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)

2010 ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

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* *for identification purpose only*

HIGHLIGHTS

(Audited)

- The turnover of the Group for continuing operations was approximately HK$3,800,000 for the year ended 31 December 2010, representing a decrease of approximately 32% as compared to the turnover for the year ended 31 December 2009 of approximately HK$5,555,000.

- The Group recorded a loss attributable to the equity shareholders of the Company of approximately HK$13,149,000 for the year ended 31 December 2010, compared to the same of loss of approximately HK$14,166,000 for the year ended 31 December 2009.

- The Directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2010.

ANNUAL RESULTS

The Directors of M Dream Inworld Limited ("the Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2010 (the "Year").

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

	Note	**2010** **$'000**	2009 $'000
Continuing operations			
Turnover	3	**3,800**	5,555
Cost of sales		**(2,542)**	(4,662)
Gross profit		**1,258**	893
Other revenue	5	**499**	106
Other gains and losses	6	**(4,298)**	(45)
Selling and administrative expenses		**(10,728)**	(14,226)
Loss from operations		**(13,269)**	(13,272)
Finance costs	7(a)	**(31)**	(15)
Loss before taxation	7	**(13,300)**	(13,287)
Income tax credit	8(a)	**151**	–
Loss for the year from continuing operations		**(13,149)**	(13,287)
Discontinued operations			
Loss for the year from discontinued operations	9	**–**	(1,486)
Loss for the year		**(13,149)**	(14,773)
Attributable to:			
Equity shareholders of the Company	11		
Loss from continuing operations		**(13,149)**	(13,287)
Loss from discontinued operations		**–**	(879)
		(13,149)	(14,166)
Non-controlling interests			
Loss from continuing operations		**–**	–
Loss from discontinued operations		**–**	(607)
		–	(607)
		(13,149)	(14,773)
Loss per share	12		
From continuing and discontinued operations			
Basic		**(HK5.52cents)**	(HK6.72cents)
Diluted		**N/A**	N/A
From continuing operations			
Basic		**(HK5.52cents)**	(HK6.30cents)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

	2010	2009
	$'000	*$'000*
Loss for the year	**(13,149)**	(14,773)
Other comprehensive income/(expense) for the year		
Exchange differences on translation of financial statements of overseas subsidiaries	**214**	(548)
Reclassification adjustments relating to foreign operations disposed of during the year	**(25)**	–
	189	(548)
Total comprehensive expense for the year	**(12,960)**	(15,321)
Attributable to:		
Equity shareholders of the Company	**(12,960)**	(14,714)
Non-controlling interests	**–**	(607)
Total comprehensive expense for the year	**(12,960)**	(15,321)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010
(Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Non-current assets			
Fixed assets	13	**2,254**	1,730
Interest in an associate		**–**	–
Goodwill	14	**23,239**	–
		25,493	1,730
Current assets			
Inventories		**1,300**	2,078
Trade and other receivables	15	**2,144**	5,240
Amount due from an associate		**–**	84
Cash and cash equivalents		**12,878**	21,889
Current tax asssets		**–**	6
		16,322	29,297
Current liabilities			
Trade and other payables	16	**2,223**	1,211
Obligations under finance leases	17	**462**	83
		2,685	1,294
Net current assets		**13,637**	28,003
Total assets less current liabilities		**39,130**	29,733
Non-current liabilities			
Obligations under finance leases	17	**1,450**	298
NET ASSETS		**37,680**	29,435
CAPITAL AND RESERVES			
Share capital		**13,111**	10,931
Reserves		**24,569**	18,504
Total equity attributable to equity shareholders of the Company		**37,680**	29,435

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company							
	Share capital	Share premium	Contributed surplus	Exchange reserve	Accumulated losses	Total	Non controlling interests	Total equity
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 1 January 2009	8,198	164,284	6,426	482	(146,729)	32,661	450	33,111
Disposal of discontinued operations	–	–	–	–	–	–	157	157
Shares issued upon open offer	2,733	8,755	–	–	–	11,488	–	11,488
Total comprehensive expense for the year	–	–	–	(548)	(14,166)	(14,714)	(607)	(15,321)
Balance at 31 December 2009 and 1 January 2010	10,931	173,039	6,426	(66)	(160,895)	29,435	–	29,435
Shares issued on placement of shares	2,180	19,025	–	–	–	21,205	–	21,205
Total comprehensive income/(expense) for the year	–	–	–	189	(13,149)	(12,960)	–	(12,960)
Balance at 31 December 2010	13,111	192,064	6,426	123	(174,044)	37,680	–	37,680

Notes:

1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited ("the GEM Listing Rules").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the consolidated financial statements.

The consolidated financial statements for the Year comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

The preparation of the consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affected the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the consolidated financial statements:

- HKFRS 3 (revised 2008), Business Combinations
- Amendment to HKFRS 5, Non-current Assets Held for Sale and Discontinued Operations – plan to sell the controlling interest in a subsidiary (as part of improvements to HKFRSs (2008))
- Improvements to HKFRSs (2009)
- Amendment made under HKAS 27(revised 2008), Consolidated and Separate Financial Statements
- Amendment to HKAS 39, Financial Instruments: Recognition and Measurement – eligible hedged items
- HK(IFRIC) – Int 17, Distributions of Non-cash Assets to Owners
- HK – Int 5, Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
- Amendment to HKFRS 2, Share – based Payment – Group cash – settled share – based payment transactions.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The amendment to HKAS 39 and the issuance of HK – Int 5 have had no material impact on the consolidated financial statements as the amendment and the Interpretation's conclusions were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods.

3. TURNOVER

Turnover represents the sales value of goods and services supplied to customers. An analysis of the Group's revenue for the year from continuing operation is as follows:

	2010	2009
	$'000	*$'000*
Sales of optical display equipment, components and related technology	**2,774**	5,191
Sales of software and hardware	**–**	364
Website development, electronic learning products and services	**1,026**	–
	3,800	5,555

4. 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 three reportable segments.

– Optical display equipment, components and related technology

– Website development, electronic learning products and services

– System solution services (discontinued operations)

(a) Segment results, assets and liabilities

For the purpose of monitoring segment performances and allocating resources between segments:

– Segment profit/(loss) represented profit earned by/(loss from) each segment without allocation of central administration costs, finance costs and income tax expense.

– Segment assets include all tangible, intangible assets and current assets with the exception of interest in an associate, investment in financial assets, income tax recoverable and other corporate assets.

– Segment liabilities include all current and non-current liabilities with the exception of accrued central administration cost and income tax payable.

Segment revenue reported below represents revenue generated from external customers. There were no inter-segment sales in the current year (2009: HK$nil).

Information regarding the Group's reportable segments for the years ended 31 December 2010 and 2009 is set out below.

	Continuing operations				Discontinued *operations*					
	Optical display equipment, components and related technology		Website development, electronic learning products and services		System solution services		Unallocated		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Turnover										
Revenue from external customers	**2,774**	4,373	**1,026**	–	**–**	5,226	**–**	1,182	**3,800**	10,781
Results										
Segment result	**(4,843)**	(535)	**173**	–	**–**	(1,486)	**–**	–	**(4,670)**	(2,021)
Interest income									**69**	–
Unallocated income									**430**	442
Unallocated expenses									**(9,098)**	(13,194)
Loss from operations									**(13,269)**	(14,773)
Finance costs									**(31)**	–
Loss before income tax									**(13,300)**	(14,773)
Income tax									**151**	–
Loss for the year									**(13,149)**	(14,773)
Assets										
Segment assets	**4,183**	8,649	**29,003**	–	**–**	–	**–**	–	**33,186**	8,649
Unallocated assets	**–**	–	**–**	–	**–**	–	**8,629**	22,378	**8,629**	22,378
Total assets									**41,815**	31,027
Liabilities										
Segment liabilities	**628**	438	**800**	–	**–**	–	**–**	–	**1,428**	438
Unallocated liabilities	**–**	–	**–**	–	**–**	–	**2,707**	1,154	**2,707**	1,154
Total liabilities									**4,135**	1,592
Other information										
Capital expenditure	**(353)**	(422)	**–**	–	**–**	(32)	**(1,481)**	(1,340)	**(1,834)**	(1,794)
Depreciation	**(221)**	(97)	**–**	–	**–**	(44)	**(393)**	(334)	**(614)**	(475)
Gain/(loss) on disposal of subsidiaries	**–**	–	**–**	–	**–**	–	**24**	(52)	**24**	(52)
Gain on disposal of discontinued operations	**–**	–	**–**	–	**–**	1,101	**–**	–	**–**	1,101
Impairment loss on amount due from an associate	**–**	–	**–**	–	**–**	–	**–**	(216)	**–**	(216)
Impairment loss on fixed assets	**–**	–	**–**	–	**–**	–	**(913)**	–	**(913)**	–
Impairment loss on trade receivables	**(1,316)**	–	**–**	–	**–**	–	**–**	(23)	**(1,316)**	(23)
Loss on disposal of an associate	**–**	–	**–**	–	**–**	–	**(5)**	–	**(5)**	–
Loss on disposal of fixed assets	**(606)**	–	**–**	–	**–**	–	**(170)**	(52)	**(776)**	(52)
Write-down of inventories	**(970)**	–	**–**	–	**–**	–	**–**	–	**(970)**	–
Write-off of accruals and interest payables	**–**	–	**–**	–	**–**	–	**–**	275	**–**	275
Write-off of inventories	**(628)**	–	**–**	–	**–**	–	**–**	–	**(628)**	–
Write-off of receipts in advance	**288**	–	**–**	–	**–**	–	**–**	–	**288**	–

(b) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets and goodwill ("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 asset, in the case of property, plant and equipment and the location of operations to which it is allocated, in the case of goodwill.

	Revenues from external customers		**Specified non-current assets**	
	2010	2009	**2010**	2009
	$'000	*$'000*	***$'000***	*$'000*
Hong Kong (place of domicile)	**1,026**	1,182	**25,448**	1,311
Mainland China	**2,774**	4,373	**45**	415
Singapore	**–**	5,226	**–**	4
	3,800	10,781	**25,493**	1,730

(c) Information about major customers

For the Year, there were five (2009: nil) customers who individually accounted for over 10% of total revenue of the Group and their aggregate revenue was HK$2,671,000 (2009: HK$nil) related to the optical display equipment, components and related technology segment.

5. OTHER REVENUE

	2010	2009
	$'000	*$'000*
Continuing operations		
Bank interest income	**69**	106
Dividend income from investments held for trading	**390**	–
Service fee income	**40**	–
	499	106

6. OTHER GAINS AND LOSSES

	2010	2009
	$'000	*$'000*
Continuing operations		
Gain on sale of investments held for trading	**20**	–
Gain/(loss) on disposal of subsidiaries	**24**	(52)
Loss on disposal of an associate	**(5)**	–
Loss on disposal of fixed assets	**(776)**	(52)
Impairment loss on amount due from an associate	**–**	(216)
Impairment loss on fixed assets	**(913)**	–
Impairment loss on trade receivables	**(1,316)**	(23)
Net foreign exchange (loss)/gain	**(22)**	23
Write-down of inventories	**(970)**	–
Write-off of accruals and interest payables	**–**	275
Write-off of inventories	**(628)**	–
Write-off of receipts in advance	**288**	–
	(4,298)	(45)

7. LOSS BEFORE TAXATION

Loss before taxation from continuing operations has been arrived at after charging:

	2010	2009
	$'000	*$'000*
(a) Finance costs:		
Finance charges on obligations under finance leases	**31**	15
(b) Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	**3,423**	4,170
Contributions to defined contribution retirement plan	**138**	143
	3,561	4,313
(c) Other items:		
Depreciation	**614**	431
Auditor's remuneration	**380**	300
Operating lease charges: minimum lease payments		
– hire of office premises	**1,849**	1,768
– hire of other assets	**129**	314
Cost of inventories sold	**2,464**	4,662

8. INCOME TAX (RELATING TO CONTINUING OPERATIONS)

(a) Income tax in the consolidated income statement represents:

	2010	2009
	$'000	*$'000*
Current tax		
Provision for the year	**–**	–
Deferred tax		
Reversal of temporary difference	**(151)**	–
	(151)	–

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not have any assessable profit for taxation purpose during the Year (2009: HK$nil).

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries. No taxation has been provided in the consolidated financial statements of the subsidiaries operating outside Hong Kong for the Year (2009: HK$nil).

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2010	2009
	$'000	*$'000*
Loss before taxation	**(13,300)**	(13,287)
Notional tax credit on loss before taxation, calculated at the rate of 16.5% (2009: 16.5%)	**(2,194)**	(2,192)
Tax effect of different taxation rates in other tax jurisdictions	**(437)**	(150)
Tax effect of non-deductible expenses	**1,438**	1,154
Tax effect of non-taxable income	**(61)**	(87)
Tax effect of unused tax losses not recognised	**1,239**	1,330
Utilisation of tax losses previously not recognised	**(46)**	–
Tax effect of temporary differences not recognised	**(90)**	(55)
Income tax credit	**(151)**	–

9. DISCONTINUED OPERATIONS

On 20 March 2008, the Group disposed of a 30% equity interest in a wholly-owned subsidiary, Elipva Limited, together with its interest in a subsidiary, Elipva Inc., at a consideration of HK$560,000.

On 29 October 2009, the Group further disposed of the remaining 70% equity interest in Elipva Limited, together with its interest in a subsidiary, Elipva Inc., at a consideration of HK$300,000.

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

The results of the discontinued operations for the period from 1 January 2009 to 29 October 2009, which had been included in the consolidated income statement, were as follows:

	$'000
Turnover	5,226
Cost of sales	(2,031)
Gross profit	3,195
Other revenue and other gains and losses	204
Selling and administrative expenses	(5,986)
Loss before taxation	(2,587)
Income tax	–
	(2,587)
Gain on disposal of discontinued operations	1,101
Loss for the year from discontinued operations	(1,486)

Loss for the year from discontinued operations included the following:

	$'000
Depreciation	44
Auditor's remuneration	40
Operating lease charges: minimum lease payments	
– hire of office premises	321

Net cash outflow arising on disposal:	*$'000*
Cash consideration received	300
Cash and cash equivalents disposed of	(421)
Payment for professional expenses incurred on disposal	(524)
	(645)

During the period from 1 January 2009 to 29 October 2009, the disposed subsidiaries paid approximately HK$247,000 and HK$34,000 in respect of operating activities and investing activities respectively.

No tax charge or credit arose on gain on disposal of the discontinued operations.

10. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the Year (2009: HK$nil).

11. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of HK$7,281,000 (2009: HK$20,761,000) which has been dealt with in the financial statements of the Company.

12. 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 calculated by dividing the loss attributable to equity shareholders of the Company from continuing and discontinued operations by the weighted average number of ordinary shares in issue during the year.

	2010 ***$'000***	2009 *$'000*
Loss for the year attributable to the equity shareholders of the Company from continuing and discontinued operations for the purpose of basic loss per share	**(13,149)**	(14,166)
Loss for the year attributable to the equity shareholders of the Company from discontinued operations	**–**	(879)
Loss for the year attributable to the equity shareholders of the Company from continuing operations for the purpose of basic loss per share	**(13,149)**	(13,287)

	2010	2009
	'000	*'000*
Weighted average number of ordinary shares in issue	**238,117**	210,891

The weighted average number of ordinary shares for the purposes of calculating basic loss per share for the year ended 31 December 2009 has been adjusted to reflect the placement of shares in August 2010 and the consolidation of shares in December 2010 on the basis of five shares consolidated into one 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 HKD13,149,000 (2009: HKD13,287,000) and the weighted average of 238,117,000 ordinary shares (2009: 210,891,000 ordinary shares) in issue during the year.

From discontinued operations

The calculation of basic loss per share from discontinued operations is based on the loss attributable to equity shareholders of the Company of HK$nil (2009: HK$879,000) and the weighted average of 238,117,000 ordinary shares (2009: 210,891,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

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

13. FIXED ASSETS

The Group

	Leasehold improvements	Office equipment	Furniture and fixtures	Computer hardware and software	Motor vehicles	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost:						
At 1 January 2009	90	307	80	2,996	420	3,893
Exchange adjustments	3	2	–	82	–	87
Additions	431	266	2	60	1,035	1,794
Disposals	–	–	–	(866)	(466)	(1,332)
Disposals of discontinued operations	(93)	(130)	–	(2,228)	–	(2,451)
At 31 December 2009 and 1 January 2010	431	445	82	44	989	1,991
Exchange adjustments	7	9	–	(3)	–	13
Additions	–	419	–	–	1,415	1,834
Disposals	(257)	(647)	–	(30)	(596)	(1,530)
Acquisition through business combination	–	–	–	–	1,353	1,353
Derecognised on disposal of subsidiaries	–	–	–	(11)	–	(11)
At 31 December 2010	181	226	82	–	3,161	3,650

The Group

	Leasehold improvements	Office equipment	Furniture and fixtures	Computer hardware and software	Motor vehicles	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Accumulated depreciation and impairment:						
At 1 January 2009	87	130	14	2,804	7	3,042
Exchange adjustments	3	3	–	79	–	85
Charge for the year	48	81	16	194	136	475
Written back on disposals	–	–	–	(867)	(63)	(930)
Written back on disposals of discontinued operations	(91)	(119)	–	(2,201)	–	(2,411)
At 31 December 2009 and 1 January 2010	47	95	30	9	80	261
Exchange adjustments	4	2	–	1	–	7
Charge for the year	264	110	16	2	222	614
Impairment loss	–	–	–	–	913	913
Written back on disposals	(134)	(124)	–	(4)	(129)	(391)
Written back on disposal of subsidiaries	–	–	–	(8)	–	(8)
At 31 December 2010	181	83	46	–	1,086	1,396
Net book value:						
At 31 December 2010	–	143	36	–	2,075	2,254
At 31 December 2009	384	350	52	35	909	1,730

During the year, additions to motor vehicles of the Group financed by new finance leases were HK$1,260,000 (2009: HK$440,000). At the balance sheet date, the net book value of motor vehicles held under finance leases of the Group was HK$2,075,000 (2009: HK$375,000).

14. GOODWILL

	The Group
	$'000
Cost:	
At 1 January 2009	18,334
Disposal of discontinued operations	(18,334)
At 31 December 2009 and 1 January 2010	–
Acquisition of a subsidiary	23,239
At 31 December 2010	23,239
Accumulated impairment losses:	
At 1 January 2009	18,334
Eliminated on disposal of discontinued operations	(18,334)
At 31 December 2009, 1 January 2010 and 31 December 2010	–
Carrying value:	
At 31 December 2010	23,239
At 31 December 2009	–

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash generating units ("CGU") identified according to the business segment as follows:

	2010
	$'000
Website development, electronic learning services and related technology	**23,239**

The recoverable amount of the CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows were then extrapolated using the estimate rates stated below for the following four years. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value in use calculations:

	2010
Gross margin	**83% – 91%**
Growth rate	**0 – 4.5%**
Discount rate	**4.5%**

Management determined the budgeted gross margin and growth rate based on past performance and its expectation for market development. The discount rate used is pre-tax and reflected specific risks relating to the relevant segment.

During the Year, management of the Group determines that there are no impairments of any of its CGU containing goodwill.

15. TRADE AND OTHER RECEIVABLES

	The Group	
	2010	2009
	$'000	*$'000*
Trade receivables	**1,887**	1,390
Less: Impairment loss	**(1,316)**	–
	571	1,390
Prepayments and deposits	**1,099**	2,512
Other receivables	**474**	1,338
	2,144	5,240

All of the trade and other receivables, apart from rental deposits of HK$116,000 (2009: HK$138,000), are expected to be recovered or recognised as expenses within one year.

The Directors considered that the fair value of trade and other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inspection.

(a) Ageing analysis

According to the credit ratings of different customers, the Group allows credit periods ranging from 30 days to 90 days (2009: 30 days to 60 days) to its trade customers.

The ageing analysis of trade receivables (net of allowance for doubtful debts), based on due date, is as follows:

	The Group	
	2010	2009
	$'000	*$'000*
Current	**514**	1,064
Less than 1 month past due	**–**	266
1 to 3 months past due	**7**	24
More than 3 months but less than 12 months past due	**50**	36
Amounts past due	**57**	326
	571	1,390

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for impairment loss on trade receivables is as follows:

	The Group	
	2010	2009
	$'000	*$'000*
At 1 January	**–**	374
Impairment loss recognised	**1,316**	23
Uncollectible amounts written off	**–**	(23)
Disposal of discontinued operations	**–**	(374)
At 31 December	**1,316**	–

At each balance sheet date, the Group reviews trade receivables for evidence of impairment on both individual and collective basis. The impaired trade receivables are due from customers that were in default of payments.

The Group does not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on individual or collective basis.

(c) Trade receivables that are not impaired

As of 31 December 2010, the ageing analysis of the Group's trade receivables that are past due but not impaired is as follows:

	The Group	
	2010	2009
	$'000	*$'000*
Less than 1 month past due	**–**	266
1 to 3 months past due	**7**	24
More than 3 months but less than 12 months past due	**50**	36
	57	326

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

16. TRADE AND OTHER PAYABLES

	The Group	
	2010	2009
	$'000	*$'000*
Trade payables	**240**	346
Deferred income	**767**	–
Receipts in advance	**539**	36
Accrued expenses and other payables	**677**	829
	2,223	1,211

All of the trade and other payables, apart from certain deferred income and receipts in advance amounted to HK$167,000 (2009: HK$nil), are expected to be settled or recognised as income within one year or are repayable on demand.

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	The Group	
	2010	2009
	$'000	*$'000*
Less than 3 months	**240**	346

17. OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2010, the Group had obligations under finance leases repayable as follows:

	The Group			
	2010		2009	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	$'000	***$'000***	*$'000*	*$'000*
Within 1 year	**462**	**564**	83	99
After 1 year but within 2 years	**488**	**564**	87	99
After 2 years but within 5 years	**962**	**1,029**	211	223
	1,450	**1,593**	298	322
	1,912	**2,157**	381	421
Less: Total future interest expenses		**(245)**		(40)
Present value of lease obligations		**1,912**		381

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

The former Managing Director brought in and developed optical display business to the Group in year 2008 but the business so far was not successful. As she left the Company early in the Year, the business dropped in turnover. The amount for the Year was approximately HK$2,774,000 compared to HK$5,191,000 in year 2009. The present management is still considering the prospect of this business.

With the acquisition of KanHan Educational Services Limited ("KanHan EDU") in July of the Year, almost six months of its results for the Year was consolidated by the Company and its contribution to the turnover of the Group was approximately HK$1,026,000. Although this new business was not very significant to the Group during the Year, the management believes it will better perform in future, especially with guaranteed profits of HK$2,200,000 and HK$6,500,000 for years 2011 and 2012 respectively.

The selling and administrative expenses for the Year were approximately HK$10,728,000 compared to HK$14,226,000 in year 2009. In particular, staff costs for the Year was approximately HK$3,561,000 compared to HK$4,313,000 in year 2009. By reducing expenses, the loss for the Year was less than year 2009 despite a smaller volume in turnover.

FINANCIAL REVIEW

Turnover

The turnover of the Group for continuing operations was HK$3,800,000 for the Year, representing a decrease of approximately 32% compared to the turnover for the year ended 31 December 2009 of approximately HK$5,555,000.

Loss for the year

The loss of the Group attributable to the equity shareholders of the Company for the Year was HK$13,149,000 compared to the same of loss of HK$14,166,000 for the year ended 31 December 2009. Despite a lesser turnover the loss for the Year was less than last year due to significant decrease in selling and administrative expenses for the Year.

Liquidity and financial resources

The Group had total liabilities of approximately HK$4,135,000 and cash and cash equivalents of approximately HK$12,878,000 as at 31 December 2010. There is no liquidity problem expected by the Group in the year of 2011, particularly after the completion of the Open Offer in January 2011 which gathered proceeds of approximately HK$100,000,000.

Capital structure

On 29 July 2010, the Company has done a placement and issued 218,000,000 new shares at HK$0.10 per share to a few placees. The net proceed of approximately HK$21,205,000 from the placement has been mainly utilized for the redemption of promissory note issued by the Company in the acquisition of KanHan EDU.

As announced by the Company on 15 October 2010, the Company proposed to implement the Capital Reorganisation which will involve (1) a share consolidation pursuant to which every five issued and unissued shares of HK$0.01 each were consolidated into one consolidated share of HK$0.05 each; and (2) increase of the authorised share capital from HK$60,000,000 divided into 1,200,000,000 consolidated shares of HK$0.05 each to HK$400,000,000 divided into 8,000,000,000 consolidated shares of HK$0.05 each. Details of the Capital Reorganisation are set out, inter alia, in the circular of the Company dated 17 November 2010. A special resolution approving the Capital Reorganisation was passed at the special general meeting of the Company held on 13 December 2010. The Capital Reorganisation became effective on 14 December 2010.

Besides that there has been no significant change in the capital structure of the Company for the Year.

Foreign exchange exposure

During the Year 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.

Significant investments

Apart from material acquisitions and disposals disclosed below, the Group had no other significant investments during the Year.

Material acquisitions and disposals

In July 2010 the Group has acquired the entire issued capital of KanHan EDU at a consideration of HK$22,964,000. The company is principally engaged in providing e-learning products and services to schools and corporate institutions in Hong Kong. There are profits guaranteed by the vendor that the company must achieve profits before tax of HK$450,000, HK$2,200,000 and HK$6,500,000 for the years ending 31 December 2010, 2011 and 2012 respectively. For more details of the acquisition it can be referred to the announcement issued by the Company on 14 July 2010. There was no material disposal made by the Group during the Year.

Ageing of trade receivables and payables

The ageing of the Group's trade receivables and payables as at 31 December 2010 are set out in Note 15(a) and Note 16 to the consolidated financial statements.

Gearing ratio

As at 31 December 2010 the gearing ratio of the Group was 11% (2009: 5%).

Employee information

The Group currently has about 25 employees (2009: 20) working in Hong Kong, Guangzhou and Beijing. The increase of headcount is due to the acquisition of KanHan EDU.

Contingent liabilities

As at 31 December 2010 the Directors did not consider the Group had any contingent liabilities (2009: nil).

OUTLOOK

It is becoming a global belief now that the quality of the citizens is a critical factor to the development of a country, and governments of most countries in the world have kept increasing spending on education with emphasis in the adoption of using the internet as the learning medium (e-learning). According to its recent announced budget the Hong Kong government plans to spend $140 million until 2013 assisting primary and secondary schools to develop e-learning pilot projects either replacing or supplementing traditional text book based curriculum in various subjects.

The wholly owned subsidiary acquired by the Company in 2010, KanHan EDU is a major participant in providing e-learning products and services for schools and colleges in Hong Kong. In January 2011, out of the 21 selected from one hundred pilot project applications, KanHan EDU will lead to supply two projects revolutionizing the teaching and learning of Chinese language for primary schools. The aggregate contract amount including hardware, software and service is over four million Hong Kong dollars. Those are the first few contracts of this kind, and it certainly marks a new era to school education in Hong Kong and to the future expansion of KanHan EDU as well.

By getting those contracts, KanHan EDU will firmly establish its brand image as the first generation of e-publisher in Hong Kong by developing the first electronic curriculum with assessment and learning functions for Chinese language teaching and learning in Hong Kong, aiming to replace traditional printed textbook market at a fraction of cost for students. From a macroscopic viewpoint, this will be a reformation, if not revolution, of the whole school textbook market in Hong Kong. Applying printed textbook in teaching and learning will eventually fade out with e-learning services as a replacement. KanHan EDU, a pioneer in e-learning development, has already stepped ahead. The provision of a CLOUD hosting platform for e-publishing services becomes an essential business direction in building annual subscription model. A substantial increase in concurrent revenue is expected from the formation of this business model.

With a remarkable track record in developing e-learning platforms and electronic courseware, KanHan EDU will stand to benefit as the pioneer and market leader in the e-publishing sector for schools. KanHan EDU's ultimate goal is to revolutionize the education sector in Hong Kong through the adoption of internet in providing all sorts of educational services. By achieving this certainly will bring in high value to the equity shareholders of the Company.

CORPORATE GOVERNANCE

In November 2004, The Stock Exchange promulgated the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules which sets out corporate governance principles ("the Principles") and code provisions ("the Code Provisions") with which listed issuers are expected to follow and comply.

During the Year the Company has applied the Principles and on best effort basis complied with the Code Provisions except there was a temporary violation of Code Provision A2.1.

An explanation of this violation will be contained in the Corporate Governance Report of the annual report to be issued by the Company in due course.

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 announcement 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 Audit committee met on a quarterly basis during the Year.

The Company's financial statements for the Year have been reviewed and discussed by the Audit Committee before any disclosure and release of 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 Year.

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

Hong Kong, 11 March 2011

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

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its publication and on the website of the Company.