



**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

**2011**

**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.**

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*This report, for which the directors of the M Dream Inworld Limited collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the issuer. 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.*

## *HIGHLIGHTS (UNAUDITED)*

- The turnover of the Group was approximately HK\$1,299,000 for the Period representing a decrease of approximately 53.04% as compared to the turnover for the corresponding period in 2010 of approximately HK\$2,766,000.
- The Group recorded a loss attributable to equity shareholders of the Company of approximately HK\$3,946,000 for the Period compared to the loss of approximately HK\$4,365,000 for the same period last year.
- Loss per share for loss attributable to equity shareholders of the Company for the Period was HK\$0.02 cents.
- The Board does not recommend the payment of any dividend for the six months ended 30 June 2011.

**RESULT**

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 (together the “Group”) for the three months and six months ended 30 June 2011 (the “Period”), together with the comparative unaudited figures for the corresponding period in 2010, as follows:

**CONDENSED CONSOLIDATED STATEMENT OF INCOME —  
UNAUDITED**

*For the three months and six months ended 30 June 2011  
(Expressed in Hong Kong dollars)*

	Notes	Three months ended 30 June		Six months ended 30 June	
		2011 HK\$'000	2010 HK\$'000 (Restated)	2011 HK\$'000	2010 HK\$'000 (Restated)
Turnover	2	604	472	1,299	2,766
Cost of sales		(54)	(412)	(93)	(2,457)
Gross profit		550	60	1,206	309
Other revenue and net income	3	306	380	517	923
Selling and administrative expenses		(3,338)	(2,597)	(5,481)	(5,581)
Loss from operations		(2,482)	(2,157)	(3,758)	(4,349)
Finance costs		(78)	(11)	(110)	(16)
Loss before taxation		(2,560)	(2,168)	(3,868)	(4,365)
Income tax	6	(70)	—	(78)	—
<b>Net loss attributable to equity shareholders of the Company</b>		<b>(2,630)</b>	<b>(2,168)</b>	<b>(3,946)</b>	<b>(4,365)</b>
<b>Loss per share attributable to equity shareholders of the Company</b>	7				
Basic (HK\$ cents)		0.02	0.08	0.02	0.17
Diluted (HK\$ cents)		N/A	N/A	N/A	N/A

## RESULT

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED

For the three months and six months ended 30 June 2011  
(Expressed in Hong Kong dollars)

	Three months ended		Six months ended	
	30 June		30 June	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period	(2,630)	(2,168)	(3,946)	(4,365)
<b>Other comprehensive income for the period</b>				
Exchange gain on translation of financial statements of overseas subsidiaries	50	97	88	97
<b>Total comprehensive expenses for the period</b>	<b>(2,580)</b>	<b>(2,071)</b>	<b>(3,858)</b>	<b>(4,268)</b>

**RESULT****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2011 and 31 December 2010  
(Expressed in Hong Kong dollars)

	Notes	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
<b>Non-current assets</b>			
Fixed assets		1,079	2,254
Interest in an associate		—	—
Goodwill		23,239	23,239
Available-for-sale investment	10	30,000	—
		<u>54,318</u>	<u>25,493</u>
<b>Current assets</b>			
Inventories		1,326	1,300
Trade and other receivables	11	2,273	2,144
Amount due from an associate		1,785	—
Loan receivable, unsecured	12	3,000	—
Cash and cash equivalents		121,573	12,878
		<u>129,957</u>	<u>16,322</u>
<b>Current liabilities</b>			
Trade and other payables	13	23,365	2,223
Obligations under finance leases		174	462
Taxation	6	78	—
		<u>23,617</u>	<u>2,685</u>
<b>Net current assets</b>		<u>106,340</u>	<u>13,637</u>
<b>Total assets less current liabilities</b>		<u>160,658</u>	<u>39,130</u>
<b>Non-current liabilities</b>			
Obligations under finance leases		433	1,450
<b>Net assets</b>		<u>160,225</u>	<u>37,680</u>
<b>Capital and reserves</b>			
Share capital	14	124,889	13,111
Reserves	15	35,336	24,569
<b>Total equity attributable to equity shareholders of the Company</b>		<u>160,225</u>	<u>37,680</u>

**RESULT****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

*For the six months ended 30 June 2011  
(Expressed in Hong Kong dollars)*

	Share Capital	Share Premium	Contributed Surplus	Share Option Reserve	Exchange Reserve	Accumulated Losses	Total equity
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Balance at 1 January 2010 (Audited)	10,931	173,039	6,426	—	(66)	(160,895)	29,435
Total comprehensive income/(loss) for the period	—	—	—	—	97	(4,365)	(4,268)
Balance at 30 June 2010 (Unaudited)	<u>10,931</u>	<u>173,039</u>	<u>6,426</u>	<u>—</u>	<u>31</u>	<u>(165,260)</u>	<u>25,167</u>
Balance at 1 January 2011 (Audited)	13,111	192,064	6,426	—	123	(174,044)	37,680
Issue of new shares upon open offer (Note 14(a))	52,445	48,733	—	—	—	—	101,178
Bonus issue (Note 14(a))	39,333	(39,333)	—	—	—	—	—
Placing shares (Note 14(b))	20,000	5,213	—	—	—	—	25,213
Share-based payment (Note 16)	—	—	—	12	—	—	12
Total comprehensive income/(loss) for the period	—	—	—	—	88	(3,946)	(3,858)
Balance at 30 June 2011 (Unaudited)	<u>124,889</u>	<u>206,677</u>	<u>6,426</u>	<u>12</u>	<u>211</u>	<u>(177,990)</u>	<u>160,225</u>

**RESULT****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS —  
UNAUDITED**

*For the six months ended 30 June 2011  
(Expressed in Hong Kong dollars)*

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
Net cash used in operating activities	<b>(4,248)</b>	(4,691)
Net cash used in investing activities	<b>(9,140)</b>	(1,054)
Net cash generated from financing activities	<b>121,995</b>	349
Net increase/(decrease) in cash and cash equivalents	<b>108,607</b>	(5,396)
Effect of foreign exchange rate changes	<b>88</b>	(33)
Cash and cash equivalents at 1 January	<b>12,878</b>	21,889
Cash and cash equivalents at 30 June	<b>121,573</b>	16,460



# RESULT

## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2011

(Expressed in Hong Kong dollars)

### 1. Basis of preparation of the financial statements

The unaudited condensed consolidated interim financial statements of the Group 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 basis except for certain financial instruments, which are measured at fair value.

The accounting policies and basis of preparation used in the preparation of the unaudited consolidated results are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2010.

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

### 2. Turnover

	Six months ended	
	30 June	
	2011	2010
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Unaudited)	(Unaudited)
Provision of website development, electronic learning products and services	1,299	—
Sales of optical display equipment, components and related technology	—	2,766
	<u>1,299</u>	<u>2,766</u>

**RESULT****3. Other revenue and net income/(loss)**

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Other revenue</b>		
Bank interest income	327	25
Loan interest income	1	—
Dividend income	—	390
Service fee income	120	—
	<u>448</u>	<u>415</u>
<b>Other net income/(loss)</b>		
Loss on disposal of an associate	—	(6)
Gain on disposal of subsidiaries	—	526
Net foreign exchange gain/(loss)	39	(12)
Written back of impairment on trade receivables	29	—
Net sundry income	1	—
	<u>69</u>	<u>508</u>
	<u><b>517</b></u>	<u><b>923</b></u>

**4. Comparative figures**

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

# RESULT

## 5. Loss before taxation

Loss before taxation is stated after crediting and charging the followings:

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
<b>Crediting</b>		
Interest income	327	25
Loan interest income	1	—
Dividend income	—	390
	<u>328</u>	<u>415</u>
<b>Charging</b>		
Depreciation	202	302
Finance charges on obligation under finance leases	110	9
Share-based payment (Note 16)	12	—
	<u>324</u>	<u>311</u>

## 6. Income tax

Income tax in the unaudited consolidated income statement represents:

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
<b>Current tax</b>		
Provision for the period (Notes)	78	—
	<u>78</u>	<u>—</u>

Notes:

Hong Kong profit tax is calculated at 16.5% of estimated profit 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 both periods.

# RESULT

## 7. Loss per share

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the company of HK\$3,946,000 (2010: HK\$4,365,000) and the weighted average of 1,753,501,170 (2010: 261,719,659) 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 30 June 2011.

The weighted average number of ordinary shares for the purposes of calculating basic loss per share for the period ended 30 June 2011 and 30 June 2010 have been retrospectively adjusted to reflect the placement of shares in August 2010, the consolidation of shares in December 2010 on the basis of five shares consolidated into one share and the open offer and its associated bonus issue taken place in January 2011 and the placement of shares in June 2011.

## 8. 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.

- Sales of optical display equipment, components and related technology
- Provision of website development, electronic learning products and services

# RESULT

## (a) Segment results

Information regarding the Group's reportable segments for the period ended 30 June 2011 and 2010 is set out below.

	Six months ended 30 June							
	Optical display equipment, components and related technology		Website development, electronic learning products and services		Unallocated		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	<u>—</u>	<u>2,766</u>	<u>1,299</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,299</u>	<u>2,766</u>
Segment results	<u>(224)</u>	<u>(2,201)</u>	<u>(43)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(267)</u>	<u>(2,201)</u>
Interest income							328	25
Unallocated income							—	898
Unallocated expenses							<u>(3,819)</u>	<u>(3,071)</u>
Loss from operations							<u>(3,758)</u>	<u>(4,349)</u>
Finance costs							<u>(110)</u>	<u>(16)</u>
Loss before taxation							<u>(3,868)</u>	<u>(4,365)</u>
Taxation							<u>(78)</u>	<u>—</u>
Loss after taxation							<u><u>(3,946)</u></u>	<u><u>(4,365)</u></u>
Other segment information								
Depreciation	7	199	1	—	194	103	202	302
Capital expenditure	—	—	18	—	272	66	290	66

**RESULT****(b) Segment assets and liabilities**

	Optical display equipment, components and related technology		Website development, electronic learning products and services		Unallocated		Total	
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets	<u>4,046</u>	<u>4,183</u>	<u>27,829</u>	<u>29,003</u>	<u>152,400</u>	<u>8,629</u>	<u>184,275</u>	<u>41,815</u>
Total assets	<u><u>4,046</u></u>	<u><u>4,183</u></u>	<u><u>27,829</u></u>	<u><u>29,003</u></u>	<u><u>152,400</u></u>	<u><u>8,629</u></u>	<u><u>184,275</u></u>	<u><u>41,815</u></u>
Segment liabilities	<u>640</u>	<u>628</u>	<u>1,874</u>	<u>800</u>	<u>21,536</u>	<u>2,707</u>	<u>24,050</u>	<u>4,135</u>
Total liabilities	<u><u>640</u></u>	<u><u>628</u></u>	<u><u>1,874</u></u>	<u><u>800</u></u>	<u><u>21,536</u></u>	<u><u>2,707</u></u>	<u><u>24,050</u></u>	<u><u>4,135</u></u>
Other segment information								
Capital expenditure	—	353	18	—	272	1,481	290	1,834
Depreciation	<u>7</u>	<u>221</u>	<u>1</u>	<u>—</u>	<u>194</u>	<u>393</u>	<u>202</u>	<u>614</u>

# RESULT

## (c) Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's fixed assets and interests in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment and the location of operation, in the case of interests in associates.

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue from external customers</b>		
Hong Kong (place of domicile)	1,299	—
Mainland China	—	2,766
	<u>1,299</u>	<u>2,766</u>
	<b>30 June</b>	<b>31 December</b>
	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Specified non-current assets</b>		
Hong Kong	54,268	25,448
Mainland China	50	45
	<u>54,318</u>	<u>25,493</u>

## 9. Dividends

The Directors of the Company do not recommend the payment of any dividend in respect of the Period (2010: Nil).

**RESULT****10. Available-for-sale investment**

	<b>30 June 2011 HK\$'000 (Unaudited)</b>
Paid consideration	<b>10,000</b>
Remaining consideration ( <i>Note 13</i> )	<b>20,000</b>
	<hr/>
Unlisted investment equity securities (at cost)	<b>30,000</b>
	<hr/> <hr/>

The above unlisted equity investment represents the Group's long-term investment in the 10% equity interest in Green Global Bioenergy Limited (the "Target Company") which incorporated in the British Virgin Islands. The Target Company is an investment holding company and its subsidiaries are principally engaged in investments on renewable resources projects in the Lao People's Democratic Republic, with the focus on developing plantation of Eucalyptus in Lao People's Democratic Republic. It is measured at cost at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors are of the opinion that the fair value cannot be measured reliably.

In consideration of the Group conditionally agreeing to acquire the 10% of the total issued share capital of the Target Company on the terms and conditions of the sale and purchase agreement, the Vendor also irrevocably grants to the Group the option, pursuant to which the Group can further acquire up to 90% equity interest of the Target Company.

The details of the above acquisition of 10% of the issued share capital in the Target Company are set out in the Company's announcement dated 3 June 2011.



# RESULT

## 11. Trade and other receivables

	<b>30 June 2011 HK\$'000 (Unaudited)</b>	31 December 2010 HK\$'000 (Audited)
Trade receivables	2,021	1,887
Less: impairment loss	<u>(1,347)</u>	<u>(1,316)</u>
Trade receivables — net	674	571
Prepayment, deposits and other receivables	<u>1,599</u>	<u>1,573</u>
	<b><u>2,273</u></b>	<b><u>2,144</u></b>

The ageing analysis of trade receivables (net of provision of impairment loss), based on due date, is as follows:

	<b>30 June 2011 HK\$'000 (Unaudited)</b>	31 December 2010 HK\$'000 (Audited)
Current	<u>539</u>	<u>514</u>
Less than 1 month past due	117	—
1 to 3 months past due	18	7
More than 3 months but less than 12 months past due	<u>—</u>	<u>50</u>
Amounts past due	<u>135</u>	<u>57</u>
	<b><u>674</u></b>	<b><u>571</u></b>

Trade receivables are due within 30–60 days from the date of billing or the date of received inspection report from customer. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The directors are of the opinion that adequate provision for uncollectible receivables has been made in the financial statements and the Group has no significant concentration of credit risk. Normally, the Group does not obtain collateral from customers.

**RESULT**

The directors of the Group had assessed the recoverability of prepayments, deposits and other receivables for the six months ended 30 June 2011 and considered no provision for impairment in respect of prepayments, deposits and their receivables to their recoverable values.

**12. Loan receivable, unsecured**

At 23 June 2011, this was a loan with principal of HK\$3,000,000 in an aggregate due from an independent third party. This loan was unsecured and interest-bearing at fixed rate 2% per annum. This loan will be repaid within six months and therefore these loan receivable was classified as current assets as at 30 June 2011.

**13. Trade payables, accrued charges and other payables**

	<b>30 June 2011 HK\$'000 (Unaudited)</b>	31 December 2010 HK\$'000 (Audited)
Trade payables	245	240
Deferred income	1,774	767
Accrued charges and other payables ( <i>Note</i> )	<u>21,346</u>	<u>1,216</u>
	<b><u>23,365</u></b>	<b><u>2,223</u></b>

*Note:* The amount of accrued charges and other payables included the Remaining Consideration of available-for-sale investment of HK\$20,000,000. The details of the Remaining Consideration are set out in Note 10 to the financial statements and the Company's announcement dated 3 June 2011.

As at 30 June 2011, the aged analysis of the trade payables was as follows:

	<b>30 June 2011 HK\$'000 (Unaudited)</b>	31 December 2010 HK\$'000 (Audited)
Current	<u>245</u>	<u>240</u>
	<b><u>245</u></b>	<b><u>240</u></b>

# RESULT

## 14. Share capital

	Number of Shares	Amount HK\$'000
Ordinary shares of HK\$0.05 each at 31 December 2010 and 30 June 2011		
Authorised:		
At 31 December 2010 and 30 June 2011	8,000,000,000	400,000
Issued and fully paid:		
At 1 January 2011	262,223,581	13,111
Issue of new shares upon open offer ( <i>Note (a)</i> )	1,048,894,324	52,445
Bonus issued ( <i>Note (a)</i> )	786,670,743	39,333
Issue of placing shares ( <i>Note (b)</i> )	400,000,000	20,000
At 30 June 2011	2,497,788,648	124,889

*Note (a):* On January 2011, 1,048,894,324 new shares of HK\$0.05 each were issued by way of open offer at an offer price of HK\$0.1 each on the basis of four shares for every one share of the Company held by the qualifying shareholders of the Company, together with the 786,670,743 Bonus Issue on the basis of three Bonus shares for every four offer shares taken up. The aggregate consideration, net of expenses, amounted to approximately HK\$101,178,000, of which approximately HK\$91,778,000 was credited to the share capital and the remaining balance of approximately HK\$9,400,000 was credited to the share premium of the Company.

*Note (b):* On June 2011, 400,000,000 new shares of HK\$0.05 each were issued at a subscription price of HK\$0.065 per share to the third parties of the Company at an aggregate consideration, net of expenses, amounted to approximately HK\$25,213,000, of which HK\$20,000,000 was credited to the share capital and the remaining balance of approximately HK\$5,213,000 was credited to the share premium of the Company.

**15. Reserves**

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

**16. Share-based payment**

On 24 December 2007, a new share option scheme ("the 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.

On 19 May 2011, the Company has granted 12,400,000 share options to a consultant of the Company under the Scheme at the exercise price of HK\$0.058 per share.

Options may be exercised at any time from the date of grant of the share option to the date of expiry of the option.

The exercise price is determined by the directors of the Company, and was not less than the highest of (a) the closing price of the Shares on the Stock Exchange on the Offer Date of HK\$0.057; (b) the average of the closing price of the Shares on the Stock Exchange for the 5 trading day immediately preceding the Offer Date of HK\$0.058; and (c) the nominal value of a Share of HK\$0.05.

No options were exercised under this scheme as at 30 June 2011. The cost of share-based payment is recognised in the statement of income over the 3 years service period, together with a corresponding increase in share option reserve.

Details of the share options outstanding during the current period are as follows:

	<b>Number of share options</b>
Outstanding at 1 January 2011	—
Granted during the period	12,400,000
Exercised during the period	—
	<hr/>
Outstanding at 30 June 2011	<u>12,400,000</u>

The fair value of the options determined at the dates of grant using the Black-Scholes option pricing model was HK\$310,000.

## RESULT

The following assumptions were used to calculate the fair values of share options:

Date of grant	19 May 2011
Share price on the date of grant	HK\$0.057
Exercise price	HK\$0.058
Expected volatility	94.62%
Expected life	1.5 Years
Risk-free rate	0.37%
Expected dividend yield	Nil
Exercisable period	20 May 2011 to 19 May 2014

The fair value was based on the professional valuation performed by Ascent Partners Transaction Service Limited, an independent qualified professional valuer. Changes in variables and assumptions may result in changes in the fair value of the options.

### 17. Continuing connected transactions

The Group has maintained three Agreements for Continuing Connected Transactions during the Period.

A company controlled by 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, a former Executive Director and former 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\$97,000,000, HK\$126,000,000 and HK\$149,000,000 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. During the period, no purchase is under this agreement.

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\$442,000 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\$120,000 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.

#### 18. Related parties transactions

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

Name of related parties	Nature of transactions	Six months ended 30 June	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Greatsource Holding Co., Ltd. and its subsidiaries (Note a)	Purchase of display equipment, components and related technology	—	2,105
KanHan Technologies (Note b)	Sales of website development, electronic learning product and services	442	—
KanHan Technologies (Note b)	Income from Business Centre Services	120	—

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

*Note b:* 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.

#### 19. Events after the Reporting Period

On 18 July 2011, the every two existing issued and unissued ordinary shares of HK\$0.05 each in the share capital of the Company have been consolidated into one share of HK\$0.10 in the share capital of the Company (the “Consolidated Share”). The Consolidated Share has been approved in extraordinary general meeting on 15 July 2011. Details of the exercise and the results of the extraordinary general meeting are set out in the Company's announcements dated 13 June, 15 June, 24 June and 15 July 2011 respectively.

# MANAGEMENT DISCUSSIONS AND ANALYSIS

## **BUSINESS REVIEW**

During the Period there was no turnover generated from the optical display business. A minimal amount of display units was kept by the Beijing subsidiary and some effort was put in to try to dispose them, but there was no result produced due to the high competition of the market.

The e-learning business was stable in the Period and the turnover of it for the Period was approximately HK\$1,299,000. However, with such turnover the loss of this business to the Group was approximately HK\$43,000. The main reason of the loss is that the demand of service to schools in producing e-learning materials has vast growth recently and hence management enhanced a lot of new manpower to upgrade the e-learning materials for the future market demand.

## **FINANCIAL REVIEW**

### **Turnover**

The turnover of the Group was approximately HK\$1,299,000 for the Period, representing a decrease of approximately 53.04% compared to the turnover for the period ended 30 June 2010 of approximately HK\$2,766,000.

### **Loss for the period**

The loss attributable to the equity shareholders of the Company for the Period was approximately HK\$3,946,000 compared to loss attributable to equity shareholders of approximately HK\$4,365,000 for the period ended 30 June 2010.

### **Interim dividend**

The Directors do not recommend to pay any interim dividend for the six months ended 30 June 2011 (2010: HK\$Nil).

### **Pledge of assets**

As at 30 June 2011, the Group did not have any assets being pledged.

### **Contingent liabilities**

As at 30 June 2011, the Group had no significant contingent liabilities.

# MANAGEMENT DISCUSSIONS AND ANALYSIS

## Connected Transactions

The Group has maintained three agreements for Continuing Connected Transactions during the Period. Details of the exercise are set out in Notes 17 and 18 to the financial statements.

## Capital structure

On 17 January 2011, the Company has been raised approximately HK\$101,178,000, net of expenses, by issuing 1,048,894,324 offer shares (the "Open Offer") and 786,670,743 bonus share in aggregate to all equity shareholders of the Company. Details of this issuing open offer and bonus share are set out in Note 14 to the financial statements and the Company's announcements published on 15 October 2010, 16 November 2010, 13 December 2010, 29 December 2010 and 19 January 2011 respectively.

On 21 June 2011, the Company has been raised approximately HK\$25,213,000, net of expenses, by issuing 400,000,000 placing shares (the "Placement"). Details of the placing shares are set out in Note 14 to the financial statements and the Company's announcements published on 10 June 2011 and 21 June 2011 respectively.

The change in equity of the Company by this open offer and bonus share, and placing shares are presented in the condensed consolidated statement of changes in equity of the financial statements.

On 19 May 2011, the Company has granted 12,400,000 share options to a consultant at the exercise price of HK\$0.058 per shares. Details of the granted share options are set out in Note 16 to the financial statements and the Company's announcements dated 19 April and 19 May 2011 respectively.

On 15 July 2011, Extraordinary general meeting has been passed to approve the share consolidation, in which the every two exiting issued and unissued ordinary shares of HK\$0.05 each in the share capital of the Company have been consolidated into one share of HK\$0.10 in the share capital of the Company. Details of the Consolidated Share are set out in Note 19 to the financial statements and the Company's announcements dated 13 June, 15 June, 24 June and 15 July 2011 respectively.



## **MANAGEMENT DISCUSSIONS AND ANALYSIS**

### **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 investments**

On June 2011, the Company purchased the 10% of the total issued capital of the Green Global Bioenergy Limited at the Consideration of HK\$30,000,000 (subject to adjustments). The details of this acquisition are set out in Note 10 to the financial statements and the Company's announcement published on 3 June 2011.

### **Material disposals**

The Group had no material disposal during the Period.

### **Employees and remuneration policies**

As at 30 June 2011, the Group had approximately 24 employees, including all directors, 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 Company will further allocate resources on e-learning business this year so as to fulfil the huge demand in primary and secondary schools. There are now more than 120 secondary and primary schools subscribing the electronic learning products and services offered by KanHan Educational, and the number are expected to increase in the coming future. The Board expects that the wholly-owned subsidiary KanHan Educational will provide a steady growth in income to the Group. As mentioned before in the Company's announcements, KanHan Educational has a profits guarantee of HK\$2,200,000 and HK\$6,500,000 for each of the year 2011 and 2012 respectively. 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 KanHan Educational, the Company has been seeking other investment opportunities with full potential. During the period, the Company purchased the 10% of the total issued capital of the Green Global Bioenergy Limited which is engaged in developing plantation of Eucalyptus in the Lao People's Democratic Republic. In view of the increasing the demand of raw material for making paper and the production of plywood around the world, the Board considered that the acquisition will enable the Group to diversify and venture into the plantation business which will benefit the Company and its Shareholders as a whole. Details of this acquisition are set out in Note 10 to the financial statements and the announcement of the Company published on 3 June 2011.

With the completion of the Open Offer in Jan 2011 and the Placement in June 2011, there was new funding of approximately HK\$126,391,000 to the Company (net of expenses). With this extra resource, the Board will carefully look for business expansion opportunities, try to find projects with good profit margin as well as strengthen the existing business.

## **OTHER INFORMATION**

### **DIRECTORS' INTERESTS IN CONTRACT**

Save as disclosed in notes 17 and 18 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 June 2011, 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.

## **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 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.

On 19 May 2011, The Company has granted 12,400,000 share options to a consultant of the Company under the Scheme at the exercise price of HK\$0.058 per share. The details of share options granted are set out in Note 16 and the Company's announcements dated 19 April 2011 and 19 May 2011 respectively.

### **SUBSTANTIAL SHAREHOLDERS**

As at 30 June 2011 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.

### **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.

## **OTHER INFORMATION**

### **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. B Ray Tam, Billy, 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*

10 August 2011

*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.*