



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

2012

First Quarterly Report

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 of Hong Kong Limited (the “GEM Listing Rules”) 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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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HIGHLIGHTS (UNAUDITED)

- The turnover of the Group was approximately HK\$884,000 for the Period representing an increase of approximately 27.19% as compared to the turnover for the corresponding period in 2011 of approximately HK\$695,000.
- The Group recorded a loss attributable to equity shareholders of the Company of approximately HK\$1,277,000 for the Period compared to the loss of approximately HK\$1,316,000 for the same period last year.
- Loss per share for loss attributable to equity shareholders of the Company for the Period was HK\$0.10 cents.
- The Board does not recommend the payment of any dividend for the three months ended 31 March 2012.

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The board of Directors (the "Board") of M Dream Inworld Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 31 March 2012 (the "Period"), together with the comparative unaudited figures for the corresponding period in 2011, as follows:

CONDENSED CONSOLIDATED STATEMENT OF INCOME — UNAUDITED

For the three months ended 31 March 2012
(Expressed in Hong Kong dollars)

		Three months ended 31 March	
	Note	2012 HK\$'000	2011 HK\$'000
Continuing operations			
Turnover	2	884	695
Cost of sales		(65)	(39)
Gross profit		819	656
Other revenue and net income	3	539	180
Selling and administrative expenses		(2,383)	(2,053)
Loss from operations		(1,025)	(1,217)
Finance costs	4	(8)	(32)
Loss before income tax expense		(1,033)	(1,249)
from continuing operations	5	(1,033)	(1,249)
Income tax expense	7	(92)	(8)
Loss for the period from continuing operations		(1,125)	(1,257)
Discontinued operations			
Loss for the period from discontinued operations		(152)	(59)
Net loss attributable to equity shareholders of the Company		(1,277)	(1,316)
Loss per share			
From continuing and discontinued operations			
Basic	8	0.10 cents	0.15 cents
Diluted		N/A	N/A
From continuing operations			
Basic		0.09 cents	0.15 cents
Diluted		N/A	N/A

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RESULT

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED

For the three months ended 31 March 2012

(Expressed in Hong Kong dollars)

	Three months ended 31 March	
	2012 HK\$'000	2011 HK\$'000
Loss for the period	(1,277)	(1,316)
Other comprehensive income for the period		
Exchange gain on translation of financial statements of overseas subsidiaries	7	38
Total comprehensive expense for the period attributable to equity shareholders of the Company	(1,270)	(1,278)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2012
(Expressed in Hong Kong dollars)

	Share capital	Share premium	Contributed surplus	Share option reserve	Exchange reserve	Accumulated losses	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2011 (Audited)	13,111	192,064	6,426	—	123	(174,044)	37,680
Shares issued upon open offer	52,445	48,751	—	—	—	—	101,196
Shares issued on bonus issued	39,333	(39,333)	—	—	—	—	—
Total comprehensive income/(expense) for the period	—	—	—	—	38	(1,316)	(1,278)
Balance at 31 March 2011 (Unaudited)	<u>104,889</u>	<u>201,482</u>	<u>6,426</u>	<u>—</u>	<u>161</u>	<u>(175,360)</u>	<u>137,598</u>
Balance at 1 January 2012 (Audited)	124,889	206,661	6,426	310	294	(180,190)	158,390
Total comprehensive income/(expense) for the period	—	—	—	—	7	(1,277)	(1,270)
Balance at 31 March 2012 (Unaudited)	<u>124,889</u>	<u>206,661</u>	<u>6,426</u>	<u>310</u>	<u>301</u>	<u>(181,467)</u>	<u>157,120</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the three months ended 31 March 2012

(Expressed in Hong Kong dollars)

1. Basis of preparation of the financial statements

The unaudited condensed consolidated financial statements of the Company have been prepared 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 of Hong Kong Limited.

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the valuation of certain properties and financial instruments which are measured at their fair values.

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the Company’s annual financial statements for the year ended 31 December 2011.

The Group has not early adopted any new HKFRSs that have been issued but are not yet effective.

2. Turnover

An analysis of the Group’s revenue is as follows:

	Three months ended 31 March	
	2012 HK\$’000 (Unaudited)	2011 HK\$’000 (Unaudited)
Provision of website development, electronic learning products and services	884	695
Sales of optical display equipment, components and related technology	—	—
	884	695

3. Other revenue and net income

	Three months ended 31 March	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Continuing operations		
Other revenue		
Bank interest income	464	108
Income from provision of business centre services	60	60
Loan interest income	20	—
	544	168
Other gains and losses		
Foreign exchange gain	—	12
Net sundry expenses	(5)	—
	(5)	12
	539	180

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4. Finance costs

	Three months ended 31 March	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Continuing operations		
Interest expense on financial liabilities not at fair value through profit or loss		
Bank loan interest	8	3
Finance charges on obligations under finance leases	—	29
	8	32
	8	32

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5. Loss before income tax expense

Loss before income tax expense from continuing operations is arrived at after charging:

	Three months ended 31 March	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Continuing operations		
Staff costs (including directors' remuneration)		
— Salaries, wages and other benefits	1,002	760
— Retirement scheme contributions	22	22
	<u>1,024</u>	<u>782</u>
Auditor's remuneration	111	119
Depreciation	63	126
	<u>178</u>	<u>245</u>

6. Comparative figures

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

7. Income tax

Income tax in the unaudited condensed consolidated income statement represents:

	Three months ended 31 March	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Current tax		
Provision for the period (Notes)	<u>92</u>	<u>8</u>

Notes:

The provision for Hong Kong Profits Tax is calculated at 16.5% of estimated assessable profits for both periods.

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 (2011: Nil).

8. Loss per share**(a) Basic loss per share***From continuing and discontinued operations*

The calculation of basic loss per share from continuing and discontinued operations is based on the loss attributable to equity shareholders of the company of HK\$1,277,000 (2011: HK1,316,000) and the weighted average of 1,248,894,324 (2011: 849,207,890) ordinary shares in issue during the period.

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\$1,125,000 (2011: HK1,257,000) and the weighted average of 1,248,894,324 (2011: 849,207,890) ordinary shares in issue during the period.

(b) Diluted loss per share

No diluted loss per share has been presented. The calculation of diluted loss per share does not assume the exercise of the company's outstanding share options since the exercise would result in a decrease in loss per share for the period ended 31 March 2012.

The weighted average number of ordinary shares for the purposes of calculating basic loss per share for the period ended 31 March 2011 have been retrospectively adjusted to reflect the open offer and its associated bonus issue taken place in January 2011, the placement of shares in June 2011 and the consolidation of shares in July 2011 on the basis of two shares consolidated into one share.

9. 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.

- Website development, electronic learning products and services
- Optical display equipment, components and related technology (discontinued operations)

RESULT

(a) Segment results

Information regarding the Group's reportable segments for the period ended 31 March 2012 and 2011 is set out below.

	Three months ended 31 March							
	Continuing operations		Discontinued operations		Unallocated		Consolidated	
	Website development, electronic learning products and services		Optical display equipment, components and related technology					
	(Unaudited) 2012 HK\$'000	(Unaudited) 2011 HK\$'000	(Unaudited) 2012 HK\$'000	(Unaudited) 2011 HK\$'000	(Unaudited) 2012 HK\$'000	(Unaudited) 2011 HK\$'000	(Unaudited) 2012 HK\$'000	(Unaudited) 2011 HK\$'000
Turnover								
Revenue from external customers	884	695	—	—	—	—	884	695
Results								
Segment result	561	136	(152)	(59)	—	—	409	77
Interest income							484	108
Unallocated income							(5)	—
Unallocated expenses							(2,065)	(1,461)
Loss from operations							(1,177)	(1,276)
Finance costs							(8)	(32)
Loss before income tax							(1,185)	(1,308)
Income tax (expense)/credit							(92)	(8)
Loss after taxation							(1,277)	(1,316)
Other segment information								
Capital expenditure	(3)	(6)	—	—	(7,036)	—	(7,039)	(6)
Depreciation	(1)	—	(4)	(3)	(62)	(126)	(67)	(129)
Recovery from impairment loss on trade receivables	—	—	—	29	—	—	—	29

(b) Geographical segments

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

	Three months ended 31 March	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue from external customers	884	695
Hong Kong (place of domicile)	884	695

10. Reserves

The amounts of the Group's reserves and the movements therein for the Period and the same period of previous year are presented in the condensed consolidated statement of changes in equity of the financial statements.

11. Dividends

The Board does not recommend the payment of any dividend in respect of the Period (2011: Nil).

12. Continuing connected transactions

The Group has maintained two agreements for Continuing Connected Transactions during the Period.

A Supply Agreement for Continuing Connected Transactions was entered by the Group on 19 November 2010 with KanHan Technologies Limited ("KanHan Technologies") which is a connected person to the Company. During the Period, the Group has provided website development, electronic learning products and services to KanHan Technologies under this Agreement. The amount was approximately HK\$253,000 which was classified as Continuing Connected Transactions.

A Business Centre Service Agreement for Continuing Connected Transactions was also entered by the Group on 19 November 2010 with KanHan Technologies. During the Period, the Group has provided business centre services to KanHan Technologies under this Agreement. The amount was HK\$60,000 which was classified as Continuing Connected Transactions.

The details of both the Supply Agreement and the Business Centre Service Agreement and the relevant Continuing Connected Transactions are contained in the announcement of the Company dated 19 November 2010.

RESULT

13. Related parties transactions

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

Name of related party	Nature of transactions	Three months ended 31 March	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
KanHan Technologies (Notes)	Sales of website development, electronic learning products and services	253	322
KanHan Technologies (Notes)	Income from Business Centre Services	60	60

Notes: KanHan Technologies was previously the shareholder of the entire equity interests of KanHan Educational Services Limited ("KanHan Educational"), a company incorporated in Hong Kong which is an indirectly wholly owned subsidiary of the Company. As at the date of this report, the ultimate sole shareholder of KanHan Technologies is also a common director for both KanHan Technologies and KanHan Educational.

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

The business of sales of optical display equipment, components and related technology recorded no turnover for the Period. A minimal operation was maintained by the subsidiary in Beijing and the business so far was not successful. On May 2012, the Board decided to close the business of sales of optical display equipment, components and related technology carried out by the subsidiary which was classified as discontinued operations.

The turnover mainly generated from e-learning business for the Period was approximately HK\$884,000. The sales for the Period were more than the sales for the same period in the last year. With such turnover the contribution of this business to the Group was approximately HK\$561,000. The management also expects the contribution of this business will increase significantly in this year.

FINANCIAL REVIEW

Turnover

The turnover of the Group was approximately HK\$884,000 for the Period, representing an increase of approximately 27.19% compared to the turnover for the period ended 31 March 2011 of approximately HK\$695,000.

Loss for the period

The loss attributable to the equity shareholders of the Company for the Period was approximately HK\$1,277,000 compared to loss attributable to equity shareholders of approximately HK\$1,316,000 for the period ended 31 March 2011.

Interim dividend

The Directors do not recommend to pay any interim dividend for the three months ended 31 March 2012 (2011: HK\$Nil).

Pledge of assets

On 13 February 2012, the Group's wholly owned subsidiary purchased land and buildings in Hong Kong at a consideration of HK\$6,500,000 and took out a bank loan of HK\$3,250,000 which is guaranteed by the Company.

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MANAGEMENT DISCUSSIONS AND ANALYSIS

Contingent liabilities

As at 31 March 2012, the Group had no significant contingent liabilities.

Connected Transactions

The Group has maintained two agreements for Continuing Connected Transactions during the Period. Details of the exercise are set out in Notes 12 and 13 to the financial statements.

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 significantly exposed to any foreign currency exchange risk.

Significant investment

The Group had no significant investments during the Period.

Material acquisitions and disposals

The Group had no material acquisition or disposal during the Period.

Employees and remuneration policies

As at 31 March 2012, the Group had approximately 32 employees in Hong Kong and the PRC, The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, individual qualifications and performance, and in accordance with the statutory requirements of the respective jurisdiction where the employees are engaged.

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.

MANAGEMENT DISCUSSIONS AND ANALYSIS

OUTLOOK

The e-learning business is becoming the engine of growth now for the Group. The services to schools in producing e-learning materials have been started recently and hence the turnover will increase remarkably in the rest of the year. As mentioned before in the Company's announcements, the profit guarantee before tax from this business is HK\$6,500,000 for this year. Details of this guarantee are set out in announcement of the Company published on 14 July 2010. Such guarantee should improve the result of the Group in the near future. Apart from the contribution of e-learning business, the Company has sufficient cash reserve after the placement and open offer in last year and the money has been kept as fixed deposit in bank to earn interest during the Period. With this extra resource, the Board will carefully look for good investment and business expansion opportunities to create long term benefit to the Company.

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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.

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 2012, none of the Directors and chief executives of the Company had any interests or short positions 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.

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

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 and recruiting additional quality employees and to provide them with a direct economic interest in attaining the long term business objective of the Group.

OTHER INFORMATION

On 19 May 2011, the Company has granted 6,200,000* share options to a consultant of the Company under the Scheme at the exercise price of HK\$0.116* per share.

Details of the movements in the share options granted under the Share Option Scheme during the Period are as follows:

Date of grant	Exercise period	Exercise price per share	Number of share options				Outstanding as at 31 March 2012 '000
			Outstanding as at 1 January 2012 '000	Granted during the period	Exercised during the period	Lapsed during the period	
19 May 2011	20 May 2011 to 19 May 2014	0.116*	6,200*	—	—	—	6,200*
			<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

* After the adjustment for share consolidation dated 18 July 2011.

The details of share options granted are set out in the Company's announcements dated 19 April 2011 and 19 May 2011 respectively. The details of share consolidation are set out in the Company's announcements dated 13 June 2011, 15 June 2011, 24 June 2011, 15 July 2011 and 18 July 2011 respectively.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2012 no natural person or any entity had, or was 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 was 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, nor there was any substantial shareholder whose detail was required to be kept by the Company under section 336 of the SFO.

ESTABLISHMENT OF NOMINATION COMMITTEE

The Board has established the Nomination Committee on 27 March 2012. The members of the Nomination Committee include Mr. Billy B Ray Tam, Mr. Yu Pak Yan, Peter and Ms. Chan Hoi Ling, of which Mr. Yu Pak Yan, Peter acts as the chairman. They are the Independent Non-executive Directors of the Company.

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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

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.

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. Billy B Ray Tam, Mr. Yu Pak Yan, Peter and Ms. Chan Hoi Ling. 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 support to the Company.

By Order of the Board
M Dream Inworld Limited
Chi Chi Hung, Kenneth
Chairman

11 May 2012

As at the date of this report, the Board consists of Mr. Chi Chi Hung, Kenneth, and Mr. Takashi Togo being the Executive Directors, Mr. Billy B Ray Tam, Ms. Chan Hoi Ling and Mr. Yu Pak Yan, Peter being the Independent Non-executive Directors.