



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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

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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 of Hong Kong Limited (the “GEM Listing Rules”) 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 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\$1,679,000 for the Period representing an increase of approximately 29% as compared to the turnover for the corresponding period in 2011 of approximately HK\$1,299,000.
- The Group recorded a loss attributable to equity shareholders of the Company of approximately HK\$1,649,000 for the Period compared to the loss of approximately HK\$3,946,000 for the same period last year.
- Loss per share for loss attributable to equity shareholders of the Company for the Period was HK\$0.13 cents.
- The Board does not recommend the payment of any dividend for the six months ended 30 June 2012.

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 (collectively referred to as the “Group”) for the three months and six months ended 30 June 2012 (the “Period”), together with the comparative unaudited figures for the corresponding period in 2011, as follows:

CONDENSED CONSOLIDATED STATEMENT OF INCOME — UNAUDITED

For the three months and six months ended 30 June 2012

(Expressed in Hong Kong dollars)

	Note	Three months ended 30 June		Six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000 (Restated)	2012 HK\$'000	2011 HK\$'000 (Restated)
Continuing operations					
Turnover	2	795	604	1,679	1,299
Cost of sales		(42)	(54)	(107)	(93)
Gross profit		753	550	1,572	1,206
Other revenue and net income	3	589	181	1,128	361
Selling and administrative expenses		(1,451)	(3,053)	(3,834)	(5,106)
Loss from operations		(109)	(2,322)	(1,134)	(3,539)
Finance costs	5a	(27)	(78)	(35)	(110)
Loss before income tax expense from continuing operations	5	(136)	(2,400)	(1,169)	(3,649)
Income tax expense	6	(68)	(70)	(160)	(78)
Loss for the period from continuing operations		(204)	(2,470)	(1,329)	(3,727)
Discontinuing operations					
Loss for the period from discontinuing operations		(168)	(160)	(320)	(219)
Net loss attributable to equity shareholders of the Company		(372)	(2,630)	(1,649)	(3,946)
Loss per share					
From continuing and discontinuing operations					
Basic (HK\$ cents)	7	0.03	0.27	0.13	0.41
Diluted (HK\$ cents)		N/A	N/A	N/A	N/A
From continuing operations					
Basic (HK\$ cents)		0.02	0.26	0.11	0.39
Diluted (HK\$ cents)		N/A	N/A	N/A	N/A

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME —
UNAUDITED**

For the three months and six months ended 30 June 2012

(Expressed in Hong Kong dollars)

	Three months ended		Six months ended	
	30 June		30 June	
	2012	2011	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(372)	(2,630)	(1,649)	(3,946)
Other comprehensive income/ (expense) for the period				
Exchange differences on translation of financial statements of overseas subsidiaries	<u>(31)</u>	<u>50</u>	<u>(24)</u>	<u>88</u>
Total comprehensive expense for the period attributable to equity shareholders of the Company	<u>(403)</u>	<u>(2,580)</u>	<u>(1,673)</u>	<u>(3,858)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012 and 31 December 2011

(Expressed in Hong Kong dollars)

	<i>Note</i>	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Non-current assets			
Fixed assets		7,075	167
Intangible assets		2,550	1,647
Goodwill		23,239	23,239
		<u>32,864</u>	<u>25,053</u>
Current assets			
Trade and other receivables	10	1,831	13,470
Loan receivables, unsecured	11	3,000	5,019
Cash and cash equivalents		125,683	118,105
		<u>130,514</u>	<u>136,594</u>
Current liabilities			
Trade and other payables	12	2,782	2,917
Amount due to a director	13	401	190
Bank loan, secured		217	—
Current taxation		285	150
		<u>3,685</u>	<u>3,257</u>
Net current assets		<u>126,829</u>	<u>133,337</u>
Total assets less current liabilities		<u>159,693</u>	<u>158,390</u>
Non-current liabilities			
Bank loan, secured		2,976	—
NET ASSETS		<u>156,717</u>	<u>158,390</u>
CAPITAL AND RESERVES			
Share capital	14	124,889	124,889
Reserves	15	31,828	33,501
Total equity attributable to equity shareholders of the Company		<u>156,717</u>	<u>158,390</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

(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 2011 (Audited)	13,111	192,064	6,426	—	123	(174,044)	37,680
Shares issued upon open offer	52,445	48,733	—	—	—	—	101,178
Shares issued on bonus issued	39,333	(39,333)	—	—	—	—	—
Shares issued on placement of shares	20,000	5,213	—	—	—	—	25,213
Equity settled share-based transactions	—	—	—	12	—	—	12
Total comprehensive income/(expense) for the period	—	—	—	—	88	(3,946)	(3,858)
Balance at 30 June 2011 (Unaudited)	<u>124,889</u>	<u>206,677</u>	<u>6,426</u>	<u>12</u>	<u>211</u>	<u>(177,990)</u>	<u>160,225</u>
Balance at 1 January 2012 (Audited)	124,889	206,661	6,426	310	294	(180,190)	158,390
Total comprehensive (expense) for the period	—	—	—	—	(24)	(1,649)	(1,673)
Balance at 30 June 2012 (Unaudited)	<u>124,889</u>	<u>206,661</u>	<u>6,426</u>	<u>310</u>	<u>270</u>	<u>(181,839)</u>	<u>156,717</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — UNAUDITED*For the six months ended 30 June 2012**(Expressed in Hong Kong dollars)*

	Six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(705)	(4,248)
Net cash generated from/(used in) investing activities	8,405	(9,140)
Net cash (used in)/generated from financing activities	(92)	121,995
Net increase in cash and cash equivalents	7,608	108,607
Effect of foreign exchange rate changes	(30)	88
Cash and cash equivalents at 1 January	118,105	12,878
Cash and cash equivalents at 30 June	125,683	121,573

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2012

(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 convention, as modified by the valuation of certain properties and financial instruments which are measured at their fair values.

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 2011.

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

2. TURNOVER

Turnover represents the sales value of goods and services supplied to customers. An analysis of the Group’s revenue for the Period is as follows:

	Six months ended 30 June	
	2012	2011
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Continuing operations		
Provision of website development, electronic learning products and services	1,679	1,299

3. OTHER REVENUE AND NET INCOME

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Continuing operations		
Other revenue		
Bank interest income	928	322
Income from provision of business centre services	120	120
Loan interest income	36	1
	<u>1,084</u>	<u>443</u>
Other gains and losses		
Foreign exchange gain	—	31
Gain/(loss) on disposal of fixed assets	47	(113)
Net sundry expenses	(3)	—
	<u>44</u>	<u>(82)</u>
	<u>1,128</u>	<u>361</u>

4. COMPARATIVE FIGURES

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

5. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense from continuing operations have been arrived at after charging:

(a) *Finance costs:*

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Continuing operations		
Bank loan interest	35	7
Finance charges on obligations under finance leases	—	103
	<u>35</u>	<u>110</u>

(b) *Staff costs (including directors' remuneration):*

	Six months ended 30 June	
	2012 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited) (Restated)
Salaries, wages and other benefits	2,126	1,768
Retirement scheme contributions	45	53
	<u>2,171</u>	<u>1,821</u>

(c) *Other items:*

	Six months ended 30 June	
	2012 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited) (Restated)
Auditors' remuneration	207	229
Depreciation	152	195
Operating lease charges: minimum lease payments — hire of office premises	99	713
	<u>99</u>	<u>713</u>

6. INCOME TAX EXPENSES

Income tax expenses in the unaudited condensed consolidated income statement represents:

	Six months ended 30 June	
	2012 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)
Current tax		
Provision for the period (<i>Notes</i>)	<u>160</u>	<u>78</u>

Notes:

The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries. No taxation has been provided in the condensed consolidated financial statements of the subsidiaries operating outside Hong Kong for the Period (2011: HK\$nil).

7. LOSS PER SHARE

(a) Basic loss per share

From continuing and discontinuing operations

The calculation of basic loss per share from continuing and discontinuing operations is based on the loss attributable to equity shareholders of the company of HK\$1,649,000 (2011: HK\$3,946,000) and the weighted average of 1,248,894,324 (2011: 966,287,543) ordinary shares in issue during the period.

From continuing operations

The calculation of basic loss per share from continuing operations is based on the loss attributable to equity shareholders of the company of HK\$1,329,000 (2011: HK\$3,727,000) and the weighted average of 1,248,894,324 (2011: 966,287,543) ordinary 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 30 June 2011 have been retrospectively adjusted to reflect 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. No other change of share structure was after reporting period but before this announcement was authorized for issue.

(b) Diluted loss per share

No diluted loss per share has been presented as there were no dilutive events during the periods ended 30 June 2012 and 2011.

8. 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.

- Website development, electronic learning products and services
- Optical display equipment, components and related technology (discontinuing operations)

(a) Segment results

Information regarding the Group's reportable segments for the periods ended 30 June 2012 and 2011 is set out below.

	Six months ended 30 June							
	Continuing operations		Discontinuing operations		Unallocated		Consolidated	
	Website development, electronic learning products and services		Optical display equipment, components and related technology					
	(Unaudited) 2012	(Unaudited) 2011	(Unaudited) 2012	(Unaudited) 2011	(Unaudited) 2012	(Unaudited) 2011	(Unaudited) 2012	(Unaudited) 2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover								
Revenue from external customers	<u>1,679</u>	<u>1,299</u>	<u>—</u>	<u>—</u>	—	—	<u>1,679</u>	<u>1,299</u>
Results								
Segment result	<u>974</u>	<u>(43)</u>	<u>(325)</u>	<u>(224)</u>	—	—	<u>649</u>	<u>(267)</u>
Interest income							969	328
Unallocated income							42	—
Unallocated expenses							(3,114)	(3,819)
Loss from operations							(1,454)	(3,758)
Finance costs							(35)	(110)
Loss before income tax							(1,489)	(3,868)
Income tax expense							(160)	(78)
Loss after taxation							<u>(1,649)</u>	<u>(3,946)</u>
Other segment information								
Capital expenditure	(26)	(18)	—	—	(7,049)	(272)	(7,075)	(290)
Depreciation	(2)	(1)	(7)	(7)	(150)	(194)	(159)	(202)
Recovery from impairment loss on trade receivable	<u>—</u>	<u>—</u>	<u>—</u>	<u>29</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>29</u>

(b) Segment assets and liabilities

	Continuing operations		Discontinuing operations		Unallocated		Consolidated	
	Website development, electronic learning products and services		Optical display equipment, components and related technology					
	(Unaudited) 30 June	(Audited) 31 December	(Unaudited) 30 June	(Audited) 31 December	(Unaudited) 30 June	(Audited) 31 December	(Unaudited) 30 June	(Audited) 31 December
	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	<u>29,955</u>	<u>28,676</u>	<u>2,451</u>	<u>2,834</u>	<u>130,972</u>	<u>130,137</u>	<u>163,378</u>	<u>161,647</u>
Total assets							<u>163,378</u>	<u>161,647</u>
Segment liabilities	<u>2,181</u>	<u>1,718</u>	<u>608</u>	<u>654</u>	<u>3,872</u>	<u>885</u>	<u>6,661</u>	<u>3,257</u>
Total liabilities							<u>6,661</u>	<u>3,257</u>
Other segment information								
Capital expenditure	(26)	(40)	—	—	(7,049)	(30)	(7,075)	(70)
Depreciation	<u>(2)</u>	<u>(3)</u>	<u>(7)</u>	<u>(14)</u>	<u>(150)</u>	<u>(221)</u>	<u>(159)</u>	<u>(238)</u>

(c) **Geographical segments**

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, intangible assets and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of fixed assets, and the location of the operation to which they are allocated, in the case of intangible assets and goodwill.

	Six months ended 30 June	
	2012 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)
Revenue from external customers		
Hong Kong (place of domicile)	<u>1,679</u>	<u>1,299</u>
	30 June 2012 <i>HK\$'000</i> (Unaudited)	31 December 2011 <i>HK\$'000</i> (Audited)
Specified non-current assets		
Hong Kong	<u>32,804</u>	<u>24,999</u>
Mainland china	<u>60</u>	<u>54</u>
	<u>32,864</u>	<u>25,053</u>

9. DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the Period (2011: Nil).

10. TRADE AND OTHER RECEIVABLES

	30 June 2012 <i>HK\$'000</i> (Unaudited)	31 December 2011 <i>HK\$'000</i> (Audited)
Trade receivables (<i>Note</i>)	<u>1,910</u>	<u>1,234</u>
Less: impairment loss	<u>(937)</u>	<u>(971)</u>
	973	263
Deposits paid for purchase of fixed assets	—	2,350
Deposit paid for investment	—	10,000
Prepayments and deposits	<u>319</u>	<u>321</u>
Other receivables	<u>539</u>	<u>536</u>
	<u>1,831</u>	<u>13,470</u>

Note:

Included in trade receivables are an amount of approximately HK\$235,000 and HK\$59,000 due from a related company, KanHan Technologies Limited, as at 30 June 2012 and 31 December 2011 respectively. (*note 16*)

According to the credit rating of different customers, the Group allows credit periods of 30 days (2011: 30 days) to its trade customer.

The ageing analysis of trade receivables (net of provision of impairment loss), based on due date, is as follows:

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Current	<u>605</u>	<u>140</u>
Less than 1 month past due	102	62
1 to 3 months past due	235	41
More than 3 months but less than 12 months past due	<u>31</u>	<u>20</u>
Amounts past due	<u>368</u>	<u>123</u>
	<u>973</u>	<u>263</u>

11. LOAN RECEIVABLES, UNSECURED

The unsecured loans bear interest at fixed rates ranging from 2% to 5% per annum and are repayable within one year.

12. TRADE AND OTHER PAYABLES

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Trade payables	249	251
Deferred income	1,813	1,487
Receipts in advance	353	395
Accrued expenses and other payables	<u>367</u>	<u>784</u>
	<u>2,782</u>	<u>2,917</u>

As at 30 June 2012, the aged analysis of the trade payables was as follows:

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Current	<u>249</u>	<u>251</u>

13. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and has no fixed terms of repayment.

14. SHARE CAPITAL

	Number of Shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each at 31 December 2011 and 30 June 2012		
Authorised:		
At 31 December 2011 and 30 June 2012	4,000,000,000	400,000
Issued and fully paid:		
At 31 December 2011 and 30 June 2012	1,248,894,324	124,889

15. 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.

16. RELATED PARTY TRANSACTIONS

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

Name of related parties	Nature of transactions	30 June 2012 HK\$'000 (Unaudited)	30 June 2011 HK\$'000 (Unaudited)
KanHan Technologies (<i>Note</i>)	Sales of website development, electronic learning products and services	259	442
KanHan Technologies (<i>Note</i>)	Income from provision of business centre services	120	120

Note: Sales of website development, electronic learning products and services, and income from provision of business centre services are made with KanHan Technologies Limited ("KanHan Technologies"), a Hong Kong company which was previously the shareholder of the entire equity interests of KanHan Educational Services Limited ("KanHan EDU"). The substantial shareholder, Mr. Mo Wai Ming, Lawrence, of KanHan Technologies is also a common director for both KanHan Technologies and KanHan EDU.

The Group's wholly owned subsidiary, KanHan EDU, entered into a supply agreement and a business centre service agreement with KanHan Technologies on 19 November 2010 for the sales of website development, electronic learning products and services, and provide business centre services respectively for the term of 3 years. The annual sales cap and service charge during the term of the supply agreement and business centre service agreement shall not exceed HK\$1,000,000 and HK\$300,000 respectively. Details of the transaction are set out in the Company's announcements dated 19 November 2010 and 3 July 2012 respectively.

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

The optical display business

The business of sales of optical display equipment, components and related technology recorded no turnover for the Period. A minimal operation was maintained by the subsidiary in Beijing and the business so far was not successful. On May 2012, the Board decided to close the business of sales of optical display equipment, components and related technology carried out by the subsidiary which was classified as discontinuing operations.

E-learning business

During the Period under review, the Group focused on e-learning business. The turnover mainly generated from e-learning business for the Period was approximately HK\$1,679,000. The sales for the Period were more than the sales for the same period in the last year. With such turnover the contribution of this business to the Group was approximately HK\$974,000. The Group actively expended its distribution network and customer base during the Period. Beginning in the past quarter, KanHan EDU has begun its cooperation with EnglishCentral, Inc. (the “EnglishCentral”), a U.S. based e-learning technology and service provider, in customizing her unique listening and speaking skills training platform to suit for Hong Kong schools’ English curriculum. The resulting program graded into 10 levels has been launched in June with a few pilot schools joining for trial use. The Company expects EnglishCentral business will begin to pick up when the new school term starts in September 2012. The management also expects the contribution of this business will increase significantly in this year.

FINANCIAL REVIEW

Turnover

The turnover of the Group was approximately HK\$1,679,000 for the Period, representing an increase of approximately 29% compared to the turnover for the period ended 30 June 2011 of approximately HK\$1,299,000.

Loss for the period

The loss attributable to the equity shareholders of the Company for the Period was approximately HK\$1,649,000 compared to loss attributable to equity shareholders of approximately HK\$3,946,000 for the period ended 30 June 2011.

Interim dividend

The Directors do not recommend to pay any interim dividend for the six months ended 30 June 2012 (2011: HK\$nil).

Pledge of assets

On 13 February 2012, the Group's wholly owned subsidiary purchased land and buildings in Hong Kong at a consideration of HK\$6,500,000 and took out a bank loan of HK\$3,250,000 which is guaranteed by the Company.

Contingent liabilities

As at 30 June 2012, the Group had no significant contingent liabilities

Continuing connected transactions

During the Period, the Group had the following continuing connected transactions.

On 19 November 2010, KanHan EDU, and indirect wholly owned subsidiary of the Company entered into a supply agreement and a business centre service agreement with KanHan Technologies, being a connected person of the Company within the meanings of the GEM Listing Rules since KanHan Technologies was previously the shareholder of the entire equity interest of KanHan EDU. As at the date of this announcement, the substantial shareholder of KanHan Technologies is also a common director for both KanHan Technologies and KanHan EDU.

During the Period, the Group provided website development, electronic learning products and services, and the business centre services to KanHan Technologies, which the amount were approximately HK\$259,000 and HK\$120,000 respectively.

The details of the supply agreement and the business centre service agreement and the relevant continuing connected transactions are contained in the Note 16 to the financial statements and the announcements of the Company dated 19 November 2010 and 3 July 2012 respectively.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2012, the total net current assets of the Group were approximately HK\$126,829,000 as compared to net current assets of approximately HK\$133,337,000 at 31 December 2011. As at 30 June 2012, the outstanding bank borrowing of the Group was approximately HK\$3,193,000 (31 December 2011: HK\$Nil) and the interest expenses for the six months period were approximately HK\$35,000 (2011: HK\$110,000). As at 30 June 2012, the Group's gearing ratio, being the ratio of total liabilities to total assets, was approximately 4% (31 December 2011: 2%). 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 and Renminbi. The Directors did not consider the Group was significantly exposed to any foreign currency exchange risk.

Significant investment

The Group had no significant investments during the Period.

Material acquisitions and disposals

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

Employees and remuneration policies

As at 30 June 2012, the Group had approximately 38 employees 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 e-learning business is becoming the engine of growth now for the Group. The Group will further allocate resources on e-learning business in this year so as to fulfill the huge demand in primary and secondary schools. As mentioned before in the Company's announcement, the profit guarantee before tax from this business is HK\$6,500,000 for this year. Details of this guarantee are set out in announcements of the Company published on 14 July 2010 and 3 July 2012 respectively. Such guarantee should improve the result of the Group in the near future.

Apart from the contribution of e-learning business, the Group has sufficient cash reserve after the placement and open offer in last year and the money has been kept as fixed deposit in bank to earn interest during the Period. With this extra resource, the Board will carefully continue to explore and pursue potential mergers and acquisitions that can enhance the Group's profitability.

OTHER INFORMATION

DIRECTORS' INTERESTS IN CONTRACT

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 June 2012, 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 6,200,000* share options to a consultant of the Company under the Scheme at the exercise price of HK\$0.116* per share.

Details of the movements in the share options granted under the Share Option Scheme during the Period are as follows:

Date of grant	Exercise period	Exercise price per share HK\$	Number of share options				Outstanding as at 30 June 2012 '000
			Outstanding as at 1 January 2012 '000	Granted during the Period	Exercised during the Period	Lapsed during the Period	
19 May 2011	20 May 2011 to 19 May 2014	0.116*	6,200*	—	—	—	6,200*

* After the adjustment for share consolidation dated 18 July 2011.

The details of share options granted are set out in the Company's announcements dated 19 April 2011 and 19 May 2011 respectively. The details of share consolidation are set out in Company's announcements dated 13 June 2011, 15 June 2011, 24 June 2011, 15 July 2011 and 18 July 2011 respectively.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012 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.

ESTABLISHMENT OF NOMINATION COMMITTEE

The Board has established the Nomination Committee on 27 March 2012. The members of the Nomination Committee include Mr. Billy B Ray Tam, Mr. Yu Pak Yan, Peter and Ms. Chan Hoi Ling, of which Mr. Yu Pak Yan, Peter acts as the chairman. They are the Independent Non-executive Directors of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities 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. Billy B Ray Tam, 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 Group's unaudited consolidated results 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 August 2012

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