in the unaudited condensed consolidated income statement represents:

	Nine months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
Provision for the period (<i>Notes</i>)	<u>107</u>	<u>—</u>

Notes:

Hong Kong profit tax is calculated at 16.5% of estimated profit for both periods.

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 both periods.

6. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the company of HK\$5,888,000 (2010: HK\$8,029,000) and the weighted average of 1,061,524,993 (2010: 176,560,441) ordinary shares in issue during the period.

(b) Diluted loss per share

No diluted loss per share has been presented. The calculation of diluted loss per share does not assume the exercise of the company's outstanding share options since the exercise would result in a decrease in loss per share for the period ended 30 September 2011.

The weighted average number of ordinary shares for the purposes of calculating basic loss per share for the period ended 30 September 2011 and 30 September 2010 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, the placement of shares in June 2011 and the consolidation of shares in July 2011 on the basis of two shares consolidated into one share.

7. 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

Information regarding the Group's reportable segments for the period ended 30 September 2011 and 2010 is set out below.

	Nine months ended 30 September							
	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 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	<u>—</u>	<u>2,766</u>	<u>1,945</u>	<u>264</u>	—	—	<u>1,945</u>	<u>3,030</u>
Segment results	<u>19</u>	<u>(3,158)</u>	<u>(260)</u>	<u>(33)</u>	—	—	<u>(241)</u>	<u>(3,191)</u>
Interest income							765	60
Unallocated income							1,446	309
Unallocated expenses							(7,631)	(5,190)
Loss from operations							(5,661)	(8,012)
Finance costs							(120)	(17)
Loss before taxation							(5,781)	(8,029)
Income tax							(107)	—
Loss after taxation							<u>(5,888)</u>	<u>(8,029)</u>
Other segment information:								
Depreciation	10	276	2	—	235	195	247	471
Capital expenditure	—	351	22	—	272	66	294	417

(b) Geographical information

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:

	Nine months ended	
	30 September	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from external customers		
Hong Kong (place of domicile)	1,945	264
Mainland China	—	2,766
	<hr/>	<hr/>
	1,945	3,030
	<hr/> <hr/>	<hr/> <hr/>

8. RESERVES

The amounts of the Group's reserves and the movements therein for the Period and the same period of previous year are presented in the condensed consolidated statement of changes in equity of the financial statements.

9. DIVIDENDS

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

10. CONTINUING CONNECTED TRANSACTIONS

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

A company controlled by 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. During the period, none of purchase of product and services is under this agreement.

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\$560,000 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\$180,000 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.

11. RELATED PARTIES TRANSACTIONS

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

Name of related parties	Nature of transactions	Nine months ended	
		2011	2010
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Greatsource Holding Co., Ltd. and its subsidiaries (<i>Note a</i>)	Purchase of display equipment, components and related technology	—	2,120
KanHan Technologies (<i>Note b</i>)	Sales of website development, electronic learning products and services	560	—
KanHan Technologies (<i>Note b</i>)	Income from Business Centre Services	180	—

Note a: 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 b: KanHan Technologies was previously the shareholder of the entire equity interests of KanHan Educational Services Limited (“KanHan Educational”), 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 Educational.

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

The display business recorded no turnover for the Period. A minimal operation was maintained by the subsidiary in Beijing and the management is thinking seriously about the prospect of this business.

The turnover mainly generated from e-learning business for the Period was approximately HK\$1,945,000 only. The sales for the Period were remarkably more than the sales for the same period in the last year. However, with such turnover the loss of this business to the Group was approximately HK\$260,000. The main reason of the loss is that, in order to exploit the market of e-learning, the management enhanced a lot of new manpower to upgrade the e-learning materials for the future market demand. The management also expects the contribution of this business will increase significantly with the seasonal effect of next school year.

FINANCIAL REVIEW

Turnover

The turnover of the Group was approximately HK\$1,945,000 for the Period, representing a decrease of approximately 35.80% compared to the turnover for the period ended 30 September 2010 of approximately HK\$3,030,000.

Loss for the period

The loss attributable to the equity shareholders of the Company for the Period was approximately HK\$5,888,000 compared to loss attributable to equity shareholders of approximately HK\$8,029,000 for the period ended 30 September 2010.

Interim dividend

The Directors do not recommend to pay any interim dividend for the nine months ended 30 September 2011 (2010: HK\$Nil).

Pledge of assets

As at 30 September 2011, the Group did not have any assets being pledged.

Contingent liabilities

As at 30 September 2011, the Group had no significant contingent liabilities.

Connected Transactions

The Group has maintained three agreements for Continuing Connected Transactions during the Period. Details of the exercise are set out in Notes 10 and 11 to the financial statements.

Capital structure

On 17 January 2011, the Company has been raised approximately HK\$101,178,000, net of expenses, by issuing 1,048,894,324 offer shares (the “Open Offer”) and 786,670,743 bonus share in aggregate to all equity shareholders of the Company. Details of this issuing open offer and bonus share are set out in the Company’s announcements published on 15 October 2010, 16 November 2010, 13 December 2010, 29 December 2010 and 19 January 2011 respectively.

On 21 June 2011, the Company has been raised approximately HK\$25,213,000, net of expenses, by issuing 400,000,000 placing shares (the “Placement”). Details of the placing shares are set out in the Company’s announcements published on 10 June 2011 and 21 June 2011 respectively.

The change in equity of the Company by this open offer and bonus share, and placing shares are presented in the condensed consolidated statement of changes in equity of the financial statements.

On 19 May 2011, the Company has granted 12,400,000 share options to a consultant at the exercise price of HK\$0.058 per shares. Details of the granted share options are set out in the Company’s announcements dated 19 April and 19 May 2011 respectively.

On 18 July 2011, the Company has been finished the share consolidation, in which the every two exiting issued and unissued ordinary shares of HK\$0.05 each in the share capital of the Company have been consolidated into one share of HK\$0.10 in the share capital of the Company. Details of the Consolidated Share are set out in the Company’s announcements dated 13 June, 15 June, 24 June, 15 July and 18 July 2011 respectively.

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 investment

On June 2011, the Company purchased the 10% of the total issued capital of the Green Global Bioenergy Limited at the Consideration of HK\$30,000,000 (subject to adjustments). The details of this acquisition are set out in the Company’s announcement published on 3 June 2011.

Material acquisitions and disposals

The Group had no material acquisition or disposal during the Period.

Employees and remuneration policies

As at 30 September 2011, the Group had approximately 42 employees, including all directors, in Hong Kong and the PRC, The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, individual qualifications and performance, and in accordance with the statutory requirements of the respective jurisdiction where the employees are engaged.

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 Company will further allocate resources on e-learning business this year so as to fulfill the huge demand in primary and secondary schools. There are now more than 120 secondary and primary schools subscribing the electronic learning products and services offered by KanHan Educational, and the number are expected to increase in the coming future. The Board expects that the wholly owned subsidiary KanHan Educational will provide a steady growth in income to the Group. As mentioned before in the Company's announcements, KanHan Educational has a profits guarantee of HK\$2,200,000 and HK\$6,500,000 for each of the year 2011 and 2012 respectively. Details of this guarantee are set out in announcement of the Company published on 14 July 2010. Such guarantee should improve the result of the Group in the near future.

Apart from the contribution of KanHan Educational, the Company has been seeking other investment opportunities with full potential. During the period, the Company purchased the 10% of the total issued capital of the Green Global Bioenergy Limited which is engaged in developing plantation of Eucalyptus in the Lao People's Democratic Republic. In view of the increasing the demand of raw material for making paper and the production of plywood around the world, the Board considered that the acquisition will enable the Group to diversify and venture into the plantation business which will benefit the Company and its Shareholders as a whole. Details of this acquisition are set out in the announcement of the Company published on 3 June 2011.

With the completion of the Open Offer in Jan 2011 and the Placement in June 2011, there was new funding of approximately HK\$126,391,000 to the Company (net of expenses). With this extra resource, the Company will carefully look for good investment and operating opportunities to create long term sustainable growth to the Company.

OTHER INFORMATION

DIRECTORS' INTERESTS IN CONTRACT

Save as disclosed in notes 10 and 11 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 30 September 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, 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 and recruiting additional quality employees and to provide them with a direct economic interest in attaining the long term business objective of the Group.

On 19 May 2011, The Company has granted 12,400,000 share options to a consultant of the Company under the Scheme at the exercise price of HK\$0.058 per share. The details of share options granted are set out in the Company's announcements dated 19 April 2011 and 19 May 2011 respectively. The holder of the share option has not exercised any of share options as at the date of this announcement.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 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, the Company has complied with the code provisions set out in Appendix 15 of the GEM Listing Rules.

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

9 November 2011

As at the date of this announcement, the Board consists of Mr. Chi Chi Hung, Kenneth, and Mr. Takashi Togo 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.