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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)**

### **ISSUE OF CONVERTIBLE NOTES UNDER GENERAL MANDATE AND ENTERING INTO THE SERVICE AGREEMENT**

#### **ISSUE OF CONVERTIBLE NOTES**

On 28 September 2012 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement in respect of the issue of the Convertible Notes in the principal amount of HK\$20,000,000. Completion of the Subscription is subject to the conditions as set out in the paragraph headed “Conditions precedent” below. Detailed terms of the Convertible Notes are set out in the paragraph headed “Principal terms of the Convertible Notes” in this announcement.

The net proceeds from the Convertible Notes of approximately HK\$19,500,000 will be used (i) as to approximately HK\$5,000,000 for financing the business of website development, electronic learning products and services; and (ii) as to approximately HK\$14,500,000 for future investments in e-commerce and/or other information technology related business as and when opportunities arise.

As at the date of this announcement, the Company has a total of 1,248,894,324 Shares in issue. Assuming full conversion of the Convertible Notes at the Conversion Price of HK\$0.10 per Share, a total of 200,000,000 Conversion Shares will be allotted and issued, representing (i) approximately 16.01% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 13.80% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

The Conversion Shares falling to be allotted and issued upon exercise of the conversion rights attached to the Convertible Notes will be issued under the General Mandate.

\* For identification purpose only

No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange. An application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares.

### **SERVICE AGREEMENT**

The Board announces that on 28 September 2012 (after trading hours), Lucky Famous, a wholly-owned subsidiary of the Company, and Modern Education HK entered into the Service Agreement pursuant to which Lucky Famous agreed to engage and Modern Education HK agreed to provide the Services to the Group at a consideration HK\$600,000 for a term of eight months, subject to and upon the terms and conditions of the Service Agreement.

## **ISSUE OF CONVERTIBLE NOTES**

### **Subscription Agreement**

#### **1. Date and Parties**

Date: 28 September 2012 (after trading hours)

Issuer: The Company

Subscriber: The Subscriber

The Subscriber is an indirect wholly-owned subsidiary of Modern Education. As at the date of this announcement, to the best of the knowledge, information and belief of the Directors and having made all reasonable enquires, the Subscriber and its associates are Independent Third Parties.

#### **2. Principal terms of the Convertible Notes**

The principal terms of the Convertible Notes are arrived at after arm's length negotiations between the Company and the Subscriber and are summarised as follows:

Principal amount : HK\$20,000,000

Interest rate : the Convertible Notes shall carry an interest of 2% per annum payable on the Maturity Date

Maturity date : Unless previously redeemed, repurchased and cancelled or converted, any outstanding Convertible Notes shall be redeemed on the date falling on twelve months from the date of issue of the Convertible Notes.

Status : The Convertible Notes are general and unsecured obligations of the Company and rank equally among themselves.

Conversion : The Noteholder will have the right to convert the whole or part of the principal amount of the Convertible Notes into Conversion Shares in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion.

Fractions of Conversion Shares will not be issued on conversion of the Convertible Notes, however, a cash adjustment will be made in respect thereof.

Conversion period : The Noteholder(s) shall have the right to convert the whole or part of the principal amount of the Convertible Notes into Conversion Shares from the date of issue of the Convertible Notes up to (but excluding) the date falling three (3) Business Days prior to the Maturity Date at the then prevailing conversion price.

Conversion Price : The Conversion Price is initially HK\$0.10 per Conversion Share, subject to adjustment for subdivision or consolidation of Shares.

Save and except for the adjustments of the Conversion Price in relation to share consolidation or share subdivision, the number of Conversion Shares to be issued under the Convertible Notes shall not be more than the limit under the General Mandate.

The conversion rights attached to the Convertible Notes shall only be exercisable so long as:

- (i) the public float of at least 25% of the issued share capital of the Company as enlarged by the issue of Conversion Shares can be maintained;
- (ii) the aggregate shareholdings of such Noteholder(s), its associates and parties acting in concert with it immediately after such exercise will not be or exceed 29% of the then issued share capital of the Company;
- (iii) the exercise of the conversion rights attached to the Convertible Notes will not result in such Noteholder(s) by itself or taken together with its associates and/or parties acting in concert with it becoming the controlling shareholder of the Company or will, directly or indirectly, control or be interested in 30% or more of the voting right of the Company whereby the Noteholder would be obliged to make a general offer under the Takeovers Code in force from time to time; and

(iv) the exercise of the conversion rights under the Convertible Note(s) would not result in such Noteholder and other then substantial shareholder(s) of the Company (if any), being presumed to be parties acting in concert with each other under the Takeovers Code by virtue of their then respective shareholding in the Company.

Redemption : The Noteholder(s) shall not have any right to require the Company to redeem any portion of the outstanding Convertible Notes.

The Company may redeem in whole or any portion of the outstanding Convertible Notes at any time after the date of issue of the Convertible Notes up to and including the Maturity Date.

Voting : The Noteholder(s) will not be entitled to attend or vote at any general meeting of the Company by reason only of it being the Noteholder(s).

Listing : No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange. An application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares.

Transferability : The Convertible Notes may be transferred to any transferee provided that any proposed transfer to a connected person of the Company or its associates shall be subject to the prior consent of the Company and in compliance with the GEM Listing Rules.

Based on the Conversion Price of HK\$0.10 per Conversion Share, a total number of 200,000,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Notes in full, which represent: (i) approximately 16.01% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 13.80% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Notes in full.

The Conversion Shares will rank *pari passu* in all respects with the Shares in issue as at the date of allotment and issue of the Conversion Shares.

The Conversion Price of HK\$0.10 per Conversion Share was arrived at after arm's length negotiation between the Company and the Subscriber with reference to the recent performance of the Shares and current market conditions. The Conversion Price of HK\$0.10 per Conversion Share represents:

- (i) a premium of approximately 11.11% to the closing price of HK\$0.0900 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 16.01% to the average of the closing prices per Share of HK\$0.0862 for the last five consecutive trading days prior to the date of the Subscription Agreement;
- (iii) a premium of approximately 16.55% to the average of the closing prices per Share of HK\$0.0858 for the last ten consecutive trading days prior to the date of the Subscription Agreement; and
- (iv) a discount of approximately 20.00% to the unaudited net asset value per Share of approximately HK\$0.125 as at 30 June 2012 (based on the unaudited equity attributable to owners of the Company shown in the published unaudited interim financial statements for the six months ended 30 June 2012 divided by 1,248,894,324 Shares in issue).

### **3. Conditions precedent**

Completion is conditional upon the fulfillment (or waiver) of the following conditions precedent:

- (i) all necessary consents and approvals required to be obtained on the part of the Company and the Subscriber in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained; and
- (ii) the GEM Listing Committee of the Stock Exchange having granted listing of and permission to deal in the Conversion Shares falling to be issued on the exercise of the conversion rights attached to the Convertible Notes.

If any of the conditions has not been fulfilled on or before the Long Stop Date, the Subscription Agreement shall lapse and none of the parties to the Subscription Agreement shall have any obligations and liabilities towards each other save for any prior breaches of the terms of the Subscription Agreement.

### **4. Completion**

Completion shall take place following the fulfillment of the above conditions and within thirty Business Days following the date of the Subscription Agreement (or such other date as the parties to the Subscription Agreement may agree).

## **REASON FOR THE ISSUE OF CONVERTIBLE NOTES AND USE OF PROCEEDS**

The Company is an investment holding company. The Group is principally engaged in the provision of website development, electronic learning products and services.

The Directors consider that the issue of the Convertible Notes will provide the Company with immediate funding without immediate dilution of the shareholding of the existing Shareholders and, if the conversion rights attached to the Convertible Notes are exercised, the capital base of the Company will be enlarged. The Directors are also of the view that the issue of the Convertible Notes presents a valuable opportunity to introduce a strategic investor into the Company.

The Directors consider that the terms of the Subscription Agreement, which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The net proceeds from the issue of the Convertible Notes of approximately HK\$19,500,000 will be used (i) as to approximately HK\$5,000,000 for financing the business of website development, electronic learning products and services; and (ii) as to approximately HK\$14,500,000 for future investments in e-commerce and/or other information technology related business as and when opportunities arise.

## SHAREHOLDING STRUCTURE

The shareholding structure of the Company as at the date of this announcement and immediately after the full conversion of the Convertible Notes is as follows (assuming there being no other change in the share capital of the Company):

Shareholders	As at the date of this announcement		Immediately after the issue and allotment of the Conversion Shares upon full conversion of the Convertible Notes	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
The Subscriber	—	—	200,000,000	13.80
Other public Shareholders	<u>1,248,894,324</u>	<u>100.00</u>	<u>1,248,894,324</u>	<u>86.20</u>
Total	<u><u>1,248,894,324</u></u>	<u><u>100.00</u></u>	<u><u>1,448,894,324</u></u>	<u><u>100.00</u></u>

## FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS PRIOR TO THE DATE OF THIS ANNOUNCEMENT

The Company has not conducted any fund raising activities in the past twelve months before the date of this announcement.

## GENERAL MANDATE

The Conversion Shares will be issued under the General Mandate to allot, issue and deal with Shares granted to the Directors at the AGM. Under the General Mandate, up to 249,778,864 Shares (being the maximum number of Shares issuable under the General Mandate granted to the Directors) can be issued. The General Mandate has not been previously utilised prior to the date of this announcement. The Conversion Shares, being a

maximum of 200,000,000 Shares to be issued upon the exercise in full of the conversion rights attaching to the Convertible Notes based on the Conversion Price, will be issued under the General Mandate and not subject to the Shareholders' approval.

## **SERVICE AGREEMENT**

The Board announces that on 28 September 2012 (after trading hours), Lucky Famous, a direct wholly-owned subsidiary of the Company, and Modern Education HK, an indirect wholly-owned subsidiary of Modern Education, entered into the Service Agreement pursuant to which Lucky Famous agreed to engage and Modern Education HK agreed to provide the Services, being the services in respect of (i) advising in building up a website for the Group as the platform for internet education business; (ii) sourcing a suitable information technology company for building up the website and supervising the whole process; and (iii) providing electronic text books and/or teaching materials for the internet education business of the Group at a consideration of HK\$600,000 for a term of eight months, subject to and upon the terms and conditions of the Service Agreement.

### **Information of Modern Education Group**

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquires, the Modern Education Group is principally engaged in the provision of private tutoring and education services. The Modern Education Group is a tutoring services provider which has more than 15 years of operating history in the tutoring industry in Hong Kong. Apart from offering secondary tutoring services, secondary day school education and primary homework tutoring services, the Modern Education Group provides a variety of test preparation courses to students, such as English language courses on IELTS, TOEFL and TOEIC.

In 2010, the Modern Education Group further expanded its business into the primary homework tutoring services market through the acquisition of a provider of primary tutoring services in Hong Kong. In 2012, the Modern Education Group reached a strategic partnership with Shenzhen Yiwen Book IMP & EXP Co. ("Yiwen"). As of the date of this announcement, Yiwen has opened a digital publishing services centre and has more than 160 e-books.

### **Reasons for and benefits of the Service agreement**

The Company has been looking for suitable business partners to enhance the market share and the customer base of the internet education business. The Directors are optimistic about the prospects of the education business and the Subscriber already has a solid participation in the education business. The website of the Group will act as the platform for the internet education business and the Subscriber will provide electronic textbooks and teaching materials for the internet education business, which is expected to be a steady contribution to the turnover of the Group. The Board recognises the Subscriber's potential in becoming one of the key business partners of the Group in providing learning services in Hong Kong and overseas markets and hence considers that the enter into of the Services Agreement is beneficial to the Company and Shareholders as a whole.

## Possible Continuing Connected Transaction

Assuming no further issue or repurchase of Shares, upon Completion and full exercise of the conversion rights attaching to the Convertible Notes, the Subscriber will become a substantial shareholder and hence a connected person of the Company, the transactions contemplated under the Service Agreement will constitute continuing connected transaction under the GEM Listing Rules. The Company will comply with the relevant requirements under the GEM Listing Rules where appropriate.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“AGM”	the annual general meeting of the Company held on 17 May 2012
“associate(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	board of the Directors
“Business Day(s)”	a day (excluding Saturday and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are open for business
“Company”	M Dream Inworld Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM
“Completion”	completion of the Subscription Agreement in accordance with the terms and conditions of the Subscription Agreement
“Completion Date”	the date following the fulfilment of the Conditions Precedent and within thirty Business Days following the date of Subscription Agreement (or such other date as may be agreed between the Subscriber and the Company)
“Conditions”	the terms and conditions endorsed on the Convertible Notes in definitive form as they may from time to time be modified in accordance with their provisions
“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Conversion Price”	the initial conversion price of HK\$0.10 (subject to adjustment) per Conversion Share upon exercise of the conversion rights attaching to the Convertible Notes



“Conversion Share(s)”	the new Share(s) which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes, at the then effective conversion price
“Convertible Note(s)”	the 2% coupon unsecured convertible notes due in the year 2013 in an aggregate principal amount of HK\$20,000,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Director(s)”	director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	has the meaning as defined in the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and the connected persons of the Company
“Last Trading Day”	28 September 2012, being the last trading day prior to publication of this announcement
“Long Stop Date”	31 October 2012, (or such other date as may be agreed between the Subscriber and the Company)
“Lucky Famous”	Lucky Famous Limited, a direct wholly-owned subsidiary of the Company
“Maturity Date”	the date falling on twelve months from the date of issue of the Convertible Notes
“Modern Education”	Modern Education Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Modern Education HK”	Modern Education (Hong Kong) Limited, an indirect wholly-owned subsidiary of Modern Education

“Modern Education Group”	Modern Education and its subsidiaries
“Noteholder(s)”	holder(s) of the Convertible Note(s)
“Services”	the services in respect of (i) advising in building up a website for the Group as the platform for internet education business; (ii) sourcing a suitable information technology company for building up the website and supervising the whole process; and (iii) providing electronic text books and/or teaching materials for the internet education business
“Service Agreement”	the service agreement dated 28 September 2012 and entered into between Lucky Famous and Modern Education HK in relation to the provision of the Services by Modern Education HK or any member of the Modern Education Group
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Wise Action Limited, being the subscriber under the Subscription Agreement, an indirect wholly-owned subsidiary of Modern Education
“Subscription”	the subscription for the Convertible Notes by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 28 September 2012 and entered into between the Company and the Subscriber in relation to the Subscription
“substantial shareholder(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Takeover Code”	the Hong Kong Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 28 September 2012

*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. Billy B Ray Tam, Mr. Yu Pak Yan, Peter and Ms. Chan Hoi Ling being the Independent Non-executive Directors.*

*This announcement, for which the Directors 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 Company. The Directors, having made all reasonable enquires, 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.*