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**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)

**DISCLOSEABLE TRANSACTION –  
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF  
KANHAN EDUCATIONAL SERVICES LIMITED**

The Board is pleased to announce that on 14 July 2010, the Purchaser, being a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with the Vendor whereby the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares and the Sale Loan. The consideration for the sale and purchase of the Sale Shares and the Sale Loan shall be HK\$25,000,000, which shall be satisfied by the Purchaser in the following manner upon Completion: (a) HK\$5,000,000 to be delivered by the Purchaser to the Vendor by way of a cheque drawn against a licensed bank in Hong Kong and made payable in favour of the Vendor; and (b) HK\$20,000,000 to be payable by the Purchaser by issuing the Promissory Note which is guaranteed by the Company to the Vendor.

The applicable percentage ratios in respect of the Acquisition are greater than 5% but less than 25%. Therefore, the Acquisition constitutes a discloseable transaction for the Company and is subject to the announcement requirements but exempt from shareholders' approval requirement under the GEM Listing Rules.

\* *for identification purposes only*

The Board is pleased to announce that on 14 July 2010, the Purchaser, being a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor whereby the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Shares and the Sale Loan. The principal terms of the Agreement are set out below:

## **THE AGREEMENT**

**Date:** 14 July 2010

### **Parties:**

- (a) The Vendor; and
- (b) The Purchaser

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor is a third party independent of and not connected with the Company and its connected persons and as at the date of this announcement the Vendor and its respective associates do not hold any Shares or other securities in the Company.

### **Assets to be acquired**

Pursuant to the Agreement, it was agreed, among others, that the Purchaser shall acquire and the Vendor shall sell the Sale Shares and the Sale Loan. As at the date of the Agreement, the entire equity interests of the Target were being held as to 100% by the Vendor.

### **Consideration:**

The consideration for the sale and purchase of the Sale Shares and the Sale Loan shall be HK\$25,000,000, which shall be satisfied by the Purchaser in the following manner upon Completion:

- (a) HK\$5,000,000 to be delivered by the Purchaser to the Vendor by way of a cheque drawn against a licensed bank in Hong Kong and made payable in favour of the Vendor; and
- (b) HK\$20,000,000 by the Purchaser by issuing the Promissory Note which is guaranteed by the Company to the Vendor.

### **Conditions precedent:**

The Agreement is conditional upon the fulfillment of the following conditions:

- (1) all necessary consents and approvals required to be obtained on the part of the Vendor in respect of the Agreement and the transactions contemplated hereby having been obtained; and

- (2) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the Agreement and the transactions contemplated hereby having been obtained.

The conditions above are incapable of being waived. If the conditions above have not been satisfied on or before 4:00 p.m., 13 August 2010, or such other date as the Purchaser and the Vendor may agree, the Agreement shall cease and terminate and thereafter neither party shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms of the Agreement.

Completion shall take place within the tenth business days after the fulfillment of the abovementioned conditions precedent to the Agreement (or such other date and/or place as the parties hereto may mutually agree).

### **Promissory Note**

The terms of the Promissory Note have been negotiated on an arm's length basis and the principal terms of which are summarised below:

#### *Issuer*

The Purchaser

#### *Guarantor*

The Company

#### *Principal amount*

HK\$20,000,000 (subject to adjustment)

#### *Interest*

The Promissory Note carries no interest.

#### *Maturity*

The fifth anniversary from the date of issuance

### **BASIS OF THE CONSIDERATION**

The Consideration was arrived at after arm's length negotiations between the parties and was determined by making reference to (i) the Company's instant access to the e-learning industry in Hong Kong; (ii) the profit guarantee provided by the Vendor over the next three years; and (iii) the prospect of the business in the provision of e-learning products and services to government departments, corporations and education institutes as mentioned in the paragraph headed "Reasons and benefits for the Acquisition".

Having considered the above factors, the Directors are of the view that the Consideration is fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

## UNDERTAKING OF THE PURCHASER

The Purchaser hereby undertakes to subscribe in cash of HK\$5,000,000 for the Subscription Shares on or before 13 August 2010 and the Target shall allot and issue the Subscription Shares to the Purchaser upon completion of the said subscription. The subscription shall be conducted in such manner as the parties thereto will agree.

## CONSIDERATION ADJUSTMENT

Subject to completion of the subscription of the Subscription Shares, the Vendor irrevocably warrants and guarantees to the Purchaser that: (i) the audited net profits before tax and any extraordinary or exceptional items of the Target will not be less than HK\$450,000 for the financial year ending 31 December 2010 (the “**2010 Guaranteed Profit**”); (ii) the audited net profits before tax and any extraordinary or exceptional items of the Target will not be less than HK\$2,200,000 for the financial year ending 31 December 2011 (the “**2011 Guaranteed Profit**”); and (iii) the audited net profits before tax and any extraordinary or exceptional items of the Target will not be less than HK\$6,500,000 for the financial year ending 31 December 2012 (the “**2012 Guaranteed Profit**”).

If the actual audited net profits before tax and any extraordinary or exceptional items of the Target for the financial year ending 31 December 2010 (the “**2010 Actual Profit**”) as shown in the audited accounts is less than the 2010 Guaranteed Profit, the Vendor shall at its discretion either, if there are still outstanding payment obligations under the Promissory Note, set off against the payment obligations of the Purchaser under the Promissory Note on a dollar to dollar basis, or pay the Purchaser in cash within ten (10) business days after the delivery of the audited accounts of the Target for the financial year ending 31 December 2010 in an amount calculated as follows:

$$A = (2010 \text{ Guaranteed Profit} - 2010 \text{ Actual Profit})$$

where A is the amount the Vendor shall set off against the payment obligations of the Purchaser under the Promissory Note or payable by the Vendor to the Purchaser.

If the actual audited net profits before tax and any extraordinary or exceptional items of the Target for the financial year ending 31 December 2011 (the “**2011 Actual Profit**”) as shown in the audited accounts is less than the 2011 Guaranteed Profit, the Vendor shall at its discretion either, if there are still outstanding payment obligations under the Promissory Note, set off against the payment obligations of the Purchaser under the Promissory Note on a dollar to dollar basis, or pay the Purchaser in cash within ten (10) business days after the delivery of the audited accounts of the Target for the financial year ending 31 December 2011 in an amount calculated as follows:

$$A = (2011 \text{ Guaranteed Profit} - 2011 \text{ Actual Profit})$$

where A is the amount the Vendor shall set off against the payment obligations of the Purchaser under the Promissory Note or payable by the Vendor to the Purchaser.

If the actual audited net profits before tax and any extraordinary or exceptional items of the Target for the financial year ending 31 December 2012 (the “**2012 Actual Profit**”, together with 2010 Actual Profit and 2011 Actual Profit as “**Actual Profits**”) as shown in the audited accounts is less than the 2012 Guaranteed Profit, the Vendor shall at its discretion either, if there are still outstanding payment obligations under the Promissory Note, set off against the payment obligations of the Purchaser under the Promissory Note on a dollar to dollar basis, or pay the Purchaser in cash within ten (10) business days after the delivery of the audited accounts of the Target for the financial year ending 31 December 2012 in an amount calculated as follows:

$$A = (2012 \text{ Guaranteed Profit} - 2012 \text{ Actual Profit})$$

where A is the amount the Vendor shall set off against the payment obligations of the Purchaser under the Promissory Note or payable by the Vendor to the Purchaser.

For the avoidance of doubt, the profit guarantee shall not affect the early redemption right of the Purchaser under the Promissory Note to early redeem the Promissory Note.

For the avoidance of doubt, should the Target record a loss in its audited financial statements for the year(s) ending 31 December 2010, 31 December 2011 and/or 31 December 2012, the Actual Profits for such financial year shall be deemed as zero.

The Vendor and the Purchaser shall procure that the audited financial statements of the Target for the years ending 31 December 2010, 2011 and 2012 shall be prepared and reported on by the accounting firm to be appointed by the Purchaser.

## **INFORMATION OF THE TARGET**

The Target is engaged in the educational business. It provides a range of e-learning products and services to government departments, corporations and education institutes. It is one of the market leaders in Hong Kong with an impressive customer profile in providing self-paced Putonghua learning courseware for different industries delivered over internet. The Target also began to deliver Chinese language and Putonghua e-learning products catered to primary and secondary schools and has since then acquired more than 100 schools in subscribing annually its e-learning services. Pursuant to a subscription agreement dated 25 January 2010 entered into among the CB Issuer, Century Design Limited, a company incorporated in the British Virgin Islands, as subscriber (the “**CB Holder**”) and Mr. Mo Wai Ming Lawrence as guarantor, the CB Issuer and the Target have issued a convertible note with principal amount of HK\$2,000,000 (the “**CB**”) entitling the CB Holder to convert the same into shares of the Target and/or shares of the CB Issuer at its discretion. An irrevocable undertaking has been given by the CB Holder to the Vendor whereby the CB Holder irrevocably undertakes that it will not convert the CB into shares of the Target. The Target was indebted to the Vendor in the aggregate sum of approximately HK\$36,462 as at 30 June 2010. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the CB Holder is a third party independent of and not connected with the Company and its connected persons.

### **Financial information of the Target**

Based on the audited financial statements of the Target, the Target recorded the losses (before and after taxation and extraordinary items) of approximately HK\$15,455 and approximately HK\$509,305 for the year ended 31 December 2008 and 31 December 2009 respectively. As of 31 December 2009, the audited net liabilities of the Target was approximately HK\$561,388.

### **REASONS AND BENEFITS FOR THE ACQUISITION**

The Group is principally engaged in the sale of display equipment, components and related technology.

The Company has been looking for suitable investments to enhance value to the shareholders of the Company. The Company considers the potential of educational business is huge and the Target has already had a solid participation in the market, by acquiring the Target it can provide a steady contribution to the turnover of the Group. The profit guarantee for 2010, 2011 and 2012 can also enhance the profitability of the Group as well. The Education Bureau of Hong Kong SAR Government announced in 2010 it has received the funding approval from the Legislative Council of a total sum of HK\$140m to help primary and secondary schools adopt e-learning as their long term principal mean of teaching for the coming three years. In view of the global trend of education and Hong Kong SAR Government's funding and policy initiatives in fostering e-learning, the Board recognizes the Target's relevant experience in potentially becoming one of the key players in providing learning services to Hong Kong school market.

The Directors (including the independent non-executive Directors) consider the terms of the Acquisition have been made on normal commercial terms and are fair and reasonable and the Acquisition is in the best interests of the Company and the Shareholders as a whole.

### **IMPLICATIONS UNDER THE GEM LISTING RULES**

The applicable percentage ratios in respect of the Acquisition are greater than 5% but less than 25%. Therefore, the Acquisition constitutes a discloseable transaction for the Company and is subject to the announcement requirements but exempt from shareholders' approval requirement under the GEM Listing Rules.

### **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite to them below:

“Acquisition”	the proposed acquisition of the Sale Shares and the Sale Loan pursuant to the terms of the Agreement;
“Agreement”	the conditional sale and purchase agreement between the Vendor and the Purchaser in respect of the Acquisition dated 14 July 2010;

“Board”	the board of Directors;
“CB Issuer”	KanHan Technologies Inc., a company incorporated in the British Virgin Islands with limited liability which is the parent company holding the entire share capital of the Vendor;
“Company”	M Dream Inworld Limited, a company incorporated in the Cayman Islands, the shares of which are listed on the GEM;
“Completion”	completion of the Acquisition pursuant to the terms of the Agreement;
“connected person”	the meaning ascribed to it in the GEM Listing Rules;
“Consideration”	HK\$25,000,000 being the consideration payable for the Sale Shares and the Sale Loan by the Purchaser to the Vendor;
“Director(s)”	the director(s) of the Company;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Promissory Note”	the promissory note to be executed by the Purchaser and guaranteed by the Company for the purpose of settling part of the consideration under the Agreement;
“Purchaser”	Refine Skill Limited, a company incorporated in the British Virgin Islands, being a wholly-owned subsidiary of the Company;
“Sale Shares”	10,000 ordinary shares representing all the issued shares of the Target which is wholly-owned by the Vendor;

“Sale Loan”	all obligations, liabilities and debts owing or incurred by the Target to the Vendor on or at any time prior to Completion whether actual, contingent or deferred and irrespective of whether the same is due and payable on Completion which as at 30 June 2010, amounted to approximately HK\$36,462;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shares”	the shares of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Shares”	5,000,000 new shares of the Target to be issued and allotted to and to be subscribed by the Purchaser upon Completion for a cash subscription price of HK\$5,000,000 pursuant to the undertaking given by the Purchaser set out in the paragraph headed “Undertaking of the Purchaser”;
“Target”	KanHan Educational Services Limited, a company incorporated in Hong Kong with limited liability and as at the date of this announcement, has an authorised capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1 each, of which 10,000 shares have been issued and are fully paid up or credited as fully paid and are beneficially owned by the Vendor;
“Vendor”	KanHan Technologies Limited, a company incorporated in Hong Kong with limited liabilities;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.

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

Hong Kong, 14 July 2010



*As at the date of this announcement, the Board of Directors consists of Mr. Chi Chi Hung, Kenneth, Mr. Rong Hsu and Mr. Ng Kay Kwok being the Executive Directors, Mr. Billy B Ray Tam, Mr. Cho Chun Wai and Ms. Zhao Yang, being the Independent Non-executive Directors.*

*This announcement, for which the directors of the issuer 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 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.*

*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.*