



M DREAM INWORLD LIMITED

聯夢活力世界有限公司

(Incorporated in the Cayman Islands with limited liability)

**M DREAM
INWORLD LIMITED
THIRD QUARTERLY
REPORT
2009**

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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 the Main Board of the Stock Exchange 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 (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 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.

HIGHLIGHTS (UNAUDITED)

- The turnover of the Group was approximately HK\$8.9 million for the Period representing a decrease of approximately 22.6% as compared to the turnover for the corresponding period in 2008 of approximately HK\$11.5 million.
- The Group recorded a loss attributable to equity shareholders of the Company of approximately HK\$11.6 million for the Period compared to the loss of approximately HK\$5.9 million for the same period last year.
- Loss per share for loss attributable to equity shareholders of the Company for the Period was HK1.31 cents.

RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together the “Group”) for the three months and nine months ended 30 September 2009 (the “Period”), together with the comparative unaudited figures for the corresponding period in 2008, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENTS – UNAUDITED

For the three months and nine months ended 30 September 2009

(Expressed in Hong Kong dollars)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000 (restated)
Turnover	2	2,970	4,393	8,924	11,470
Cost of sales		<u>(1,926)</u>	<u>(2,465)</u>	<u>(5,615)</u>	<u>(6,542)</u>
Gross profit		1,044	1,928	3,309	4,928
Other revenue and net income	3	362	93	588	745
Selling and administrative expenses	3	<u>(6,231)</u>	<u>(3,303)</u>	<u>(15,875)</u>	<u>(11,543)</u>
Loss from operations		(4,825)	(1,282)	(11,978)	(5,870)
Finance costs		<u>(10)</u>	<u>(2)</u>	<u>(22)</u>	<u>(43)</u>
Loss before taxation		(4,835)	(1,284)	(12,000)	(5,913)
Income tax credit/(expense)	4	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss for the period		<u>(4,835)</u>	<u>(1,284)</u>	<u>(12,000)</u>	<u>(5,913)</u>
Attributable to:					
Equity shareholders of the Company		<u>(4,823)</u>	<u>(1,284)</u>	<u>(11,550)</u>	<u>(5,913)</u>
Minority interests		<u>(12)</u>	<u>-</u>	<u>(450)</u>	<u>-</u>
Loss for the period		<u>(4,835)</u>	<u>(1,284)</u>	<u>(12,000)</u>	<u>(5,913)</u>
Loss per share		HK cents	HK cents	HK cents	HK cents
Basic	5	<u>(0.55)</u>	<u>(0.16)</u>	<u>(1.31)</u>	<u>(0.72)</u>
Diluted	5	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

RESULTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

For the three months and nine months ended 30 September 2009

(Expressed in Hong Kong dollars)

	Three months ended		Nine months ended	
	30 September		30 September	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
				(restated)
Loss for the period	(4,835)	(1,284)	(12,000)	(5,913)
Other comprehensive income/(expense)				
Exchange translation differences	56	(10)	(80)	899
Total comprehensive expense for the period	(4,779)	(1,294)	(12,080)	(5,014)
Attributable to:				
Equity shareholders of the Company	(4,767)	(1,294)	(11,630)	(5,014)
Minority interests	(12)	-	(450)	-
	(4,779)	(1,294)	(12,080)	(5,014)

RESULTS

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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 GEM (the “GEM Listing Rules”) of the Stock Exchange.

The accounting policies and basis of preparation used in the preparation of the unaudited consolidated results are consistent with those used in the Company’s annual financial statements for the year ended 31 December 2008.

2. TURNOVER

	Three months ended		Nine months ended	
	30 September		30 September	
	2009	2008	2009	2008
	\$’000	\$’000	\$’000	\$’000
Turnover				
Sales of software and hardware, and system solutions services income	1,884	4,393	5,154	11,470
Sales of display equipment, components and related technology	1,086	–	3,770	–
	<u>2,970</u>	<u>4,393</u>	<u>8,924</u>	<u>11,470</u>

3. RESTATEMENT

For the three months ended 31 March 2008, the recognition of a gain of approximately HK\$8.6 million on a disposal of 30% shareholding of the Group’s Singapore subsidiary is derecognized. For details, please refer to the “Business review” in the Company’s 2008 annual report. Approximately HK\$100,000 relevant professional fee of the disposal is adjusted from administration expenses.

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 (2008: 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 (2008: Nil).

5. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders of the Company for the Period of approximately HK\$11,550,000 (2008: HK\$5,913,000 (restated)) and the weighted average of 881,901,901 (2008: 816,899,263) ordinary shares in issue during the Period.

No diluted loss per share has been presented because there were no dilutive events during the Period and the corresponding period in 2008.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

RESULTS**Business segments**

The Group comprises the following main business segments:

	Nine months ended 30 September					
	Sales of software and hardware, and system solution services		Sales of display equipment, components and related technology		Consolidated	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue	<u>5,154</u>	<u>11,470</u>	<u>3,770</u>	<u>-</u>	<u>8,924</u>	<u>11,470</u>
Segment result	<u>(2,322)</u>	<u>(423)</u>	<u>(2,890)</u>	<u>-</u>	<u>(5,212)</u>	<u>(423)</u>
Unallocated operating income and expenses					<u>(6,766)</u>	<u>(5,447)</u>
Loss from operations					<u>(11,978)</u>	<u>(5,870)</u>
Finance costs					<u>(22)</u>	<u>(43)</u>
Loss for the period					<u>(12,000)</u>	<u>(5,913)</u>

RESULTS

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. The details of geographical segments are as follows:

	Nine months ended 30 September							
	Hong Kong		Singapore		PRC		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	<u>1,182</u>	<u>1,320</u>	<u>4,790</u>	<u>10,150</u>	<u>2,952</u>	<u>-</u>	<u>8,924</u>	<u>11,470</u>

7. RESERVES

The Group

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

(Expressed in Hong Kong dollars)

	Share Capital	Share Premium	Contributed Surplus	Exchange Reserve	Accumulated Losses	Total	Minority interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2008	8,007	159,239	6,426	(483)	(138,371)	34,818	-	34,818
Partial disposal of subsidiaries	-	-	-	-	-	-	172	172
Placement of new shares	191	5,227	-	-	-	5,418	-	5,418
Total comprehensive expense for the period	-	-	-	899	(5,913)	(5,014)	-	(5,014)
Balance at 30 September 2008	<u>8,198</u>	<u>164,466</u>	<u>6,426</u>	<u>416</u>	<u>(144,284)</u>	<u>35,222</u>	<u>172</u>	<u>35,394</u>
Balance at 1 January 2009	8,198	164,284	6,426	482	(146,729)	32,661	450	33,111
Partial disposal of a subsidiary	-	-	256	-	-	256	-	256
Issue of new shares – open offer	2,733	9,565	-	-	-	12,298	-	12,298
Professional expenses incurred in open offer	-	(798)	-	-	-	(798)	-	(798)
Total comprehensive expense for the period	-	-	-	(80)	(11,550)	(11,630)	(450)	(12,080)
Balance at 30 September 2009	<u>10,931</u>	<u>173,051</u>	<u>6,682</u>	<u>402</u>	<u>(158,279)</u>	<u>32,787</u>	<u>-</u>	<u>32,787</u>

RESULTS

8. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the Period (2008: Nil).

9. CONTINUING CONNECTED TRANSACTIONS

The Group's wholly owned subsidiary, 廣泰益昌(北京)科技有限公司 ("Guang Tai Yichang (Beijing) Technology Co., Ltd."), entered into a framework agreement with 鴻源控股有限公司 ("Greatsource Holding Co Ltd"), a PRC company which is controlled by Ms Li Fang Hong, an Executive Director and substantial shareholder of the Company, and her associate(s), to purchase display equipment and components and related technology, in an aggregate commercial value of, but not exceeding, HK\$97 million, HK\$126 million and HK\$149 million in the calendar years of 2009, 2010 and 2011 respectively. The transaction has been approved in an extraordinary general meeting on 9 March 2009. Details of the transaction and the results of the extraordinary general meeting are set out in the Company's announcements dated 18 February and 9 March 2009 respectively.

10. RELATED PARTY TRANSACTIONS

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

		Nine months ended	
		30 September	
		2009	2008
		\$'000	\$'000
Name of related party	Nature of transactions		
鴻源控股有限公司 ("Greatsource Holding Co. Ltd.") and its subsidiaries (Note)	Purchases of display equipment, components and related technology	3,706	-

Note: 鴻源控股有限公司 ("Greatsource Holding Co Ltd") is a PRC company which is controlled by Ms. Li Fang Hong, an Executive Director and substantial shareholder of the Company, and her associate(s).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Period the Group recorded a decline in turnover and an increase in loss attributable to equity shareholders. The result of the Singapore subsidiary was disappointing. Its turnover was approximately HK\$4.7 million, dropped more than half compared to the same period in last year. In light of its poor prospect, the Board decided to dispose this subsidiary when a IT expert had shown interest in acquiring this subsidiary. A shareholders meeting is scheduled to let shareholders of the Company to vote on this disposal. More details of this transaction are shown in the following Subsequent Event paragraph.

The new operations of display business carried out by the Beijing subsidiary was performed less than expectation. It recorded a turnover of approximately HK\$2.9 million only for the Period. There was also about HK\$0.8 million of display business recorded by a Hong Kong subsidiary, but there was no further sale then despite the effort has been put in.

The selling and administrative expenses for the Period were approximately HK\$12 million, more than double compared to the same period in last year. It was mainly due to increase of management staff, more professional fees have been incurred and the new operations of the Beijing subsidiary.

FINANCIAL REVIEW

Turnover

The turnover of the Group was approximately HK\$8.9 million for the Period, representing a decrease of 22.6% compared to the turnover for the corresponding period in 2008 of approximately HK\$11.5 million.

Loss for the Period

The Group recorded a loss attributable to shareholders of the Company for the Period was approximately HK\$11.6 million compared to the loss of approximately HK\$5.9 million for the same period last year. The increase in loss is mainly due to the decline of the business in Singapore, and the increase in administration expenses of the Hong Kong and the new PRC operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital structure

On 31 July 2009, the Company issued 273,279,476 offer shares at the subscription price of HK\$0.045 per offer share, by way of an open offer on the basis of one offer share for every three shares held on 8 July 2009. The Board intends to apply the net proceeds of approximately HK\$11.7 million (net of expenses of approximately HK\$0.7 million) as general working capital of the Group and funds for future business expansion, including potential acquisitions of businesses which may or may not be within the existing principal business of the Group. Besides that there has been no significant change in the capital structure of the Company during the Period.

Foreign exchange exposure

During the Period the business activities of the Group were mainly denominated in Hong Kong dollars, Renminbi and Singapore dollars. The Directors do not consider that the Group was exposed to any significant 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 save as disclosed below in the section "Subsequent Event".

Subsequent Event

Reference is made to the announcement of the Company dated 9 September 2009 in which the Board announced that on 4 September 2009, Elipva International Limited "the Vendor", a wholly owned subsidiary of the Company, has entered into a Sale and Purchase Agreement with Dr. Lui Siu-Man "the Purchaser" pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire the shares of Elipva Limited ("Elipva"), a non-wholly subsidiary of the Vendor, representing 70% of the issued share capital of Elipva for an aggregate cash consideration of HK\$300,000 "the Disposal".

The Disposal constitutes a very substantial disposal on the part of the Company under Chapter 19 of the GEM Listing Rules and is subject to the approval of the Shareholders at the extraordinary general meeting of the Company "EGM".

MANAGEMENT DISCUSSION AND ANALYSIS

An EGM is scheduled to be held at Phoenix Room, The Charterhouse Hotel, 209-219 Wanchai Road, Hong Kong on Thursday, 29 October 2009 at 10:00 a.m for the purpose of considering and, if though fit, passing the resolution in relation to the Disposal.

For further details, please refer to the circular and notice of EGM of the Company issued on 12 October 2009.

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.

The Company has established written guidelines to further govern Directors when dealing in the Company's securities.

OUTLOOK

If it is approved by shareholders of the Company in the EGM, the Singapore operations will then be disposed. The financial burden of the Company will be lightened a bit as a result of such disposal and it can focus on the development of the display business. There is a new office to be opened in Shenzhen and more staff will be recruited. Hopefully this can bring in more sales in the display business area.

As mentioned before the Company has been looking for any valuable acquisitions so to enhance its volume of operations and bring value to shareholders. The Board is actively exploring any opportunity on a prudent manner. With the slow recovery of the general economy, the Company should be able to achieve good results in next year.

OTHER INFORMATION

DIRECTORS' INTERESTS IN CONTRACT

Save as disclosed in note 9 above, 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 2009, 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 shares and underlying shares of the Company

Name of director	Personal interests	Corporate interests	Total interests	Percentage of interests
Mr. Yu Shu Kuen	-	273,333,333 (Note 1)	273,333,333	25.00%
Ms. Li Fang Hong	-	206,666,666 (Note 2)	206,666,666	18.91%

Notes:

- These shares are held by Ample Field Limited, which is wholly and beneficially owned by Mr. Yu Shu Kuen. He resigned as the Executive Director of the Company on 30 September 2009.

OTHER INFORMATION

2. These shares are held by Universal Target Limited and it is wholly owned by Eternal Mass Limited. Eternal Mass Limited is 40% beneficially owned by Ms. Li Fang Hong and the rest 60% is beneficially owned by Mr. Gui Song, who is the spouse of Ms. Li Fang Hong.

Save as disclosed above, as at 30 September 2009, 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 30 September 2009.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2009, the following persons had, or were deemed to have, interests or short positions in the shares or underlying shares which would require to be disclosed to the Company and the Stock Exchange under the provision of Divisions 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 details 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
Ample Field Limited (<i>Note 1</i>)	273,333,333	25%
Yu Shu Kuen (<i>Note 1</i>)	273,333,333	25%
Universal Target Limited (<i>Note 2</i>)	206,666,666	18.91%
Eternal Mass Limited (<i>Note 2</i>)	206,666,666	18.91%
Mr. Gui Song (<i>Note 2</i>)	206,666,666	18.91%
Ms. Li Fang Hong (<i>Note 2</i>)	206,666,666	18.91%

Notes:

1. 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 beneficially owned by Ample Field Limited.
2. These shares are held by Universal Target Limited and it is wholly owned by Eternal Mass Limited. Eternal Mass Limited is 40% beneficially owned by Ms. Li Fang Hong and the rest 60% is beneficially owned by Mr. Gui Song, who is the spouse of Ms. Li Fang Hong. Accordingly, Eternal Mass Limited, Mr. Gui Song and Ms. Li Fang Hong are deemed to be interested in the shares of the Company beneficially owned by Universal Target Limited.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's shares during the Period.

OTHER INFORMATION

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.

CORPORATE GOVERNANCE

During the Period under review, the Company complied with the provisions set out in Appendix 15 of the Code on Corporate Governance Practices of the Rules Governing the Listing of Securities on the GEM.

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 Ms. Zhao Yang, Mr. Cho Chun Wai and Mr. Chan Kam Kwan, Jason. 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 Rule 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 full support.

By Order of the Board
M Dream Inworld Limited
Li Fang Hong
Managing Director

27 October 2009

As at the date of this report, the Board consists of Ms. Li Fang Hong and Mr. Rong Hsu being the Executive Directors, Mr. Cho Chun Wai, Mr. Chan Kam Kwan, Jason and Ms. Zhao Yang being the Independent Non-executive Directors.