



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 2012

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 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 purposes only

HIGHLIGHTS (UNAUDITED)

- The turnover of the Group was approximately HK\$2,301,000 for the Period representing an increase of approximately 18.3% as compared to the turnover for the corresponding period in 2011 of approximately HK\$1,945,000.
- The Group recorded a loss attributable to equity shareholders of the Company was approximately HK\$3,727,000 for the Period compared to the loss of approximately HK\$5,888,000 for the same period last year.
- Loss per share for loss attributable to equity shareholders of the Company for the Period was HK\$0.30 cents.
- The Board does not recommend the payment of any dividend for the nine months ended 30 September 2012.

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

CONDENSED CONSOLIDATED INCOME STATEMENT — UNAUDITED

For the three months and nine months ended 30 September 2012
(Expressed in Hong Kong dollars)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2012 HK\$'000	2011 HK\$'000 (Restated)	2012 HK\$'000	2011 HK\$'000 (Restated)
Continuing operations					
Turnover	3	622	646	2,301	1,945
Cost of sales		(56)	(84)	(163)	(177)
Gross profit		566	562	2,138	1,768
Other revenue and net income	4	509	2,084	1,637	2,445
Selling and administrative expenses		(2,384)	(4,794)	(6,218)	(9,900)
Loss from operations		(1,309)	(2,148)	(2,443)	(5,687)
Finance costs	5(a)	(26)	(10)	(61)	(120)
Loss before income tax expense from continuing operations	5	(1,335)	(2,158)	(2,504)	(5,807)
Income tax expense		(24)	(29)	(184)	(107)
Loss for the period from continuing operations		(1,359)	(2,187)	(2,688)	(5,914)
Discontinuing operations					
Loss for the period from discontinuing operations		(719)	245	(1,039)	26
Net loss attributable to equity shareholders of the Company		(2,078)	(1,942)	(3,727)	(5,888)
Loss per share					
From continuing and discontinuing operations					
Basic (HK\$ cents)	8	0.17	0.18	0.30	0.56
Diluted (HK\$ cents)		N/A	N/A	N/A	N/A
From continuing operations					
Basic (HK\$ cents)		0.11	0.21	0.22	0.56
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 2012
(Expressed in Hong Kong dollars)*

	Three months ended		Nine months ended	
	30 September		30 September	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	(2,078)	(1,942)	(3,727)	(5,888)
Other comprehensive income/ (expense) for the period				
Exchange differences on translation of financial statements of overseas subsidiaries	<u>18</u>	<u>64</u>	<u>(6)</u>	<u>152</u>
Total comprehensive expense for the period attributable to equity shareholders of the Company	<u>(2,060)</u>	<u>(1,878)</u>	<u>(3,733)</u>	<u>(5,736)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2012
(Expressed in Hong Kong dollars)

	Equity attributable to owners of the Company						Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	
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	5,197	–	–	–	–	25,197
Equity settled share-based transactions	–	–	–	38	–	–	38
Total comprehensive income/ (expense) 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>
Balance at 1 January 2012 (Audited)	124,889	206,661	6,426	310	294	(180,190)	158,390
Total comprehensive (expense) for the period	–	–	–	–	(6)	(3,727)	(3,733)
Balance at 30 September 2012 (Unaudited)	<u>124,889</u>	<u>206,661</u>	<u>6,426</u>	<u>310</u>	<u>288</u>	<u>(183,917)</u>	<u>154,657</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2012

(Expressed in Hong Kong dollars)

1. Corporate information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The Group's principal activities are mainly engaged the provision of website development, electronic learning products and services.

2. 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. The principal accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2011 except in relation to the new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are adopted for the first time for the current period's financial statements. The adoption of these new and revised HKFRSs has had no material impact on the unaudited condensed consolidated financial statements.

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

3. 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:

	Nine months ended	
	30 September	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Provision of website development, electronic learning products and services	2,301	1,945
	=====	=====

4. Other revenue and net income

	Nine months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Continuing operations		
Other revenue		
Bank interest income	1,362	741
Income from provision of business centre services	180	180
Loan interest income	51	16
	<u>1,593</u>	<u>937</u>
Other gains and losses		
Foreign exchange gain	–	62
Gain/(loss) on disposal of fixed assets	47	(118)
Gain on disposal of subsidiaries	–	1,278
Net sundry (expenses)/income	(3)	286
	<u>44</u>	<u>1,508</u>
	<u>1,637</u>	<u>2,445</u>

5. Loss before income tax expense

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

(a) Finance costs:

	Nine months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Continuing operations		
Bank loan interest	61	13
Finance charges on obligations under finance leases	—	107
	61	120

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

Salaries, wages and other benefits	3,372	3,079
Retirement scheme contributions	69	89
	3,441	3,168

(c) Other items:

Auditors' remuneration	303	445
Depreciation	240	238
Operating lease charges:		
minimum lease payments		
— hire of office premises	237	1,286

6. Comparative figures

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

7. Income tax expenses

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

	Nine months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
Provision for the period (<i>Note</i>)	184	107

Note:

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).

8. 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\$3,727,000 (2011: HK\$5,888,000) and the weighted average of 1,248,894,324 (2011: 1,061,524,993) 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\$2,688,000 (2011: HK\$5,914,000) and the weighted average of 1,248,894,324 (2011: 1,061,524,993) 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 September 2011 have been 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.

(b) Diluted loss per share

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

9. 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 (continuing operations)
- Optical display equipment, components and related technology (discontinuing operations)

(a) **Segment results**

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

	Nine months ended 30 September							
	Continuing operations		Discontinuing operations		Unallocated		Consolidated	
	Website development, electronic learning products and services		Optical display equipment, components and related technology					
	(Unaudited) 2012 HK\$'000	(Unaudited) 2011 HK\$'000	(Unaudited) 2012 HK\$'000	(Unaudited) 2011 HK\$'000	(Unaudited) 2012 HK\$'000	(Unaudited) 2011 HK\$'000	(Unaudited) 2012 HK\$'000	(Unaudited) 2011 HK\$'000
Turnover								
Revenue from external customers	<u>2,301</u>	<u>1,945</u>	<u>-</u>	<u>-</u>	-	-	<u>2,301</u>	<u>1,945</u>
Results								
Segment result	<u>1,116</u>	<u>(260)</u>	<u>(1,046)</u>	<u>19</u>	-	-	<u>70</u>	<u>(241)</u>
Interest income							1,419	765
Unallocated income							43	1,446
Unallocated expenses							<u>(5,014)</u>	<u>(7,631)</u>
Loss from operations							<u>(3,482)</u>	<u>(5,661)</u>
Finance costs							<u>(61)</u>	<u>(120)</u>
Loss before income tax							<u>(3,543)</u>	<u>(5,781)</u>
Income tax expense							<u>(184)</u>	<u>(107)</u>
Loss after taxation							<u>(3,727)</u>	<u>(5,888)</u>
Other segment information								
Capital expenditure	(48)	(22)	-	-	(7,049)	(272)	(7,097)	(294)
Depreciation	(3)	(2)	(10)	(10)	(237)	(235)	(250)	(247)
Recovery from impairment loss on trade receivables	-	-	61	426	-	-	61	426
Written off deferred tax assets and other tax expenses	<u>-</u>	<u>-</u>	<u>(560)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(560)</u>	<u>-</u>

(b) Geographical segments

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods delivered.

	Nine months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from external customers		
Hong Kong (place of domicile)	2,301	1,945

10. 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.

11. Dividends

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

12. Related party transactions

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

Name of related party	Nature of transactions	Nine months ended 30 September	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
KanHan Technologies (<i>Note</i>)	Sales of website development, electronic learning products and services	<u>259</u>	<u>560</u>
KanHan Technologies (<i>Note</i>)	Income from provision of business centre services	<u>180</u>	<u>180</u>

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.

13. Other commitments — Issue of convertible notes and service agreement

Issue of convertible notes

On 28 September 2012, the Company and Wise Action Limited (the “Subscriber”), being the Subscriber under a subscription agreement, an indirect wholly-owned subsidiary of Modern Education Group Limited (“Modern Education Group”), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange entered into the subscription agreement (the “Subscription Agreement”) in respect of the issue of the 2% coupon unsecured convertible notes (the “Convertible Notes”) due in the year 2013 in an aggregate principal amount of HK\$20,000,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement.

The net proceeds from the Convertible Notes of approximately HK\$19,500,000 will be used (i) as to approximately HK\$5,000,000 for financing the business of website development, electronic learning products and services; and (ii) as to approximately HK\$14,500,000 for future investments in e-commerce and/or other information technology related business as and when opportunities arise. As at the date of this announcement, the completion of the Subscription Agreement and the issue of Convertible Notes were not completed.

Service Agreement

On 28 September 2012, Lucky Famous Limited (“Lucky Famous”), a direct wholly-owned subsidiary of the Company and Modern Education (Hong Kong) Limited (“Modern Education HK”), an indirect wholly-owned subsidiary of Modern Education Group entered into a service agreement (the “Service Agreement”) pursuant to which Lucky Famous agreed to engage and Modern Education HK agreed to provide the services in respect of (i) advising in building up a website for the Group as the platform for internet education business; (ii) sourcing a suitable information technology company for building up the website and supervising the whole process; and (iii) providing electronic text books and/or teaching materials for the internet education business of the Group at a consideration HK\$600,000 for a term of eight months, subject to and upon the terms and conditions of the Service Agreement.

The details of the Subscription Agreement and Service Agreement are contained in the announcement of the Company dated 28 September 2012.

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

E-learning Business

As the focus of the Group has been shifted to e-learning business, turnover of this segment was approximately HK\$2,301,000 for the Period representing an increase of approximately 18.3% as compared to the turnover for the corresponding period in 2011 of approximately HK\$1,945,000.

In order to actively expand its e-learning platform, on 28 September 2012, the Company entered into the Subscription Agreement with Wise Action Limited, an indirect wholly-owned subsidiary of Modern Education Group, in respect of the Convertible Notes due in one year with the principal amount of HK\$20,000,000. The Convertible Notes shall carry an interest of 2% per annum and the initial conversion price is HK\$0.10 per conversion share. The net proceed will be used for the financing of the website development, electronic learning products and for future investments in e-commerce and/or other information technology related business as and when opportunities arise. The Group believes, riding on the well-established solid foundation of Modern Education Group in the educational field, together with the Group's extensive experience in the area of e-learning, the market share of the Group in the e-learning platform could be expanded. Details of the Subscription Agreement are set out in the note 13 to the consolidated financial statements and the Company's announcement dated 28 September 2012.

In addition, the Group cooperated with EnglishCentral, Inc., a U.S.-based e-learning technology and service provider, to customize a distinctive listening and oral skills training platform. The platform has been launched in June 2012 and is expected to broaden the revenue source of the Group.

Optical Display Business

Due to the unsatisfactory development of the optical display business, the Group has been commencing to cease the business in order to devote more resources into its e-learning business, and the discontinuance was expected to be completed at the end of year 2012. Accordingly, the business has been classified as discontinuing operations. No turnover was recorded for such business in the Period.

FINANCIAL REVIEW

Turnover

The turnover of the Group was approximately HK\$2,301,000 for the Period, representing an increase of approximately 18.3% compared to the turnover for the period ended 30 September 2011 of approximately HK\$1,945,000.

Loss for the period

The loss attributable to the equity shareholders of the Company for the Period was approximately HK\$3,727,000 compared to loss attributable to equity shareholders of approximately HK\$5,888,000 for the period ended 30 September 2011.

Interim dividend

The Directors do not recommend to pay any interim dividend for the nine months ended 30 September 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 September 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\$180,000 respectively.

The details of the supply agreement and the business centre service agreement and the relevant continuing connected transactions are contained in the Note 12 to the consolidated financial statements and the announcements of the Company dated 19 November 2010 and 3 July 2012 respectively.

Capital Structure

On 28 September 2012, the Group and the Subscriber entered into the Subscription Agreement in respect of the issue of the Convertible Notes in the principal amount of HK\$20,000,000. As at the date of this announcement, the Company has a total of 1,248,894,324 Shares in issue. Assuming full conversion of the Conversion Notes at a conversion price of HK\$0.10 per share, a total of 200,000,000 conversion shares will be allotted and issued, representing (i) approximately 16.01% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 13.8% of the issued share capital of the Company as enlarged by the allotment and issue of the conversion shares. As at the date of this announcement, completion of the Subscription Agreement and the issue of Convertible Notes were not completed. The details of the Subscription Agreement are contained in the Note 13 to the consolidated financial statements and the announcement of the Company dated 28 September 2012.

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 September 2012, the Group had approximately 41 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

Currently, the Education Bureau puts strong emphasis on web-based teaching and subsidizes public schools through "Composite Information Technology Grant" every year with an amount ranging from approximately HK\$170,000 to HK\$531,000 for each school in the academic year 2012/2013. It is expected that the demand for e-learning platform will further increase. According to the survey of the Education Bureau, the total number of primary and secondary schools in Hong Kong is approximately 1,000 during year 2011/2012, of which only approximately 10% being the customers of the Group, reflecting that there is enormous development potential for the Group's e-learning business.

Upon the Subscription Agreement entered into with Wise Action, the indirect wholly-owned subsidiary of Modern Education Group, comes into effect, the cash reserve of the Group will be increased. Leverage on such financial resources, the Board will continuously identify and explore potential opportunity for merging and acquisition. Meanwhile, the Group has entered into the Service Agreement with Modern Education (HK), an indirect wholly-owned subsidiary of Modern Education Group. Pursuant to the Service Agreement, Modern Education (HK) would provide the Group its advice on the setup of a website for the Group as the platform for internet education business, source a suitable information technology company for the website setup, supervise the whole process and provide electronic textbooks and teaching materials for its e-learning business, so as to strengthen the profitability of the Group.

Looking forward, the Group will continue to update its business plans while seeking for new investment opportunities, echoing its core in information technology sphere as to create long term value for shareholders.

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 September 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 September 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*
			<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

* 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.

INTERESTS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE (THE “SFO”) AND SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS INTEREST IN SECURITIES

Substantial Shareholders

At 30 September 2012, the following persons (other than the directors and chief executive of the Company) had, or were deemed to have interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Division 2 and 3 of 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 Company, or substantial shareholder details required to be kept by the Company under Section 336 of the SFO were as follows (assuming there being no other change in the share capital of the Company):

Long positions in the underlying shares

Substantial shareholders	Capacity in which the underlying shares are held	Number of shares or underlying shares	Approximate percentage of the Company’s issued share capital Note (3)	<i>Notes</i>
Mr. Ng Kam Lun Eric (“Mr. Ng”)	Interest of a controlled corporation	200,000,000	16.01%	(1), (2)
Speedy Harvest Investments Limited (“Speedy Harvest”)	Interest of a controlled corporation	200,000,000	16.01%	(1), (2)
Modern Education Group Limited (“Modern Education Group”)	Interest of a controlled corporation	200,000,000	16.01%	(1), (2)
Sino Network Group Limited (“Sino Network”)	Interest of a controlled corporation	200,000,000	16.01%	(1), (2)
Wise Action Limited (“Wise Action”)	Beneficial owner	200,000,000	16.01%	(1), (2)

Notes:

- (1) Wise Action is wholly and beneficially owned by Sino Network. Sino Network is wholly owned by Modern Education Group. Modern Education Group is approximately 44.96% owned by Speedy Harvest and Speedy Harvest is wholly owned by Mr. Ng. As such, Sino Network, Modern Education Group, Speedy Harvest and Mr. Ng were deemed to be interested in the underlying shares which Wise Action was interested in pursuant to Part XV of the SFO.
- (2) On 28 September 2012, the Company and Wise Action entered into the Subscription Agreement in respect of the issue of the Convertible Notes in the principal amount of HK\$20,000,000. Assuming full conversion of the Convertible Notes at the conversion price of HK\$0.10 per share, a total of 200,000,000 conversion shares will be allotted and issued, representing (i) approximately 16.01% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 13.80% of the issued share capital of the Company as enlarged by the allotment and issue of the conversion shares. As at the date of this announcement, completion of the Subscription Agreement and the issue of Convertible Notes were not completed. Details of the Subscription Agreement are contained in the Note 13 to the consolidated financial statements and the announcement of the Company dated 28 September 2012.
- (3) The total number of the issued shares as at 30 September 2012 (that is, 1,248,894,324 shares) has been used for the calculation of the approximate percentage.

Save as disclosed above, as at 30 September 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

On 27 March 2012, the Board has established the Nomination Committee with specific terms of reference which deals clearly with its authorities and duties. 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 management shareholders of the Company (within the meaning of the GEM Listing Rules) has any interest in any 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 except for the deviation from code provision A.4.1 which is explained below.

Under the Code Provision A.4.1, non-executive Directors should be appointed for a specific term and subject to re-election. The existing independent non-executive Directors of the Company were not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Article of Association of the Company. The Company considers that sufficient measures have been taken to ensure good corporate governance practices of the Company in this aspect of the Code Provisions.

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this announcement the Company has maintained the prescribed public float under the GEM Listing Rules.

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

5 November 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 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.