



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 2008

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors. Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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.

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 2008 (“the Period”).

CONSOLIDATED INCOME STATEMENT

For the period ended 31 March 2008 (in HK Dollars)

		Three months ended	
		31 March	
		2008	2007
	<i>Notes</i>	(unaudited)	(unaudited)
		HK\$'000	HK\$'000
Turnover	2	3,523	5,152
Cost of sales		(2,344)	(1,397)
		<hr/>	<hr/>
Gross profits		1,179	3,755
Other revenue	3	9,143	1,615
Administrative expenses		(3,850)	(3,642)
Selling and distribution costs		(15)	(11)
		<hr/>	<hr/>
Profits from operations		6,457	1,717
Finance costs		(30)	(11)
		<hr/>	<hr/>
Profits before taxation		6,427	1,706
Taxation	4	0	0
		<hr/>	<hr/>
Net profits attributable to shareholders		6,427	1,706
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share			
			(restated)
Basic (cents)	5	0.79	0.65
		<hr/> <hr/>	<hr/> <hr/>
Diluted (cents)	5	N/A	N/A
		<hr/> <hr/>	<hr/> <hr/>

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 (“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 Growth Enterprise Market (the “GEM Listing Rules”) of the Hong Kong Stock Exchange Limited (the “Stock Exchange”).

The HKICPA has issued certain new and revised HKFRSs recently including HKFRS 7 and the amendment of HKAS 1. Both HKFRS 7 and the amendment of HKAS 1 do not have any material impact on then classification, recognition and measurements of the amounts recognized in the financial statements.

2. Turnover

	Three months ended	
	31 March	
	2008	2007
	HK\$'000	HK\$'000
Turnover		
System solutions services income	<u>3,523</u>	5,152
	<u>3,523</u>	<u>5,152</u>

3. Other revenue

Including in the other revenue is an amount of approximately HK\$8,887,000 which is generated upon disposing 30% shareholding of the Singapore subsidiary Elipva to its chief executive officer during the Period. The accumulated loss of Elipva after it became a subsidiary is partly taken up by the chief executive officer as minority resulting such gain.

RESULTS

4. 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 (2007: 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 (2007: Nil).

5. Earnings per share

The calculation of basic earnings per share is based on the net profits attributable to shareholders for the Period of approximately HK\$6,427,000 (2007: HK\$1,706,000) and the weighted average of 810,988,631 (2007: 260,694,991 (restated)) ordinary shares in issue during the Period.

No diluted earnings per share has been presented because there were no dilutive events during the Period and the same period for 2007.

6. Reserves The Group

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2007	106,730	6,426	(307)	(172,396)	(59,547)
Net profit for the period				1,706	1,706
At 31 March 2007	<u>106,730</u>	<u>6,426</u>	<u>(307)</u>	<u>(170,690)</u>	<u>(57,841)</u>
At 1 January 2008	159,239	6,426	(483)	(138,371)	26,811
Issue of new shares	5,227				5,227
Exchange realignment			(683)		(683)
Net profit for the Period				6,427	6,427
At 31 March 2008	<u>164,466</u>	<u>6,426</u>	<u>(1,166)</u>	<u>(131,944)</u>	<u>37,782</u>

7. Dividend

The Board does not recommend any payment of dividend for the Period (2007: Nil).

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

With the uncertainty in the US economy, the turnover of the Group for the Period was decreased compared to the period of last year. Less solution service contracts were issued out for open tender in Singapore for the first quarter. However, our Singapore subsidiary Elipva has actively solicited business opportunities and its management expects some new service contracts can be obtained by it in the second quarter. In order to increase motivation in procuring new contracts, 30% of shareholding of Elipva was sold to the chief executive officer of Elipva, and there was a gain of about HK\$8,887,000 to the Group upon such disposal.

Two loan capitalizations were carried out by the Company during the Period. A creditor of amount HK\$1,368,000 was settled by issuing 2,338,460 new shares of the Company while another creditor of amount approximately HK\$4,050,000 was settled by issuing 16,804,979 new shares of the Company. This reflects confidence on the long term prospect of the Company as its shares are welcomed by its creditors.

FINANCIAL REVIEW

Turnover

The turnover of the Group was approximately HK\$3,523,000 for the Period, representing a decrease of 32% compared to the turnover for the period ended 31 March 2007 of approximately HK\$5,152,000.

Profits for the period

The profits attributable to shareholders for the Period was approximately HK\$6,427,000 compared to profits attributable to shareholders of approximately HK\$1,706,000 for the period ended 31 March 2007. The improvement was due to the gain of approximately HK\$8,887,000 captured upon the disposal of the 30% shareholding of the Singapore subsidiary to its chief executive officer. This amount was recorded as other revenue.

Capital structure

There has been no significant change in the capital structure of the Company during the Period except the issue of new shares of 2,338,460 shares and 16,804,979 shares respectively in two loan capitalization exercises.

MANAGEMENT DISCUSSIONS AND ANALYSIS

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.

Significant investments

The Group had no significant investments during the Period.

Material acquisitions and disposals

The Group had no material acquisition or disposal during the Period except the disposal of 30% shareholding of the Singapore subsidiary to its chief executive officer at a consideration of Singapore \$100,000. The Group still holds 70% shareholding of it.

CORPORATE GOVERNANCE

The Directors are pleased to report that throughout the Period the Company substantially complied with the Code of Corporate Governance Practices (“the Code”) as set out in Appendix 14 of the Listing Rules. In particular, the Company has ensured:

- the appointment to and the composition and operation of the Board of Directors;
- duty delegation by the Board;
- operations of committees and
- accountability and internal control,

were in compliance with the Code.

MANAGEMENT DISCUSSIONS AND ANALYSIS

OUTLOOK

With cash balance of approximately HK\$37 million the Company will look for good investment and operating opportunities to create long term sustainable growth to the Company. As the economy in the PRC is still expected at the fast growing stage, its huge market is the prime focus of the Company and the management of the Company has been actively exploring and pursuing business opportunities in the PRC.

OTHER INFORMATION

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 2008, 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 ("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, were as follows:

Long position in the ordinary shares of the Company

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Name of director	Personal interests	Corporate interests	Total interests	Percentage of interests
Mr. Yu Shu Kuen	–	360,000,000 (Note 1)	360,000,000	43.91%

Note:

1. These shares are held by Ample Field Limited, which is wholly and beneficially owned by Mr Yu Shu Kuen.

OTHER INFORMATION

Save as disclosed above, as at 31 March 2008, 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 5.67 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

2007 New 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 of the Group in order to recognize and motivate their contribution, to provide incentives and to help the Group in retaining its existing employees and recruiting additional quality employees and to provide them with a direct economic interest in attaining the long term business objectives of the Group.

No options were granted under this scheme as at 31 March 2008.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2008, 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>	50,786,236	6.19%
Singapore Technologies Telemedia Pte Ltd <i>(Note 1)</i>	50,786,236	6.19%
STT Communications Ltd <i>(Note 1)</i>	50,786,236	6.19%
stt Ventures Ltd <i>(Note 1)</i>	50,786,236	6.19%
Ample Field Limited <i>(Note 2)</i>	360,000,000	43.91%
Yu Shu Kuen <i>(Note 2)</i>	360,000,000	43.91%

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 Ample Field Limited of which the entire issued capital is beneficially owned by Mr. Yu Shu Kuen. Accordingly, Mr. Yu is deemed to be interested in the shares of the Company beneficially owned by Ample Field 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 shareholder 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 5.28 to 5.33 of the GEM Listing Rules. The audit committee members as at the date of this report are Mr. Tsang Kwok Wai, Mr. Rong Hsu and Ms. Zhao Yang. They are the independent non-executive directors of the Company. The audit committee's principal duties are to review and supervise the financial reporting process and internal control procedures of the Group.

The Company's financial statements for the Period have been reviewed and discussed by the audit committee before any disclosure and release of information.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in Rules 5.34 of the GEM Listing Rules during the Period.

By order of the Board
M Dream Inworld Limited
Ha Shu Tong
Chairman

Hong Kong, 28 April 2008

As at the date of this report, the Board of Directors consists of Mr. Ha Shu Tong, Mr. Yu Shu Kuen and Mr. Tham Ming Yong being the Executive Directors, Mr. Tsang Kwok Wai, Mr. Rong Hsu and Ms. Zhao Yang being the Independent Non-executive Directors.