



**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 REPORT 2006**

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ( GEM ) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE STOCK EXCHANGE )

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The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcement in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM listed issuers.

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*This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market ( GEM ) of the Stock Exchange for the purpose of giving information with regard to the company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*As at the date of this report, the board of Directors consists of Mr. Koh Tat Lee, Michael, Mr. Domingo Chen and Dr. Choong Ying Chuan, being the executive Directors, Mr. Wong Kean Li, being the non-executive Director, Mr. Cheung Wai Shing, Mr. Tsang Kwok Wai and Mr. Chu, Ray, being the independent non-executive directors.*

01

T H I R D  
 Q U A R T E R L Y  
 R E P O R T  
 2 0 0 6

# RESULTS

The board of directors ( the Board ) of M Dream Inworld Limited ( the Company ) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the Group ) for the nine months ended 30 September 2006 ( the Period ).

## CONSOLIDATED INCOME STATEMENT

For the period ended 30 September 2006 (in HK Dollars)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2006 (unaudited) HK\$ 000	2005 (unaudited) HK\$ 000	2006 (unaudited) HK\$ 000	2005 (unaudited) HK\$ 000
Turnover	2	3,487	7,070	9,887	25,598
Cost of sales		(2,371)	(3,390)	(7,310)	(14,377)
Gross profit		1,116	3,680	2,577	11,221
Other revenue		8,359	61	8,369	127
Administrative expenses		(2,813)	(6,215)	(8,134)	(23,642)
Selling and distribution costs		(6)	(1,447)	(75)	(4,762)
Write off of goodwill upon disposal of equity interests in subsidiaries		—	—	—	(17,197)
Unrealized profit/(loss) on other investment		—	(486)	—	498
Profit/(loss) from operations		6,656	(4,407)	2,737	(33,755)
Finance costs		(39)	(523)	(232)	(1,210)
Profit/(loss) before taxation		6,617	(4,930)	2,505	(34,965)
Taxation	3	—	—	—	(50)
Profit/(loss) after taxation		6,617	(4,930)	2,505	(35,015)
Minority interest		—	(530)	—	731
Net profit/(loss) attributable to shareholders		6,617	(5,460)	2,505	(34,284)
<b>Earning/(loss) per share</b>					
Basic (cents)	4	0.2538	(0.2094)	0.0961	(1.3151)
Diluted (cents)	4	N/A	N/A	N/A	N/A

02

THIRD  
QUARTERLY  
REPORT  
2006

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of preparation**

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ( HKFRSs ), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ( HKASs ) and Interpretation ( Ints ) issued by the Hong Kong Institute of Certified Public Accountants ( the HKICPA ), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules of the Hong Kong Stock Exchange.

The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets at fair value through profit and loss.

**2. Turnover**

	<b>Nine months ended 30 September</b>	
	<b>2006</b>	2005
	<b>HK\$ 000</b>	HK\$ 000
Turnover		
System solutions services income	<b>9,887</b>	12,560
Mobile game and value added services	—	12,994
Others	—	44
	<b>9,887</b>	25,598

03

T H I R D  
Q U A R T E R L Y  
R E P O R T  
2 0 0 6

**3. Taxation**

No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profits in Hong Kong for the Period (2005: Nil).

Taxation on overseas profits is charged at the rates of taxation prevailing in the countries in which the Companies operate. No overseas taxation has been made in the financial statements for the subsidiaries operating outside Hong Kong for the Period (2005: HK\$50,000).

**4. Earning/(loss) per share**

The calculation of basic earning/(loss) per share is based on the net profit/(loss) from ordinary activities attributable to shareholders for the Period of approximately HK\$2,505,000 (2005: loss HK\$34,284,000) and the weighted average of 2,606,949,911 (2005: 2,606,949,911) ordinary shares in issue during the Period.

No diluted earning/(loss) per share has been presented because the exercise price of the Company's share options was higher than the average market price per share for the Period and other potential ordinary shares are anti-dilutive.

**5. Reserves**

There were no movements in reserves of the Group during the Period other than profit attributable to shareholders of approximately HK\$2,505,000 and a transfer of HK\$1,099,000 from Convertible Bond Reserve credited to Accumulated Loss.

**6. Dividend**

The Board does not recommend any payment of dividend for the Period (2005: Nil).

# MANAGEMENT DISCUSSIONS AND ANALYSIS

## BUSINESS REVIEW

During the Period the Group has taken great effort to control costs of operations. For the nine months ended 30 September 2005 the administrative expenses plus selling and distribution costs to turnover ratio was 1.11 while the same ratio for the Period was 0.83. This reflects costs control was taking effect during the Period and the Group will continue to try to further lower costs.

Compared to the same period of 2005 the turnover of the Group for the Period was dropped by 61%. However the management is confident that we shall seek good investment opportunities with patience and the turnover and profitability of the Group shall be improved.

## FINANCIAL REVIEW

### Turnover

The turnover of the Group was approximately HK\$10 million for the Period, representing a decrease of 61% compared to the turnover for the period ended 30 September 2005 of approximately HK\$25.6 million.

### Profit for the period

The profit attributable to shareholders for the Period was approximately HK\$2,505,000 compared loss approximately HK\$34,284,000 for the period ended 30 September 2005. The significant improvement is mainly due to there was no goodwill written off during the Period as all goodwill previously generate was fully impaired as at 31 December 2005 and a waive of HK\$8,284,000 convertible notes payment grouped as other revenue during the Period. Also the Group has been cutting costs in every aspect.

### Capital structure

There has been no 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 Singapore dollars. The directors did not consider the Group was significantly exposed to any foreign currency exchange risk.

05

T H I R D  
Q U A R T E R L Y  
R E P O R T  
2 0 0 6

## **Significant investments**

The Group had no significant investments during the Period.

## **Material acquisitions and disposals**

The Group had no material acquisition during the Period.

## **OUTLOOK**

The Group is constantly exploring new business opportunities in order to achieve better returns for its shareholders. The operation of subsidiaries of the Group expanded from solely system solution provision to other areas. Although the Group did not perform well in its pursue of online game and mobile value added services, the management will continue to work hard to seek greener pasture in the future.

In the short term, the management team is working to get the shares resume trading on the Hong Kong Stock Exchange. Furthermore, the management team is working hard to explore new opportunities to expand businesses in China.

The Singapore subsidiary Elipva is slowing gaining ground in South East Asia for its system solutions business. The Group will continue to explore opportunity to bring Elipva to the North Asia market to create win/win situation. The Group also enriches its customer base by Elipva s customer list which includes various government authorities, financial institutions and multinational companies.

## 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 2006, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong ( SFO ), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### Long position in the ordinary shares of the Company

Name of director	Personal interests	Corporate interests	Total interests	Percentage of interests
Mr. Koh Tat Lee, Michael	—	323,104,376 (Note 1)	323,104,376	12.39%
Dr. Choong Ying Chuan	2,563,930	46,089,697 (Note 2)	48,653,627	1.87%

#### Notes:

- These shares are held by Dynamate Limited of which the entire issued share capital is beneficially owned by Mr. Koh Tat Lee, Michael. Accordingly, Mr. Koh is deemed to be interested in the shares beneficially owned by Dynamate Limited.
- These shares are held by eMatrix Pte Limited of which 83.33% of the entire issued capital is beneficially owned by Dr. Choong Ying Chuan. Accordingly, Dr. Choong is deemed to be interested in the shares beneficially owned by eMatrix Pte Limited.

07

T H I R D  
QUARTERLY  
REPORT  
2 0 0 6

## OTHER INFORMATION

Save as disclosed above, as at 30 September 2006, none of the Directors or chief executives of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 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**

Apart from those as disclosed under the heading Share Options below, 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 OPTIONS**

#### **Pre-IPO share option scheme**

On 14 December 2001, the Pre-IPO Share Option Scheme was approved and adopted by a written resolution of all the Shareholders. The purpose of the Pre-IPO Share Option Scheme is to recognize the contribution of certain directors and employees of the Group to the growth of the Group and/or the listing of the Shares on GEM.

No options granted under the Pre-IPO Share Option Scheme were outstanding up to the date of the approval of the financial statements.

08

THIRD  
QUARTERLY  
REPORT  
2006

**Share option scheme**

The Company has also adopted a share option scheme on 14 December 2001 ( Share Option Scheme ) under which the directors may at their discretion grant options to employees (whether under full-time or part-time employment) and directors (whether executive, non-executive or independent non-executive) of the Group to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated in the Share Option Scheme. An aggregate of 82,720,000 options were outstanding under the share option scheme up as at the end of the Period.

Particulars and movements during the Period of the outstanding share options granted under the Share Option Scheme were as follows:

Name or Category of participant	As at 1 January 2006	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	As at 30 September 2006	Date of grant of share options	Exercise period of share options	Exercise price of share options
Mr. Wong Kean Li	16,000,000	—	—	—	—	16,000,000	20 May 2004	20 May 2004 to 19 May 2014	HK\$0.036
Mr. Chen Domingo	22,000,000	—	—	—	—	22,000,000	24 November 2004	24 November 2004 to 23 November 2014	HK\$0.034
Dr. Choong Ying Chuan	16,000,000	—	—	—	—	16,000,000	24 November 2004	24 November 2004 to 23 November 2014	HK\$0.034
Employees	17,000,000	—	—	—	—	17,000,000	9 October 2003	9 October 2003 to 8 October 2013	HK\$0.076
Employees	1,500,000	—	—	—	—	1,500,000	31 March 2004	31 March 2004 to 30 March 2014	HK\$0.060
Employees	35,400,000	—	—	—	32,000,000	3,400,000	20 May 2004	20 May 2004 to 19 May 2014	HK\$0.036
Employees	14,500,000	—	—	—	14,500,000	—	30 June 2004	30 June 2004 to 29 June 2014	HK\$0.047
Employees	6,820,000	—	—	—	—	6,820,000	24 November 2004	1 July 2005 to 23 November 2014 (Note 1)	HK\$0.034
<b>Total</b>	<b>129,220,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>46,500,000</b>	<b>82,720,000</b>			

**Note 1:** Options granted to these grantees are entitled to exercise (i) half of the options granted to them after 30 June, 2005; (ii) the remaining options after 31 December 2005.

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS

As at 30 September 2006, the following persons 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 or Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the group, or substantial shareholder required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholders	Number of shares held	Percentage of the Company's share capital
Temasek Holdings (Private) Limited ( <i>Note 1</i> )	507,862,364	19.48%
Singapore Technologies Telemedia Pte Ltd ( <i>Note 1</i> )	507,862,364	19.48%
STT Communications Ltd ( <i>Note 1</i> )	507,862,364	19.48%
stt Ventures Ltd ( <i>Note 1</i> )	507,862,364	19.48%
Yu Chung Choi, Chaucer	307,000,000	11.78%
Madam Lidya Suryawaty ( <i>Note 2</i> )	204,870,228	7.86%
Dr. Mochtar Riady ( <i>Note 2</i> )	204,870,228	7.86%
Lanius Limited ( <i>Note 2</i> )	204,870,228	7.86%
Lippo Cayman Limited ( <i>Note 2</i> )	204,870,228	7.86%
Lippo Limited ( <i>Note 2</i> )	204,870,228	7.86%
Lippo China Resources Limited ( <i>Note 2</i> )	204,870,228	7.86%
HKCL Holdings Limited ( <i>Note 2</i> )	204,870,228	7.86%
Hongkong Chinese Limited ( <i>Note 2</i> )	204,870,228	7.86%
Allwin Asia Inc. ( <i>Note 2</i> )	204,870,228	7.86%
Dynamate Limited ( <i>Note 3</i> )	323,104,376	12.39%
Koh Tat Lee, Michael ( <i>Note 3</i> )	323,104,376	12.39%
Shenzhen Ingen Technology Company Limited	147,440,000	5.66%

*Notes:*

1. These shares are held by stt Ventures Limited, which is a wholly-owned subsidiary of STT Communications Limited ( STTC ). 99.99% of the interest of STTC is in turn held by Singapore Technologies Telemedia Pte Ltd, which is in turn a wholly-owned indirect subsidiary of Temasek Holdings (Private) Limited. Accordingly, Temasek Holdings (Private) Limited, Singapore Technologies Telemedia Pte Ltd and STTC are deemed to be interested in the shares beneficially owned by stt Ventures Limited.
2. These shares are held by Allwin Asia Inc., which is a wholly-owned indirect subsidiary of Hongkong Chinese Limited. 60.97% of the interest of Hongkong Chinese Limited is in turn held by HKCL Holdings Limited, which is in turn a wholly-owned indirect subsidiary of Lippo China Resources Limited. 71.13% of the interest of Lippo Chinese Resources Limited is in turn indirectly held by Lippo Limited.

Lippo Cayman Limited is the holding company of Lippo Limited through direct holding and through wholly-owned subsidiaries, one of which is Lippo Capital Limited which controls an approximate 50.47% interest in Lippo Limited.

Lanius Limited is the registered shareholder of the entire issued share capital of Lippo Cayman Limited and is the trustee of a discretionary trust, of which Dr. Mochtar Riady is the founder and in accordance with whose instructions Lanius Limited is accustomed to act. The beneficiaries of the trust include Dr. Mochtar Riady and his family members. Madam Lidya Suryawaty is the spouse of Dr. Mochtar Riady. Dr. Mochtar Riady is not the registered holder of any shares in issued share capital of Lanius Limited.

According, Madam Lidya Suryawaty, Dr. Mochtar Riady, Lanius Limited, Lippo Cayman Limited, Lippo Limited, Lippo China Resources Limited, HKCL Holdings Limited and Hongkong Chinese Limited are deemed to be interested in the shares beneficially owned by Allwin Asia Inc.

3. These shares are held by Dynamate Limited of which the entire issued capital is beneficially owned by Mr. Koh Tat Lee, Michael. Accordingly, Mr. Koh is deemed to be interested in the shares beneficially owned by Dynamate Limited.

## OTHER INFORMATION

### **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**

As at the date of this report 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.

### **AUDIT COMMITTEE**

The Company established an audit committee with written terms of reference in accordance with Rules 5.34 to 5.45 of the GEM Listing Rules. The audit committee members as at the date of this report are Mr. Cheung Wai Shing, Mr. Tsang Kwok Wai and Mr. Chu, Ray. 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 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 to 5.45 of the GEM Listing Rules during the Period.