



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

INTERIM REPORT 2008

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.

RESULTS

The board (“the Board”) of directors (“the Directors”) 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 six months ended 30 June 2008 (“the Period”).

CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2008 (in HK Dollars)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000	2008 (unaudited) HK\$'000	2007 (unaudited) HK\$'000
Turnover	2	3,554	2,983	7,077	8,135
Cost of sales		(1,733)	(737)	(4,077)	(2,134)
Gross profit		1,821	2,246	3,000	6,001
Other revenue	3	129	14,934	9,272	16,549
Administrative expenses		(4,489)	(3,918)	(8,339)	(7,560)
Selling and distribution costs		(7)	(13)	(22)	(24)
Profit/(loss) from operations		(2,546)	13,249	3,911	14,966
Finance costs		(11)	(138)	(41)	(149)
Profit/(loss) before taxation		(2,557)	13,111	3,870	14,817
Taxation	4	-	-	-	-
Net profit/(loss) attributable to shareholders		(2,557)	13,111	3,870	14,817
Earnings/(loss) per share					
Basic (cents)	5	(0.31)	5.03	0.47	5.68
Diluted (cents)	5	N/A	N/A	N/A	N/A

CONSOLIDATED BALANCE SHEET

		30 June	31 December
		2008	2007
		(unaudited)	(audited)
<i>Notes</i>		HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		360	1,837
Current assets			
Work in progress		176	598
Cash and bank balances		4,514	2,956
Prepayments, deposits and other receivables		780	44,808
Time deposits		31,966	6,222
Trade receivables		2,270	2,526
		39,706	57,110
Total assets		40,066	58,947
EQUITY			
Share capital	7	8,198	8,007
Reserves	8	36,817	26,811
Minority		(8,327)	-
Total equity		36,688	34,818

RESULTS

CONSOLIDATED BALANCE SHEET (continued)

	30 June	31 December
	2008	2007
	(unaudited)	(audited)
Notes	HK\$'000	HK\$'000
LIABILITIES		
Current liabilities		
Trade payables	1,161	2,107
Other payables and accruals	1,565	3,562
Unearned revenue	558	241
Unsecured loans	–	4,290
Amount due to a director of a subsidiary 9	94	–
Amount due to related parties	–	13,929
	<hr/>	<hr/>
Total liabilities	3,378	24,129
	<hr/>	<hr/>
Total equity and liabilities	40,066	58,947
	<hr/> <hr/>	<hr/> <hr/>
Net current assets	36,328	32,981
	<hr/> <hr/>	<hr/> <hr/>
Total assets less total liabilities	36,688	34,818
	<hr/> <hr/>	<hr/> <hr/>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)**

	Share Capital <i>HK\$'000</i>	Share Premium <i>HK\$'000</i>	Contributed Surplus <i>HK\$'000</i>	Exchange Reserve <i>HK\$'000</i>	Accumu- lated Losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at 1 January 2007	26,069	106,730	6,426	(307)	(172,396)	(33,478)
Exchange realignment	-	-	-	(59)	-	(59)
Net profit for the period	-	-	-	-	14,817	14,817
Balance as at 30 June 2007	<u>26,069</u>	<u>106,730</u>	<u>6,426</u>	<u>(366)</u>	<u>(157,579)</u>	<u>(18,720)</u>
Balance as at 1 January 2008	8,007	159,239	6,426	(483)	(138,371)	34,818
Issue of new shares	191	5,227	-	-	-	5,418
Exchange realignment	-	-	-	909	-	909
Net profit for the Period	-	-	-	-	3,870	3,870
Balance as at 30 June 2008	<u>8,198</u>	<u>164,466</u>	<u>6,426</u>	<u>426</u>	<u>(134,501)</u>	<u>45,015</u>

RESULTS

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended	
	30 June 2008 HK\$'000	30 June 2007 HK\$'000
Net cash used in operating activities	(21,936)	(3,614)
Net cash used in investing activities	(43)	(1,298)
Net cash generated from financing activities	<u>49,287</u>	<u>4,680</u>
Net increase/(decrease) in cash and cash equivalents	27,308	(232)
Effect of foreign exchange rate changes	(6)	(3)
Cash and cash equivalents at 1 January	<u>9,178</u>	<u>679</u>
Cash and cash equivalents at 30 June	<u>36,480</u>	<u>444</u>
Analysis of balances of cash and cash equivalents		
Bank overdraft	-	(784)
Cash and bank balances	4,514	776
Time deposits	31,966	<u>452</u>
	<u>36,480</u>	<u>444</u>

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**

	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Turnover		
System solutions services income	7,077	7,844
Others	-	291
	<u>7,077</u>	<u>8,135</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/(loss) per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the Period of approximately HK\$3,870,000 (2007: HK\$14,817,000) and the weighted average of 815,413,531 (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. Segment information

The details of business segment are as follows:

(a)	System solution services		Others		Consolidated	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007	30 June 2008	30 June 2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales from external customers	7,077	7,844	-	291	7,077	8,135
Other revenue	-	16,548	9,272	1	9,272	16,549
	<u>7,077</u>	<u>24,392</u>	<u>9,272</u>	<u>292</u>	<u>16,349</u>	<u>24,684</u>
Results	<u>(561)</u>	<u>15,299</u>	<u>4,472</u>	<u>(333)</u>	<u>3,911</u>	<u>14,966</u>
Finance costs					(41)	(149)
Profit before taxation					3,870	14,817
Taxation					-	-
Net profit attributable to shareholders					<u>3,870</u>	<u>14,817</u>
(b)	System solution services		Others		Consolidated	
	30 June 2008	31 Dec. 2007	30 June 2008	31 Dec. 2007	30 June 2008	31 Dec. 2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	3,876	56,347	36,190	2,600	40,066	58,947
Segment liabilities	2,946	24,123	432	6	3,378	24,129
Other segment information:						
Depreciation	22	155	8	261	30	416

RESULTS

6. Segment information (continued)

The details of geographical segments are as follows:

	Six months ended	
	30 June 2008 HK\$'000	30 June 2007 HK\$'000
Turnover		
Mainland China	–	291
Singapore	6,254	6,282
Hong Kong	823	1,562
	<hr/>	<hr/>
	7,077	8,135
Other revenue		
Mainland China	–	1,157
Singapore	–	–
Hong Kong	9,272	15,392
	<hr/>	<hr/>
	9,272	16,549
Total revenue	<hr/> 16,349 <hr/>	<hr/> 24,684 <hr/>
Segment results		
Mainland China	(19)	(333)
Singapore	(806)	(159)
Hong Kong	4,736	15,458
	<hr/>	<hr/>
Profit from operations	3,911	14,966
Finance costs	(41)	(149)
Taxation	–	–
	<hr/>	<hr/>
Net profit attributable to shareholders	<hr/> 3,870 <hr/>	<hr/> 14,817 <hr/>

7. Capital

During the Period the Company has issued 19,143,439 ordinary shares to two creditors as settlement for debts with total amount of HK\$5,418,000.

8. Reserves

The amounts of the Group's reserves and the movements therein for the current and the same period of previous year are presented in the Consolidated Statement of Changes in Equity.

9. Amount due to a director of a subsidiary

The amount due was unsecured, interest free and had no fixed terms of repayment.

10. Dividend

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

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

The global economy in the first six months of 2008 was quite unstable as the inflation alarm began to ring. The tragic earthquake in Sichuan would have significant impact for the economy of mainland China this year and the Company will be prudent when evaluating business opportunities in there.

The turnover of the Group for the Period decreased slightly compared to the same period of last year. However, our Singapore subsidiary Elipva has been able to gain some remarkable contracts such as the system development contract offered by the Ministry of Transport of Singapore. 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\$7,077,000 for the Period, representing a decrease of 13% compared to the turnover for the period ended 30 June 2007 of approximately HK\$8,135,000.

Profit for the period

The profit attributable to shareholders for the Period was approximately HK\$3,870,000 compared to profits attributable to shareholders of approximately HK\$14,817,000 for the period ended 30 June 2007. The impressive result of last year was due a large gain on derecognition of unsecured loans of about HK\$16,137,000.

MANAGEMENT DISCUSSIONS AND ANALYSIS

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.

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.

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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 15 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

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

The global economy is getting uncertain right now therefore the Company will exercise caution in its operations and possible investments. With cash balance of approximately HK\$36 million the Company will look for good investment and operating opportunities, particularly in mainland China at a slow pace.

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 June 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

Name of director	Personal interests	Corporate interests	Total interests	Percentage of interests
Mr. Yu Shu Kuen	-	205,000,000 (Note 1)	205,000,000	25.00%
Ms. Li Fang Hong	-	155,000,000 (Note 2)	155,000,000	18.91%

Note:

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

OTHER INFORMATION

Save as disclosed above, as at 30 June 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 ever granted under this scheme as at 30 June 2008.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 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>)	205,000,000	25.00%
Mr. Yu Shu Kuen (<i>Note 2</i>)	205,000,000	25.00%
Universal Target Limited (<i>Note 3</i>)	155,000,000	18.91%
Eternal Mass Limited (<i>Note 3</i>)	155,000,000	18.91%
Mr. Gui Song (<i>Note 3</i>)	155,000,000	18.91%
Ms. Li Fang Hong (<i>Note 3</i>)	155,000,000	18.91%

OTHER INFORMATION

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 Shu Kuen is deemed to be interested in the shares of the Company beneficially owned by Ample Field Limited.
3. 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 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.

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 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 Rule 5.34 of the GEM Listing Rules during the Period.

By order of the Board
M Dream Inworld Limited
Yu Shu Kuen
Chairman

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Hong Kong, 25 July 2008

OTHER INFORMATION

As at the date of this report, the Board of Directors consists of Mr. Yu Shu Kuen and Ms. Li Fang Hong being the Executive Directors, Mr. Tsang Kwok Wai, Mr. Rong Hsu and Ms. Zhao Yang being the Independent Non-executive Directors.

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.

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