



**M DREAM INWORLD LIMITED**

**聯 夢 活 力 世 界 有 限 公 司**

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 8100)

**FIRST QUARTERLY REPORT 2007**

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

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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. Ha Shu Tong, Mr. Yu Shu Kuen, Mr. Tham Ming Yong and Mr. Domingo Chen, being the executive Directors, Mr. Koh Tat Lee, Michael, being the non-executive Director, Mr. Cheung Wai Shing, Mr. Tsang Kwok Wai and Mr. Chu, Ray, being the independent non-executive directors.*

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# 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 three months ended 31 March 2007 (“the Period”).

## CONSOLIDATED INCOME STATEMENT

For the period ended 31 March 2007 (in HK Dollars)

	Notes	Three months ended 31 March	
		2007 (unaudited) HK\$'000	2006 (unaudited) HK\$'000
Turnover	2	5,152	5,268
Cost of sales		(1,397)	(3,919)
Gross profit		3,755	1,349
Other revenue		1,615	4
Administrative expenses		(3,642)	(3,382)
Selling and distribution costs		(11)	(45)
Profit/(loss) from operations		1,717	(2,074)
Finance costs		(11)	(188)
Profit/(loss) before taxation		1,706	(2,262)
Taxation	3	—	—
Net profit/(loss) attributable to shareholders		1,706	(2,262)
<b>Earnings/(loss) per share</b>			
Basic (cents)	4	0.07	(0.09)
Diluted (cents)	4	N/A	N/A

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**NOTES**

**1. Basis of preparation**

The consolidated financial statements of the Company have been prepared under the historical cost convention in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “GEM Listing Rules”) of the Hong Kong Stock Exchange Limited (the “Stock Exchange”).

**2. Turnover**

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
Turnover		
System solutions services income	<b>5,152</b>	5,268
	<b>5,152</b>	5,268

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**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 (2006: 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 (2006: Nil).

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

The calculation of basic earnings/(loss) per share is based on the net profit/(loss) attributable to shareholders for the Period of approximately HK\$1,706,000 (2006: loss HK\$2,262,000) and the weighted average of 2,606,949,911 (2006: 2,606,949,911) ordinary shares in issue during the Period.

No diluted earnings/(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.

# RESULTS

**5. Reserves**

There were no movements in reserves of the Group during the Period other than the profit attributable to shareholders of approximately HK\$1,706,000.

**6. Dividend**

The Board does not recommend any payment of dividend for the Period (2006: Nil).

# MANAGEMENT DISCUSSIONS AND ANALYSIS

## BUSINESS REVIEW

By shrinking the operating costs the Group has achieved a remarkable results for the Period compared to last year. The Singapore subsidiary which provides system development and solutions to well-known customers in South East Asia contributed approximately HK\$4,169,000 of the turnover. It recorded a net profit of about HK\$400,000. Starting from this Period the Company and a subsidiary has provided computer system integration maintenance services, server building and computer network building to small customers in Hong Kong, a turnover of about HK\$583,000 was recorded. Another system development contract from a PRC customer was procured and there was a turnover HK\$400,000 made from it during the Period.

There was an amount of approximately HK\$1,594,000 recorded as other revenue during the Period. This was due to a waiver of a loan and interest payable to an unsecured creditor.

## FINANCIAL REVIEW

### Turnover

The turnover of the Group was approximately HK\$5,152,000 for the Period, representing a decrease of 2% compared to the turnover for the period ended 31 March 2006 of approximately HK\$5,268,000.

### Profit for the period

The profit attributable to shareholders for the Period was approximately HK\$1,706,000 compared to loss approximately HK\$2,262,000 for the period ended 31 March 2006. The improvement was mainly due to reducing of operation costs of the Group.

### 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, Renminbi and Singapore dollars. The directors did not consider the Group was significantly exposed to any foreign currency exchange risk.

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## **Significant investments**

The Group had no significant investments during the Period.

## **Material acquisitions and disposals**

The Group had no material acquisitions and disposals during the Period.

## **OUTLOOK**

The management believe the improvement trend in results will be continue throughout the year as there are some sales contract with remarkable profit margin under negotiations. The focus of business by the Group has been system development and solutions, however the management are also taking active approach in exploring other business with huge potential.

The subsidiary in Beijing is seeking business prospects in IT and marketing consultancy. With the present flourishing economic environment in mainland China, the management are confident this subsidiary will start contributing value to the Company very soon.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 March 2007, 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 (Note 3)	2,563,930	46,089,697 (Note 2)	48,653,627	1.87%
Mr. Yu Shu Kuen	–	360,000,000 (Note 4)	360,000,000	58% (Note 5)

#### 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 of the Company 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 of the Company beneficially owned by eMatrix Pte Limited.
- Dr. Choong Ying Chuan ceased to be director of the Company on 15 January 2007.

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## OTHER INFORMATION

4. These shares will be issued upon conversion of the Convertible Bonds and are held by Ample Field Limited of which the entire issued capital is beneficially owned by Mr. Yu Shu Kuen. Ample Field Limited is the subscriber of the Convertible Bonds as defined in the circular of the Company dated 4 December 2006. Accordingly, Mr. Yu is deemed to be interested in the shares of the Company beneficially owned by Ample Field Limited.
5. The percentage is based on the number of new shares after the Share Reorganisation as defined in the circular of the Company dated 4 December 2006.

Save as disclosed above, as at 31 March 2007, 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.

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### **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 of the Company.

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

# OTHER INFORMATION

## Share option scheme

The Company has also adopted a share option scheme on 14 December 2001 (the “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 22,000,000 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, 2007	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	As at 31 March, 2007	Date of grant of share options	Exercise period of share options	Exercise price of share options
Mr. Chen Domingo	22,000,000	-	-	-	-	22,000,000	24 November, 2004	24 November, 2004 to 23 November 2014	HK\$0.034
<b>Total</b>	<b>22,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,000,000</b>			

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS

As at 31 March 2007, 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%
Ample Field Limited ( <i>Note 4</i> )	360,000,000	( <i>Note 5</i> ) 58%
Yu Shu Kuen ( <i>Note 4</i> )	360,000,000	( <i>Note 5</i> ) 58%

*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.
4. These shares will be issued upon conversion of the Convertible Bonds and are held by Ample Field Limited of which the entire issued capital is beneficially owned by Mr. Yu Shu Kuen. Ample Field Limited is the subscriber of the Convertible Bonds as defined in the circular of the Company dated 4 December 2006. Accordingly, Mr. Yu is deemed to be interested in the shares of the Company beneficially owned by Ample Field Limited.
5. The percentage is based on the number of new shares after the Share Reorganisation as defined in the circular of the Company dated 4 December 2006.

## 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 any 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.