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)

2011 ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of M Dream Inworld Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.

* *For identification purposes only*

FINANCIAL HIGHLIGHTS

(Audited)

- The turnover of the Group was approximately HK$3,636,000 for the year ended 31 December 2011, representing a decrease of approximately 4.3% as compared to the turnover for the year ended 31 December 2010 of approximately HK$3,800,000.

- The Group recorded a loss attributable to the equity shareholders of the Company of approximately HK$6,146,000 for the year ended 31 December 2011, compared to the same of loss of approximately HK$13,149,000 for the year ended 31 December 2010.

- The Directors of the Company do not recommend the payment of any dividend for the year ended 31 December 2011.

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 2011 (the "Year").

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	Note	**2011**	2010
		$'000	*$'000*
Turnover	*3*	**3,636**	3,800
Cost of sales		**(264)**	(2,542)
Gross profit		**3,372**	1,258
Other revenue	*5*	**1,660**	499
Other gains and losses	*6*	**614**	(4,298)
Selling and administrative expenses		**(11,455)**	(10,728)
Loss from operations		**(5,809)**	(13,269)
Finance costs	*7(a)*	**(120)**	(31)
Loss before taxation	*7*	**(5,929)**	(13,300)
Income tax (expense)/credit	*8*	**(217)**	151
Loss for the year attributable to equity shareholders of the Company		**(6,146)**	(13,149)
Loss per share	*11*		
Basic		**(HK0.55cents)**	(HK7.19cents)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	2011	2010
	$'000	*$'000*
Loss for the year	**(6,146)**	(13,149)
Other comprehensive income/(expense) for the year		
Exchange differences on translation of financial statements of overseas subsidiaries	**171**	214
Reclassification adjustments relating to disposal of foreign operations during the year	**—**	(25)
	171	189
Total comprehensive expense for the year attributable to equity shareholders of the Company	**(5,975)**	(12,960)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2011
(Expressed in Hong Kong dollars)

	Note	**2011** **$'000**	2010 $'000
Non-current assets			
Fixed assets	*12*	**167**	2,254
Intangible assets	*13*	**1,647**	—
Goodwill	*14*	**23,239**	23,239
		25,053	25,493
Current assets			
Inventories		**—**	1,300
Trade and other receivables	*15*	**13,470**	2,144
Loan receivables, unsecured	*16*	**5,019**	—
Cash and cash equivalents		**118,105**	12,878
		136,594	16,322
Current liabilities			
Trade and other payables	*17*	**2,917**	2,223
Amount due to a director	*18*	**190**	—
Obligations under finance leases	*19*	**—**	462
Current taxation	*20*	**150**	—
		3,257	2,685
Net current assets		**133,337**	13,637
Total assets less current liabilities		**158,390**	39,130
Non-current liabilities			
Obligations under finance leases	*19*	**—**	1,450
NET ASSETS		**158,390**	37,680
CAPITAL AND RESERVES			
Share capital		**124,889**	13,111
Reserves		**33,501**	24,569
Total equity attributable to equity shareholders of the Company		**158,390**	37,680

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company						
	Share capital *$'000*	**Share premium** *$'000*	**Contributed surplus** *$'000*	**Share option reserve** *$'000*	**Exchange reserve** *$'000*	**Accumulated losses** *$'000*	**Total equity** *$'000*
Balance at 1 January 2010	10,931	173,039	6,426	—	(66)	(160,895)	29,435
Shares issued on placement of shares	2,180	19,025	—	—	—	—	21,205
Total comprehensive income/(expense) for the year	—	—	—	—	189	(13,149)	(12,960)
Balance at 31 December 2010 and 1 January 2011	13,111	192,064	6,426	—	123	(174,044)	37,680
Shares issued upon open offer	52,445	48,733	—	—	—	—	101,178
Shares issued on bonus issued	39,333	(39,333)	—	—	—	—	—
Shares issued on placement of shares	20,000	5,197	—	—	—	—	25,197
Equity settled share-based transactions	—	—	—	310	—	—	310
Total comprehensive income/(expense) for the year	—	—	—	—	171	(6,146)	(5,975)
Balance at 31 December 2011	124,889	206,661	6,426	310	294	(180,190)	158,390

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. 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 a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the consolidated financial statements:

- HKAS 24 (revised 2009), Related party disclosures

- Improvements to HKFRSs (2010)

The impacts of the developments are discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

- Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, Financial instruments: Disclosures. The disclosures about the Group's financial instruments have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

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

3. TURNOVER

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

	2011	2010
	$'000	*$'000*
Provision of website development, electronic learning products and services	**3,636**	1,026
Sales of optical display equipment, components and related technology	**—**	2,774
	3,636	3,800

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 two reportable segments.

— Optical display equipment, components and related technology

— Website development, electronic learning products and services

(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 loan receivables and other corporate assets.

— Segment liabilities include all current and non-current liabilities with the exception of accrued central administration cost and amount due to a director.

Segment revenue reported below represents revenue generated from external customers. There were no inter-segment sales in the current year (2010: HK$nil).

Information regarding the Group's reportable segments for the years ended 31 December 2011 and 2010 is set out below.

	Optical display equipment, components and related technology		Website development, electronic learning products and services		Unallocated		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Turnover								
Revenue from external customers	**—**	2,774	**3,636**	1,026	**—**	—	**3,636**	3,800
Results								
Segment result	**(1,509)**	(4,843)	**2,338**	173	**—**	—	**829**	(4,670)
Interest income							**1,420**	69
Unallocated income							**1,488**	430
Unallocated expenses							**(9,546)**	(9,098)
Loss from operations							**(5,809)**	(13,269)
Finance costs							**(120)**	(31)
Loss before income tax							**(5,929)**	(13,300)
Income tax							**(217)**	151
Loss for the year							**(6,146)**	(13,149)
Assets								
Segment assets	**2,834**	4,183	**28,676**	29,003	**—**	—	**31,510**	33,186
Unallocated assets	**—**	—	**—**	—	**130,137**	8,629	**130,137**	8,629
Total assets							**161,647**	41,815
Liabilities								
Segment liabilities	**654**	628	**1,718**	800	**—**	—	**2,372**	1,428
Unallocated liabilities	**—**	—	**—**	—	**885**	2,707	**885**	2,707
Total liabilities							**3,257**	4,135
Other information								
Capital expenditure	**—**	(353)	**(40)**	—	**(30)**	(1,481)	**(70)**	(1,834)
Depreciation	**(14)**	(221)	**(3)**	—	**(221)**	(393)	**(238)**	(614)
Development costs capitalised	**—**	—	**(1,647)**	—	**—**	—	**(1,647)**	—
Gain on disposal of subsidiaries	**—**	—	**—**	—	**1,278**	24	**1,278**	24
Impairment loss on fixed assets	**—**	—	**—**	—	**—**	(913)	**—**	(913)
Impairment loss on trade receivables	**—**	(1,316)	**—**	—	**—**	—	**—**	(1,316)
Loss on disposal of an associate	**—**	—	**—**	—	**—**	(5)	**—**	(5)
Loss on disposal of fixed assets	**—**	(606)	**—**	—	**(118)**	(170)	**(118)**	(776)
Recovery from impairment loss on trade receivables	**428**	—	**—**	—	**—**	—	**428**	—
Write-down of inventories	**(1,328)**	(970)	**—**	—	**—**	—	**(1,328)**	(970)
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, intangible 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 fixed assets, and the location of the operation to which they are allocated, in the case of intangible assets and goodwill.

	Revenues from external customers		**Specified non-current assets**	
	2011	2010	**2011**	2010
	$'000	*$'000*	***$'000***	*$'000*
Hong Kong (place of domicile)	**2,640**	1,026	**24,999**	25,448
Mainland China	**996**	2,774	**54**	45
	3,636	3,800	**25,053**	25,493

(c) Information about major customers

For the year ended 31 December 2011, there were two (2010: five) customers who individually accounted for over 10% of total revenue of the Group and their aggregate revenue was HK$1,623,000 (2010: HK$2,671,000) related to the website development, electronic learning products and services segment (2010: optical display equipment, components and related technology segment).

5. OTHER REVENUE

	2011	2010
	$'000	*$'000*
Bank interest income	**1,376**	69
Dividend income from investments held for trading	**—**	390
Income from provision of business centre services	**240**	40
Loan interest income	**44**	—
	1,660	499

6. OTHER GAINS AND LOSSES

	2011	2010
	$'000	*$'000*
Foreign exchange gain/(loss)	**24**	(22)
Gain on disposal of subsidiaries	**1,278**	24
Gain on sale of investments held for trading	**—**	20
Impairment loss on fixed assets	**—**	(913)
Impairment loss on trade receivables	**—**	(1,316)
Loss on disposal of an associate	**—**	(5)
Loss on disposal of fixed assets	**(118)**	(776)
Net sundry income	**330**	—
Recovery from impairment loss on trade receivables	**428**	—
Write-down of inventories	**(1,328)**	(970)
Write-off of inventories	**—**	(628)
Write-off of receipts in advance	**—**	288
	614	(4,298)

7. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2011	2010
	$'000	*$'000*
(a) Finance costs:		
Bank loan interest	**13**	—
Finance charges on obligations under finance leases	**107**	31
	120	31
(b) Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	**3,139**	3,423
Retirement scheme contributions	**98**	138
	3,237	3,561
(c) Other items:		
Depreciation	**238**	614
Auditor's remuneration	**380**	380
Operating lease charges: minimum lease payments		
— hire of office premises	**1,727**	1,849
— hire of other assets	**177**	129
Cost of inventories sold	**—**	2,464
Equity settled share-based payment	**310**	—

8. INCOME TAX

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

	2011	2010
	$'000	*$'000*
Current tax		
Provision for the year	**217**	—
Deferred tax		
Reversal of temporary difference	**—**	(151)
	217	(151)

The provision for Hong Kong Profits Tax for 2011 is calculated at 16.5% of the estimated assessable profits for the year.

In 2010, 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 previous year.

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 (2010: HK$nil).

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

	2011	2010
	$'000	*$'000*
Loss before taxation	**(5,929)**	(13,300)
Notional tax credit on loss before taxation, calculated at the rate of 16.5% (2010: 16.5%)	**(978)**	(2,194)
Tax effect of different taxation rates in other tax jurisdictions	**(43)**	(437)
Tax effect of non-deductible expenses	**1,919**	1,438
Tax effect of non-taxable income	**(588)**	(61)
Tax effect of unused tax losses not recognised	**176**	1,239
Utilisation of tax losses previously not recognised	**(4)**	(46)
Tax effect of temporary differences not recognised	**(265)**	(90)
Income tax expense/(credit)	**217**	(151)

9. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the Year (2010: HK$nil).

10. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of HK$34,052,000 (2010: HK$7,281,000) which has been dealt with in the financial statements of the Company.

11. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK$6,146,000 (2010: HK$13,149,000) and the weighted average of 1,108,752,000 ordinary shares (2010: 182,797,000 ordinary shares) in issue during the Year.

The weighted average number of ordinary shares for the purposes of calculating basic loss per share for the year ended 31 December 2010 has been adjusted to reflect the open offer and its associated bonus issue take place in January 2011 and the consolidation of shares in July 2011 on the basis of two shares consolidated into one share.

(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 2011 and 2010.

12. FIXED ASSETS

The Group

	Leasehold improvements *$'000*	Office equipment *$'000*	Furniture and fixtures *$'000*	Computer hardware and software *$'000*	Motor vehicles *$'000*	Total *$'000*
Cost:						
At 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
Disposal of subsidiaries	—	—	—	(11)	—	(11)
At 31 December 2010 and 1 January 2011	181	226	82	—	3,161	3,650
Exchange adjustments	—	3	—	—	—	3
Additions	—	2	—	68	—	70
Disposals	—	(12)	(48)	—	(1,793)	(1,853)
Disposal of subsidiaries	—	—	—	—	(1,368)	(1,368)
At 31 December 2011	181	219	34	68	—	502
Accumulated depreciation and impairment:						
At 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 and 1 January 2011	181	83	46	—	1,086	1,396
Exchange adjustments	—	1	—	—	—	1
Charge for the year	—	44	14	7	173	238
Written back on disposals	—	(8)	(33)	—	(278)	(319)
Written back on disposal of subsidiaries	—	—	—	—	(981)	(981)
At 31 December 2011	181	120	27	7	—	335
Net book value:						
At 31 December 2011	—	99	7	61	—	167
At 31 December 2010	—	143	36	—	2,075	2,254

13. INTANGIBLE ASSETS

The Group

	Development costs
	$'000
Cost:	
At 1 January 2010, 31 December 2010 and 1 January 2011	—
Addition through internal development	1,647
At 31 December 2011	1,647
Accumulated amortisation:	
At 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011	—
Net book value:	
At 31 December 2011	1,647
At 31 December 2010	—

The development costs represent the expenditure incurred for developing electronic learning products.

14. GOODWILL

	The Group
	$'000
Cost:	
At 1 January 2010	—
Acquisition of subsidiaries	23,239
At 31 December 2010, 1 January 2011 and 31 December 2011	23,239
Accumulated impairment losses:	
At 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011	—
Carrying value:	
At 31 December 2011	23,239
At 31 December 2010	23,239

Impairment tests for cash-generating units containing goodwill

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

	2011	2010
	$'000	*$'000*
Website development, electronic learning products and services	**23,239**	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:

	2011	2010
Gross margin	**82%–91%**	83%–91%
Growth rate	**-6%–145%**	0–4.5%
Discount rate	**4.5%**	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 reflects specific risks relating to the relevant segment.

During the year ended 31 December 2011 and 2010, management of the Group determined that there are no impairments of any its CGU containing goodwill.

15. TRADE AND OTHER RECEIVABLES

	The Group	
	2011	2010
	$'000	*$'000*
Trade receivables	**1,234**	1,887
Less: Impairment loss *(note 15(b))*	**(971)**	(1,316)
	263	571
Deposits paid for purchase of fixed assets	**2,350**	—
Deposit paid for investment *(note 15(d))*	**10,000**	—
Prepayments and deposits	**321**	1,099
Other receivables	**536**	474
	13,470	2,144

All of the trade and other receivables, apart from deposits paid for purchase of fixed assets of HK$2,350,000 (2010: HK$nil) and rental deposits of HK$117,000 (2010: HK$116,000), are expected to be recovered or recognised as expenses within one year.

Included in trade receivables is an amount of HK$59,000 (2010: HK$433,000) due from a related company, KanHan Technologies Limited.

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 rating of different customers, the Group allows credit periods of 30 days (2010: ranging from 30 days to 90 days) to its trade customers. 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 consolidated financial statements and the Group has no significant concentration of credit risk. Normally, the Group does not obtain collateral from customers.

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

	The Group	
	2011	2010
	$'000	*$'000*
Current	**140**	514
Less than 1 month past due	**62**	—
1 to 3 months past due	**41**	7
More than 3 months but less than 12 months past due	**20**	50
Amounts past due	**123**	57
	263	571

(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	
	2011	2010
	$'000	*$'000*
At 1 January	**1,316**	—
Impairment loss recognised	**—**	1,316
Amounts received	**(428)**	—
Exchange adjustments	**83**	—
At 31 December	**971**	1,316

At the end of each reporting period, 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 2011, the ageing analysis of the Group's trade receivables that are past due but not impaired is as follows:

	The Group	
	2011	2010
	$'000	*$'000*
Less than 1 month past due	**62**	—
1 to 3 months past due	**41**	7
More than 3 months but less than 12 months past due	**20**	50
	123	57

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.

(d) Deposit paid for investment

The Group made a deposit of HK$10,000,000 on 3 June 2011 pursuant to the sale and purchase agreement in relation to the acquisition of 10% of the issued share capital of Green Global Bioenergy Limited (the "S&P Agreement"). Details of the transaction are set out in the Company's announcement dated 3 June 2011. As of 31 December 2011, the vendor has failed to comply fully with the obligations under the S&P Agreement. On 21 March 2012, the Group and the vendor mutually agreed to terminate the S&P Agreement and the deposit paid to the vendor was refunded to the Group. Neither the Group nor the vendor shall have any claims against the other party. Details of the transaction are set out in the Company's announcement dated 21 March 2012.

16. LOAN RECEIVABLES, UNSECURED

The unsecured loans bear interest at fixed rates ranging from 2% to 5% per annum and are repayable within one year.

17. TRADE AND OTHER PAYABLES

	The Group	
	2011	2010
	$'000	*$'000*
Trade payables	**251**	240
Deferred income	**1,487**	767
Receipts in advance	**395**	539
Accrued expenses and other payables	**784**	677
	2,917	2,223

All of the trade and other payables, apart from certain deferred income and receipts in advance of HK$661,000 (2010: HK$167,000), 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	
	2011	2010
	$'000	*$'000*
Less than 3 months	**251**	240

18. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and has no fixed terms of repayment.

19. OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2011, the Group had obligations under finance leases repayable as follows:

	The Group			
	2011		2010	
	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
After 1 year but within 2 years	**—**	**—**	488	564
After 2 years but within 5 years	**—**	**—**	962	1,029
	—	**—**	1,450	1,593
	—	**—**	1,912	2,157
Less: Total future interest expenses		**—**		(245)
Present value of lease obligations		**—**		1,912

20. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represent:

	The Group	
	2011	2010
	$'000	*$'000*
Provision for Hong Kong Profits Tax for the year	**217**	—
Provisional Hong Kong Profits Tax paid	**(67)**	—
	150	—

(b) Deferred tax liabilities

Deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	The Group Fair value gains on fixed assets
	$'000
At 1 January 2010	—
Acquisition of subsidiary	151
Credited to income statement	(151)
At 31 December 2010, 1 January 2011 and 31 December 2011	—

No provision for deferred tax liabilities has been made as the Company do not have any material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (2010: HK$nil).

(c) Deferred tax assets

The Group has not recognised any deferred tax assets in respect of tax losses carried forward of HK$26,737,000 (2010: HK$33,735,000) due to the unpredictability of the future profit streams.

The unused tax losses will be expired in the following years ending 31 December:

	The Group	
	2011	2010
	$'000	*$'000*
2013	**565**	542
2014	**1,147**	1,099
2015	**1,874**	5,084
2016	**720**	—
No expiry date	**22,431**	27,010
	26,737	33,735

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year, the Group is principally engaged in two business segments, (i) sales of optical display equipment, components and related technology, and (ii) provision of website development, electronic learning products and services.

(i) Sales of optical display equipment, components and related technology

The optical display business recorded no turnover for the Year. 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 management is thinking seriously about the prospect of this business.

(ii) Provision of website development, electronic learning products and services

With the acquisition of KanHan Educational Services Limited ("KanHan EDU") in last year, it is becoming the engine of growth for the Group now, and the turnover for the Year was approximately HK$3,636,000. With such turnover the profit before tax of this business to the Group was HK$2,356,000. This indicates the good prospect of the business, especially with profit guarantee given by the vendor of HK$6,500,000 for year 2012.

FINANCIAL REVIEW

Turnover

The turnover of the Group was approximately HK$3,636,000 for the Year, representing a decrease of approximately 4.3% compared to the turnover for the year ended 31 December 2010 of approximately HK$3,800,000.

Loss for the year

The loss of the Group attributable to the equity shareholders of the Company for the Year was approximately HK$6,146,000 compared to the same of loss of approximately HK$13,149,000 for the year ended 31 December 2010. Despite a lesser turnover the loss for the Year was less than last year mainly due to (i) one-off gain on disposal of two subsidiaries of approximately HK$1,278,000, (ii) bank interest income of approximately HK$1,376,000, (iii) a impairment loss of trade receivables of approximately HK$1,316,000 in last year, and (iv) the growth of gross profit is approximately HK$2,114,000.

Liquidity and financial resources

The Group had total liabilities of approximately HK$3,257,000 and cash and cash equivalents of approximately HK$118,105,000 as at 31 December 2011. There is no liquidity problem expected by the Group in the year of 2012, particularly after the completion of the Open Offer in January 2011 which gathered net proceeds of approximately HK$101,178,000, and the completion of the placing shares in June 2011 which gathered net proceeds of approximately HK$25,197,000.

Pledge of assets

As at 31 December 2011, the Group did not have any substantial pledge of assets.

Capital structure

On 17 January 2011, the Company has 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 the Company's announcements published on 15 October 2010, 16 November 2010, 13 December 2010, 29 December 2010 and 19 January 2011 respectively.

On 19 May 2011, the Company has granted 6,200,000* share options to a consultant at the exercise price of HK$0.116* per shares. Details of the granted share options are set out in the Company's announcements dated 19 April 2011 and 19 May 2011 respectively.

* Adjusted for share consolidation dated 18 July 2011

On 21 June 2011, the Company has been raised approximately HK$25,197,000, net of expenses, by issuing 400,000,000 placing shares (the "Placement"). Details of the placing shares are set out in the Company's announcements published on 10 June 2011 and 21 June 2011 respectively.

On 18 July 2011, the Company has been finished 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 share consolidation are set out in the Company's announcements dated 13 June 2011, 15 June 2011, 24 June 2011, 15 July 2011 and 18 July 2011 respectively.

As at 31 December 2011, the total issued Shares of the Company were 1,248,894,324 Shares.

The change in equity of the Group are presented in the consolidated statement of changes in equity.

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 investment

On June 2011, the Group conditionally agreed to purchase the 10% of the total issued capital of the Green Global Bioenergy Limited at the Consideration of HK$30,000,000 (subject to adjustments). However, on 21 March 2012, the Group, the Vendor and the Vendor's Guarantor entered into the Termination Agreement to terminate the Sales and Purchase Agreement, and the Group considers that the termination of the investment has no material adverse impact on the existing operations of the Group. The details of this acquisition and the termination of investment are set out in the Company's announcements published on 3 June 2011 and 21 March 2012 respectively and the note 15(d) to the consolidated financial statements.

Material acquisitions and disposals

Apart from significant investment disclosed above, the Group had no material acquisition or disposal during the Year.

Ageing of trade receivables and payables

The ageing of the Group's trade receivables and payables as at 31 December 2011 are set out in note 15(a) and note 17 to the consolidated financial statements.

Gearing ratio

As at 31 December 2011 the gearing ratio of the Group was 2% (2010: 11%).

Employee information

As at 31 December 2011, the Group employed has about 31 employees (2010: 25) working in Hong Kong, Guangzhou and Beijing. The increase of headcount is due to enhance new manpower of KanHan EDU for new product development.

Contingent liabilities

As at 31 December 2011 the Directors did not consider the Group had any contingent liabilities (2010: nil).

OUTLOOK

The wholly owned subsidiary acquired by the Group in 2010, KanHan EDU is a major participant in providing e-learning products and services for schools and colleges in Hong Kong.

2011 has been a pivotal year for KanHan EDU in her success cooperating with 4 primary schools in obtaining funding support for their pilot e-learning projects from Education Bureau of HKSAR Government. The pilot projects aim to develop new generation online teaching and learning curriculum for Chinese language replacing traditional text book approach. KanHan EDU plans to make the resulting online platform of the three year projects commercially available to all schools in Hong Kong, thus transforming KanHan EDU into the first generation e-publishers on major subject.

Another important step forward in 2012 is the KanHan EDU's inaugural entrance into providing online English learning platform to schools and corporations. KanHan EDU has officially become the sales partner of EnglishCentral, Inc. (the "EnglishCentral"), a U.S. based e-learning technology and service provider. The EnglishCentral platform provides an innovative and personalized learning tracking system helping students continue to evaluate their speech, diagnose their sound challenges and suggest for further study and practice. The EnglishCentral service has been launched to Japanese and Korean market in recent years with thumping success. KanHan EDU is confident the unique English listening and speaking skills training platform will gradually become an integral part of English language curriculum in

Hong Kong schools while corporations will use it to improve their employees' English communication skills with their clients.

In summary, KanHan EDU has been on track in launching new e-learning services and expanding market share and is optimistic in realizing her long term goal in becoming one of the dominant e-publishers competing for the replacement of Hong Kong's present billion dollar worth of text book market.

With careful execution of the existing business mentioned above, the Group believes it can achieve better results than last year. Meanwhile, the Group will continue to seek for new acquisition opportunities and new business plans which would bring value to the shareholders as a whole.

CORPORATE GOVERNANCE

The Company is committed to maintaining corporate governance of high standards and quality procedures. The Company has put in place governance practices with emphasis on the integrity to shareholders and quality of disclosure, transparency and accountability to shareholders for the sake of maximizing returns to shareholders.

During the Year the Company has applied the Principles and on best effort basis complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the Year.

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. Billy B Ray Tam, Mr. Yu Pak Yan, Peter and Ms. Chan Hoi Ling. They are the Independent Non-executive Directors of the Company. The Audit Committee's principal duties are to review and supervise the financial reporting process and internal control procedures of the Group. The 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, 23 March 2012

As at the date of this announcement, the Board consists of Mr. Chi Chi Hung, Kenneth and Mr. Takashi Togo being the Executive Directors, and Mr. Billy B Ray Tam, 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.