



M DREAM INWORLD LIMITED

聯夢活力世界有限公司

(Incorporated in the Cayman Islands with limited liability)

First Quarterly Report

2010

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 Company and its subsidiaries (together the “Group”) for continuing operation was approximately HK\$2,294,000 for the three months ended 31 March 2010 (the “Period”), representing an increase of approximately 16% as compared to the turnover for the corresponding period in 2009 of approximately HK\$1,971,000.
- The Group recorded a loss attributable to equity shareholders of the Company of approximately HK\$2,197,000 for the Period compared to the loss of approximately HK\$3,545,000 for the corresponding period in 2009.
- Loss per share for loss attributable to equity shareholders of the Company for the Period was HK0.20 cents.

RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Group for the Period, together with the comparative unaudited figures for the corresponding period in 2009, as follows:

CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the three months ended 31 March 2010

(Expressed in Hong Kong dollars)

	Notes	Three months ended 31 March	
		2010 \$'000	2009 \$'000 (restated)
Continuing operations			
Turnover	2	2,294	1,971
Cost of sales		(2,045)	(1,710)
Gross profit		249	261
Other revenue and net income		543	66
Selling and administrative expenses		(2,984)	(3,340)
Loss from operations		(2,192)	(3,013)
Finance costs		(5)	(3)
Loss before taxation		(2,197)	(3,016)
Income tax	4	-	-
Loss for the period from continuing operations		(2,197)	(3,016)
Discontinued operations			
Loss for the period from discontinued operations	5	-	(755)
Loss for the period		(2,197)	(3,771)
Attributable to:			
Equity shareholders of the Company		(2,197)	(3,545)
Minority interests		-	(226)
		(2,197)	(3,771)
Loss per share			
	6		
From continuing and discontinued operations			
Basic		(HK0.20 cents)	(HK0.43 cents)
Diluted		N/A	N/A
From continuing operations			
Basic		(HK0.20 cents)	(HK0.37 cents)
Diluted		N/A	N/A

RESULTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

For the three months ended 31 March 2010

(Expressed in Hong Kong dollars)

	Three months ended	
	31 March	
	2010	2009
	\$'000	\$'000
Loss for the period	(2,197)	(3,771)
Other comprehensive expense for the period		
Exchange differences on translation of financial statements of overseas subsidiaries	–	(211)
	<hr/>	<hr/>
Total comprehensive loss for the period	(2,197)	(3,982)
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Equity shareholders of the Company	(2,197)	(3,674)
Minority interests	–	(308)
	<hr/>	<hr/>
Total comprehensive loss for the period	(2,197)	(3,982)
	<hr/> <hr/>	<hr/> <hr/>

RESULTS**NOTES TO THE FINANCIAL STATEMENTS****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.

2. Turnover

	Three months ended 31 March					
	Continuing operations		Discontinued operations		Total	
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales of optical display equipment, components and related technology	2,294	1,606	-	-	2,294	1,606
Sales of software and hardware	-	365	-	-	-	365
System solution services	-	-	-	993	-	993
	<u>2,294</u>	<u>1,971</u>	<u>-</u>	<u>993</u>	<u>2,294</u>	<u>2,964</u>

3. Comparative figures

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

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 (2009: 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 (2009: Nil).

RESULTS

5. Loss from discontinued operations

On 20 March 2008, the Group disposed of a 30% equity interest in a wholly-owned subsidiary company, Elipva Limited, together with its interest in a subsidiary, Elipva Inc.

On 29 October 2009, the Group further disposed of the remaining 70% equity interest in Elipva Limited, together with its interest in Elipva Inc.

The business of sales of system solution services carried out by the subsidiaries was discussed as discontinued operations.

6. Loss per share

(a) Basic loss per share

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\$2,197,000 (2009: HK\$3,016,000) and the weighted average of 1,093,118,000 ordinary shares (2009: 819,838,000 shares) in issue during the Period.

From discontinued operations

The calculation of basic loss per share from discontinued operations of 2009 is based on the loss attributable to equity shareholders of the Company of HK\$755,000 and the weighted average of 819,838,000 ordinary shares in issue during the Period.

(b) Diluted loss per share

No diluted loss per share has been presented as there were no dilutive events during the Periods ended 31 March 2010 and 2009.

7. 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.

- Sale of system solution services
- Sale of display equipment, components and related technology

RESULTS

Business segments

The Group comprises the following main business segments:

	Three months ended 31 March											
	Continuing operations				Discontinued operations							
	Sales of display equipment, components and related technology				System solution services							
	2010		2009		2010		2009		Unallocated		Consolidated	
\$'000		\$'000		\$'000		\$'000		\$'000		\$'000		
Revenue from external customers	<u>2,294</u>	<u>1,606</u>	<u>-</u>	<u>993</u>	-	365	<u>2,294</u>	<u>2,964</u>				
Segment result	<u>(527)</u>	<u>(481)</u>	<u>-</u>	<u>(755)</u>			<u>(527)</u>	<u>(1,236)</u>				
Unallocated income							541	66				
Unallocated expenses							(2,211)	(2,601)				
Loss before income tax							(2,197)	(3,771)				
Income tax							-	-				
Loss for the period							<u>(2,197)</u>	<u>(3,771)</u>				

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:

	Three months ended 31 March							
	Hong Kong		Singapore		PRC		Consolidated	
	2010		2009		2010		2009	
	\$'000		\$'000		\$'000		\$'000	
Revenue from external customer	<u>-</u>	<u>1,183</u>	<u>-</u>	<u>993</u>	<u>2,294</u>	<u>788</u>	<u>2,294</u>	<u>2,964</u>

RESULTS

8. Reserves

The Group

	Share premium \$'000	Contributed surplus \$'000	Exchange reserve \$'000	Accumulated losses \$'000	Total \$'000
At 1 January 2009	164,284	6,426	482	(146,729)	24,463
Exchange differences	-	-	(211)	-	(211)
Net loss for the Period	-	-	-	(3,545)	(3,545)
At 31 March 2009	<u>164,284</u>	<u>6,426</u>	<u>(271)</u>	<u>(150,274)</u>	<u>20,707</u>
At 1 January 2010	173,039	6,426	(66)	(160,895)	18,504
Net loss for the Period	-	-	-	(2,197)	(2,197)
At 31 March 2010	<u>173,039</u>	<u>6,426</u>	<u>(66)</u>	<u>(163,092)</u>	<u>16,307</u>

9. Dividends

The Directors do not recommend the payment of any dividend in respect of the Period (2009: Nil).

10. 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.

The aggregate amount of the continuing connected transactions is stated in note 11.

RESULTS**11. Related party transactions**

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

Name of related party	Nature of transactions	Three months ended	
		31 March	
		2010	2009
		HK\$'000	HK\$'000
鴻源控股有限公司 ("Greatsource Holding Co. Ltd.") and its subsidiaries (Note)	Purchases of display equipment and components and related technology	<u>1,561</u>	<u>1,076</u>

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 DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

The Group has focused on doing its display business during the Period. The turnover for the Period might not be remarkable but the loss for the Period was slightly improved compared to the loss for the corresponding period in 2009. The decision to dispose entirely the former Singapore subsidiary Elipva Limited seemed to be right as the Group no longer had to share the loss of it in 2010. If the disposal of Elipva Limited was not done in 2009, the loss for the Period would have been worse than it was.

Due to improvement in efficiency the selling and administrative expenses for the Period was less than the same for the corresponding period in 2009, despite the fact that the headcount of the Group has increased as the PRC offices expanded.

FINANCIAL REVIEW

Turnover

The turnover of the Group for continuing operations was HK\$2,294,000 for the Period, representing an increase of approximately 16% compared to the turnover for the corresponding period in 2009 of approximately HK\$1,971,000.

Loss for the Period

The loss of the Group attributable to the shareholders of the Company for the Period was HK\$2,197,000 compared to the loss of HK\$3,545,000 for the corresponding period in 2009. This was mainly due to the decrease in selling and administrative expenses for the Period by a better control in operations in Hong Kong and the PRC offices.

Capital structure

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 and Renminbi. The Directors did not consider the Group was exposed to any significant foreign currency exchange risk.

MANAGEMENT DISCUSSIONS AND ANALYSIS

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.

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

The Company will further allocate resources on the display business this year. There is huge demand in large display system such as interactive reading and signage display boards and video walls in China and this is the market the Company is tackling. Micro projection is another arena of display business with lots of potential. Portable integrated projection TV and built-in projectors are expected to be the trendy products for youngsters and professionals.

In order to exploit the advantages of matching the national policy of clean and renewable energy launched by the Chinese government, the Company is actively exploring any opportunity in high efficient energy storage systems, electrical automobiles and smart grid and so on.

The Company will strive to plan its healthy and steady growth, bringing better value to the Shareholders in the long term.

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 except Director Ms. Li Fang Hong had an interest in the continuing connected transactions with details as set out in note 10 to the financial statements.

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 2010, 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
Ms. Li Fang Hong	–	206,666,666 (Note 1)	206,666,666	18.91%

OTHER INFORMATION

Note:

1. 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 these shares beneficially owned by Universal Target Limited.

Save as disclosed above, as at 31 March 2010, 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.

OTHER INFORMATION

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

No options were ever granted under this scheme as at 31 March 2010.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2010, 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
Ample Field Limited (<i>Note 1</i>)	273,333,333	25%
Mr. 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%

OTHER INFORMATION

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 Shu Kuen is deemed to be interested in these 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 these shares beneficially owned by Universal Target Limited.

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

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 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 Code Provision A2.1 which requires the separation of the roles of chairman and chief executive officer. Since the former chairman resigned on 30 September 2009, the Managing Director of the Company, Ms. Li Fang Hong, has temporarily taken up the role as chairman while carrying out her duties as the Managing Director. The Company is actively seeking the right candidate to fill the vacancy and the appointment of new chairman is expected soon.

OTHER INFORMATION

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 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 full support.

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

22 April 2010

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