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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)**

**VERY SUBSTANTIAL ACQUISITION;  
CONTINUING CONNECTED TRANSACTIONS;  
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;  
AND  
RESUMPTION OF TRADING**

**Financial adviser to the Company**



**KINGSTON CORPORATE FINANCE LTD.**

**VERY SUBSTANTIAL ACQUISITION**

On 15 November 2012 (after trading hours), the Company, the Vendors and the Warrantors entered into the Acquisition Agreement pursuant to which the Company has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell at the Selling Proportion, the Sale Shares, which in aggregate represent 50.5% of the issued share capital of Apperience. The maximum aggregate amount of the Consideration payable by the Company to the Vendors shall be HK\$548,985,500 (subject to adjustment) which would be satisfied partly by the creation and issue of the Convertible Notes (and where applicable) partly by the allotment and issue of the Performance Shares.

Immediately after Completion, the Company will hold 50.5% of the entire issued share capital of Apperience and take management control of the Apperience Group. The results of the Apperience Group will be consolidated into the financial statements of the Group upon Completion. The Acquisition constitutes a very substantial acquisition for the Company and is subject to reporting requirement, announcement requirement and approval by the Shareholders by way of poll pursuant to the GEM Listing Rules.

\* For identification purposes only

## **CONTINUING CONNECTED TRANSACTIONS**

Apperience and the PRC Company have entered into certain agreements and the transactions contemplated thereunder are expected to continue after completion of the Acquisition. As Dong Yuguo and Xue Qiushi are the directors of Apperience and certain members of the Apperience Group (and will continue to be so after Completion), upon Completion, the transactions contemplated under the IT Consultancy Service Agreement (as supplemented by the Supplemental IT Consultancy Service Agreement) and the 2012 IT Consultancy Service Agreement will constitute continuing connected transactions for the Company under the GEM Listing Rules.

In accordance with Rule 20.41 of the GEM Listing Rules, where a listed issuer has entered into an agreement involving continuing transactions and such transactions subsequently become continuing connected transactions for whatever reason, the listed issuer must, immediately upon it becoming aware of this fact, comply with all applicable reporting, annual review and disclosure requirements of the GEM Listing Rules in respect of all such continuing connected transactions.

Following Completion, the Company will comply with all applicable reporting, annual review and disclosure requirements of the GEM Listing Rules as aforesaid.

## **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

The current authorised share capital of the Company is HK\$400,000,000 divided into 4,000,000,000 Shares of HK\$0.10 each. In order to maintain sufficient unissued share capital for the allotment and issue of the Performance Shares and the Conversion Shares in the future, the Board proposes to increase the authorised share capital of the Company to HK\$800,000,000 by the creation of an additional 4,000,000,000 Shares. The proposed increase in authorised share capital of the Company is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM.

## **GENERAL**

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve (i) the Acquisition Agreement and the transactions contemplated thereunder, including the allotment and issue of the Performance Shares and the creation and issue of the Convertible Notes together with the allotment and issue of the Conversion Shares pursuant to the exercise of the Conversion Rights; and (ii) the proposed increase in the authorised share capital of the Company. To the best knowledge of the Directors as at the date of this announcement, no Shareholder is required to abstain from voting in favour of the resolutions to approve the Acquisition and the proposed change in the authorised share capital of the Company at the EGM.

A circular containing, among others, (i) details of the Acquisition and the proposed increase in the authorised share capital of the Company; (ii) further information of the Apperience Group; and (iii) the notice of the EGM is expected to be despatched to the Shareholders on or before 10 January 2013 as more time is needed for the preparation of the information to be contained therein.

## SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:00 a.m. on 16 November 2012 pending the release of this announcement. An application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 6 December 2012.

**As Completion is subject to the fulfillment of a number of conditions precedent, the Acquisition may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

### 1. VERY SUBSTANTIAL ACQUISITION

#### 1.1 The Acquisition Agreement

On 15 November 2012 (after trading hours), the Company, the Vendors and the Warrantors entered into the Acquisition Agreement in relation to the sale and purchase of the Sale Shares. Major terms of the Acquisition Agreement are set out below:

##### *Date*

15 November 2012

##### *Parties*

- (a) the Company, as the purchaser;
- (b) the Vendors, who collectively held the entire issued share capital of Apperience as at the date of the Acquisition Agreement, as the vendors. Under the Acquisition Agreement, the Vendors will sell at the Selling Proportion, the Sale Shares, which in aggregate represent 50.5% of the issued share capital of Apperience. A summary of the shareholding of the Vendors in Apperience as at the date of the Acquisition Agreement is set out below:

<b>Name of Vendors</b>	<b>Approximate % of the shares of Apperience held as at the date of the Acquisition Agreement</b>
Access Magic	23.227%
Ace Source	32.903%
Well Peace	5.806%
Wealthy Hope	5.806%
IDG-Accel	26.837%
IDG-Accel Investors	2.195%
THL	3.226%
<b>Total:</b>	<b>100%</b>

- (c) the Warrantors, namely Dong Yuguo, Xue Qiushi, Lian Ming and Chen Liang who are the sole shareholder and director of Access Magic, Ace Source, Well Peace and Wealthy Hope respectively, as the warrantors.

The Warrantors join as the parties to the Acquisition Agreement to guarantee, on a joint and several basis, the due and punctual performance and observance by the Ordinary Vendors of all of their respective obligations and undertakings under the Acquisition Agreement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries:

- (1) the Ordinary Vendors, which are corporations incorporated in the BVI, are principally engaged in investment holding. The principal assets held by the Ordinary Vendors are their respective holdings in Apperience;
- (2) both IDG-Accel and IDG-Accel Investors are investment funds which are structured as Cayman Islands exempted listed partnerships controlled by the same general partner, IDG-Accel China Growth GP II Associates Ltd., directly or indirectly, which is itself a Cayman Islands exempted limited company which is in turn controlled by Mr. Zhou Quan and Mr. Ho Chi Sing;
- (3) THL is a company incorporated in the BVI and is principally engaged in investment holding. THL is a subsidiary of Tencent Holdings Limited, a company listed on the Main Board of the Stock Exchange with its subsidiaries (collectively, the "**Tencent Group**") engaged in, among others, the provision of internet and wireless value added services;
- (4) each of the Vendors and their respective ultimate beneficial owners is an Independent Third Party;
- (5) each of the Warrantors is an Independent Third Party; and
- (6) there is no prior business relationship between the Group and any of the Vendors and/or the Apperience Group, nor is there any relationship between the Directors and the Vendors.

### *Assets to be acquired*

The Company has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell at the Selling Proportion, the Sale Shares, which in aggregate represent 50.5% of the issued share capital of Apperience. Further details of the Apperience Group are set out in the section headed "Information on the Apperience Group and the PRC Company — the Apperience Group" in this announcement.

To the best of the Directors' knowledge, information and belief, there is no restriction which applies to the subsequent sale of the Sale Shares.

## ***Consideration***

The maximum aggregate amount of the Consideration payable by the Company to the Vendors shall be HK\$548,985,500, which will be the case if (a) the estimated fair value of 100% of Apperience as at 30 September 2012 as reflected in the Business Valuation is equal to or more than US\$140,000,000 (or its equivalent in other currency); and (b)(i) each of the Target Profit I and the Target Profit II is equal to or more than US\$10,000,000; or (as the case may be) (ii) the Target Profit I is less than US\$10,000,000 while the Target Profit II is more than US\$10,000,000 and the Target Profit I and the Target Profit II are in aggregate equal to or more than US\$20,000,000.

In the event that either of the Target Profit I and the Target Profit II is less than US\$10,000,000 but is a positive figure and which does not fall into the scenario set out in the paragraph headed “The Performance Shares — Where (a) the Target Profit I is less than US\$10,000,000; (b) the Target Profit II is more than US\$10,000,000; and (c) the Target Profit I and the Target Profit II are in aggregate equal to or more than US\$20,000,000” below, the Consideration shall be deemed to be an amount equal to the sum of (a) HK\$392,132,500 (being the Maximum Note Amount) or the Adjusted Note Amount (as defined below), if applicable; (b) the value of the Tranche I Performance Shares (being HK\$0.108 per Performance Share (or the adjusted issue price of the Performance Shares) times the number of the Tranche I Performance Shares to be allotted and issued to the Vendors); and (c) the value of the Tranche II Performance Shares (being HK\$0.108 per Performance Share (or the adjusted issue price of the Performance Shares) times the number of the Tranche II Performance Shares to be allotted and issued to the Vendors).

In any event, there shall not be any upward adjustment to the amount of the Consideration.

The Consideration is determined by the Company and the Vendors after arm’s length negotiations with reference to, among other factors, the preliminary business valuation of Apperience as at 30 September 2012 as appraised by an independent appraiser engaged by the Company, the Target Profit I and the Target Profit II as provided for in the Acquisition Agreement and the relevant Consideration adjustment mechanism as detailed in the paragraph headed “The Performance Shares” and the benefits of the Acquisition as mentioned in the section headed “Reasons for and benefits of the transactions” in this announcement.

## ***Payment of the Consideration***

The Consideration shall be satisfied by the Company in the following manner:

- (1) on the Completion Date, the Company shall create and issue to the Vendors, the Convertible Notes in the Maximum Note Amount of HK\$392,132,500 or (as where applicable) the Convertible Notes in the Adjusted Note Amount to the Vendors; and
- (2) (a) (i) subject to the Target Profit I being equal to or more than US\$10,000,000, the Company shall allot and issue, credited as fully paid, within one month after the TP Audited Accounts I are available and subject to the terms of the Acquisition Agreement, 726,171,294 Tranche I Performance Shares to the Vendors; or (ii) subject to paragraph (2)(b) below, where the Target Profit I is less than US\$10,000,000 but is a positive figure, the Company shall allot and issue, credited

as fully paid, within one month after the TP Audited Accounts I are available and subject to the terms of the Acquisition Agreement, the Tranche I Performance Shares (the number of which shall be calculated in accordance with the formula set out in paragraph headed “The Performance Shares — Where the Target Profit I is less than US\$10,000,000 but is a positive figure” below) to the Vendors; or

- (b) (i) subject to the Target Profit II being equal to or more than US\$10,000,000, the Company shall allot and issue, credited as fully paid, within one month after the TP Audited Accounts II are available and subject to the terms of the Acquisition Agreement, 726,171,294 Tranche II Performance Shares to the Vendors; or (ii) where the Target Profit II is less than US\$10,000,000 but is a positive figure, the Company shall allot and issue, credited as fully paid, within one month after the TP Audited Accounts II are available and subject to the terms of the Acquisition Agreement, the Tranche II Performance Shares (the number of which shall be calculated in accordance with the formula set out in paragraph headed “The Performance Shares — Where the Target Profit II is less than US\$10,000,000 but is a positive figure” below) to the Vendors; or (iii) where the Target Profit I is less than US\$10,000,000 while the Target Profit II is more than US\$10,000,000 and the Target Profit I and the Target Profit II are, in aggregate, equal to or more than US\$20,000,000, in addition to the allotment and issue of the 726,171,294 Tranche II Performance Shares to the Vendors, the Company shall, allot and issue, credited as fully paid, within one month after the TP Audited Accounts II are available and subject to the terms of the Acquisition Agreement, such number of Shares (or the adjusted number of Shares, where appropriate) equal to the difference (“**Shortfall Performance Shares**”) between (i) 726,171,294 Tranche I Performance Shares as set out in paragraph (2)(a)(i) above; and (ii) the number of the Tranche I Performance Shares actually allotted and issued to the Vendors as set out in paragraph (2)(a)(ii) above, to the Vendors.

The Vendors and the Warrantors shall procure the Management Team (as defined in the paragraph headed “Other major terms” below) to deliver to the Company the TP Audited Accounts I and the TP Audited Accounts II, by no later than 3 months after the accounts date to which such relevant accounts are made up.

***The Performance Shares***

*Where each of the Target Profit I and the Target Profit II is equal to or more than US\$10,000,000*

Subject to each of the Target Profit I and the Target Profit II being equal to or more than US\$10,000,000, the Company shall allot and issue, credited as fully paid, an aggregate of 726,171,294 Tranche I Performance Shares and an aggregate of 726,171,294 Tranche II Performance Shares to the Vendors respectively as follows:

<b>Name of Vendors</b>	<b>Number of the Tranche I Performance Shares to be allotted and issued/(%)</b>	<b>Number of Tranche II Performance Shares to be allotted and issued/(%)</b>
Access Magic	143,295,381 Tranche I Performance Shares/19.733%	143,295,381 Tranche II Performance Shares/19.733%
Ace Source	203,008,447 Tranche I Performance Shares/27.956%	203,008,447 Tranche II Performance Shares/27.956%
Well Peace	35,822,030 Tranche I Performance Shares/4.933%	35,822,030 Tranche II Performance Shares/4.933%
Wealthy Hope	35,822,030 Tranche I Performance Shares/4.933%	35,822,030 Tranche II Performance Shares/4.933%
IDG-Accel	256,425,608 Tranche I Performance Shares/35.312%	256,425,608 Tranche II Performance Shares/35.312%
IDG-Accel Investors	20,971,827 Tranche I Performance Shares/2.888%	20,971,827 Tranche II Performance Shares/2.888%
THL	30,825,971 Tranche I Performance Shares/4.245%	30,825,971 Tranche II Performance Shares/4.245%
<b>Total:</b>	<b>726,171,294 Tranche I Performance Shares/100%</b>	<b>726,171,294 Tranche II Performance Shares/100%</b>

*Where the Target Profit I is less than US\$10,000,000 but is a positive figure (“Scenario B”)*

Where the Target Profit is less than US\$10,000,000 and is a positive figure, the number of the Tranche I Performance Shares to be allotted and issued by the Company to the Vendors shall be determined in accordance with the following formula:

$$N(I) = M(I) \times \frac{AP(I)}{TP(I)}$$

where

“**N(I)**” = the number of the Tranche I Performance Shares (rounded down to the nearest integral number) (“**Adjusted Tranche I Performance Shares**”).

“**M(I)**” = 726,171,294

“**AP(I)**” = the audited consolidated net profits of Apperience after taxation adjusted by Adjusted Items (as defined below) as recorded in the TP Audited Accounts I.

“**TP(I)**” = US\$10,000,000, being the target consolidated net profits of Apperience after taxation adjusted by Adjusted Items for the Target Profit Period I.

For the avoidance of doubt, (i) the aggregate number of the Adjusted Tranche I Performance Shares to be allotted and issued to the Vendors shall not be more than 726,171,294; and (ii) subject to the sub-paragraph headed “Where (a) the Target Profit I is less than US\$10,000,000; (b) the Target Profit II is more than US\$10,000,000; and (c) the Target Profit I and the Target Profit II are in aggregate equal to or more than US\$20,000,000” below, where the Target Profit I is a negative figure, the Company shall have no obligation to deliver any Tranche I Performance Shares to the Vendors or any of them.

*Where the Target Profit II is less than US\$10,000,000 but is a positive figure (“Scenario C”)*

Where the Target Profit II is less than US\$10,000,000 and is a positive figure, the number of the Tranche II Performance Shares to be allotted and issued by the Company to the Vendors shall be determined in accordance with the following formula:

$$N(II) = M(II) \times \frac{AP(II)}{TP(II)}$$

where

“**N(II)**” = the number of the Tranche II Performance Shares (rounded down to the nearest integral number) (“**Adjusted Tranche II Performance Shares**”).

“**M(II)**” = 726,171,294

“**AP(II)**” = the audited consolidated net profits of Apperience after taxation adjusted by Adjusted Items as recorded in the TP Audited Accounts II.

“**TP(II)**” = US\$10,000,000, being the target consolidated net profits of Apperience after taxation adjusted by Adjusted Items for the Target Profit Period II.

For the avoidance of doubt, (i) the aggregate number of the Adjusted Tranche II Performance Shares to be allotted and issued to the Vendors shall not be more than 726,171,294; and (ii) where the Target Profit II is a negative figure, the Company shall have no obligation to deliver any Tranche II Performance Shares to the Vendors or any of them.



*Where (a) the Target Profit I is less than US\$10,000,000; (b) the Target Profit II is more than US\$10,000,000; and (c) the Target Profit I and the Target Profit II are in aggregate equal to or more than US\$20,000,000 (“Scenario D”)*

Where (a) the Target Profit I is less than US\$10,000,000; (b) the Target Profit II is more than US\$10,000,000; and (c) the Target Profit I and the Target Profit II are in aggregate equal to or more than US\$20,000,000, in addition to the allotment and issue of such number of the Adjusted Tranche I Performance Shares (if applicable) by the Company to the Vendors as described in the sub-paragraph headed “Where the Target Profit I is less than US\$10,000,000 but is a positive figure” above, the Company shall allot and issue, credited as fully paid, an aggregate of 726,171,294 Tranche II Performance Shares and the Shortfall Performance Shares (and, for the avoidance of doubt, where the Target Profit I is a negative figure, the Shortfall Performance Shares for this purpose shall be 726,171,294 Tranche I Performance Shares), to the Vendors.

Where Scenario B, Scenario C or Scenario D applies, the number of the Tranche I Performance Shares or the Tranche II Performance Shares to be allotted and issued to each of the Vendors shall be calculated by multiplying the Adjusted Tranche I Performance Shares or the Adjusted Tranche II Performance Shares or the Shortfall Performance Shares (as the case may be) by the Selling Proportion which relates to the relevant Vendor and such number shall be rounded down to the nearest whole integral number and no fraction of a Performance Share shall be allotted and issued.

For the purposes of determining the number of the Tranche I Performance Shares and the Tranche II Performance Shares, the Target Profit I and the Target Profit II shall be adjusted by disregarding the effect of all adjusted items (“**Adjusted Items**”) which mean share option expenses, expenses, costs and fees (including legal fees) in connection with the preparation, execution and performance of the Acquisition Agreement and transactions contemplated hereunder borne by Apperience and such other income, gain, expense or expenditure which is, in each case, one-off, non-recurring and non-operating in nature as agreed between the Company and the Vendors. The TP Audited Accounts I and the TP Audited Accounts II shall be prepared in accordance with Hong Kong Financial Reporting Standards which are the accounting standards adopted by Apperience since its incorporation.

Where the TP Audited Accounts I and/or, as the case may be, the TP Audited Accounts II records any Adjusted Items, the Company, the Vendors and the Warrantors will procure an accounting firm (approved by or on behalf of the parties to the Acquisition Agreement) to prepare a statement of adjustment setting out how the Target Profit I and/or the Target Profit II shall be adjusted by the Adjusted Items and the corresponding notional tax effect (if any) and such adjusted figure shall form the basis of determining the number of the Tranche I Performance Shares and/or the Tranche II Performance Shares.

The maximum number of the Performance Shares to be allotted and issued to the Vendors is 1,452,342,588, which represents (i) approximately 116.29% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 22.94% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares and the Performance Shares.

If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation or subdivision after the date of the Acquisition Agreement but before the date of allotment and issue of the Performance Shares, the number of the Performance Shares and the issue price thereof shall be adjusted accordingly.

The issue price of HK\$0.108 per Performance Shares:

- represents a premium of approximately 1.89% over the closing price of HK\$0.106 per Share on the Last Trading Day;
- represents a premium of approximately 1.12% over the average closing price of HK\$0.1068 per Share for the last 10 trading days up to and including the Last Trading Day; and
- represents a discount of approximately 2.53% over the average closing price of HK\$0.1108 per Share for the last 15 trading days up to and including the Last Trading Day.

#### ***Adjustment to the Maximum Note Amount***

Where the estimated fair value of 100% of Apperience as at 30 September 2012 as reflected in the Business Valuation is less than US\$140,000,000 (or its equivalent in other currency), the Maximum Note Amount shall be adjusted in accordance with the following formula:

$$A = \frac{\text{Maximum Note Amount of}}{\text{HK\$392,132,500}} \times \frac{B \times C}{\text{US\$140,000,000} \times C}$$

“**A**” = the adjusted aggregate principal amount of the Convertible Notes (“**Adjusted Note Amount**”).

“**B**” = the estimated fair value of 100% of Apperience as at 30 September 2012 as reflected in the Business Valuation.

“**C**” = 7.765, being the exchange rate of HK\$ to US\$.

The principal amount of the Convertible Notes to be created and issued to each of the Vendors upon Completion shall be calculated by multiplying the Adjusted Note Amount by the Selling Proportion which relates to the relevant Vendor.

In any event, the Adjusted Note Amount shall not be more than the Maximum Note Amount.

Under the Acquisition Agreement, each of the Vendors has severally undertaken that, in the event that the allotment and issue of the Performance Shares to it and/or the Conversion Shares as a result of exercising the Conversion Right (as the case may be) by it or parties acting in concert with it would result (i) in it or any party acting in concert (within the meaning of the Takeovers Code) with it becoming obliged under Rule 26.1 of the Takeovers Code to make a general offer for Shares in the Company; or (ii) in the Company failing to maintain its public float as prescribed under the GEM Listing Rules, it shall be obliged to take such action(s) (including but not limited to placing down, and procuring to place down,

the securities of the Company held by it and parties acting in concert with it) prior to the allotment and issue of the Performance Shares and/or the Conversion Shares by the Company to avoid the happening of the same. The Company shall be entitled to defer the allotment and issue of the Performance Shares and/or the Conversion Shares as prescribed under the Acquisition Agreement or the terms and conditions of the Convertible Notes to a later time or otherwise to allot and issue the Performance Shares in multiple tranches at different times and in such manner as the Company considers appropriate so as to allow such Vendor to comply with such undertaking.

### ***Conditions precedent***

Completion shall be conditional upon and subject to the following conditions:

- (1) the Company having carried out and completed the due diligence review of the Apperience Group (whether legal, accounting, financial, operational or other aspects that the Company considers necessary) and being satisfied with the results of such review and its related business, assets, liabilities, activities, operations, financial position and prospects of the Apperience Group in all respects;
- (2) legal opinions issued by the Apperience Group's Cayman Islands legal counsel, Hong Kong legal counsel and US legal counsel which provide, among others, that (i) all necessary approvals from and/or necessary filings (if applicable) to governmental entities in connection with the execution, performance and enforcement of the Acquisition Agreement having been obtained and being in full force and effect; (ii) all licences necessary for the operations of the relevant member of the Apperience Group having been obtained and being in full force and effect; and (iii) the formation and valid subsistence of the relevant member of the Apperience Group incorporated in the relevant jurisdiction and such other matters as the Company may consider necessary having been received by the Company;
- (3) a certificate of good standing and a certificate of incumbency for the member of the Apperience Group incorporated in the BVI having been received by the Company;
- (4) the passing of ordinary resolution(s) by the Shareholders at the EGM approving the terms of the Acquisition Agreement and the transactions contemplated thereunder including (i) the acquisition by the Company of the Sale Shares; (ii) the allotment and issue of the Performance Shares; (iii) the terms of the instrument constituting the Convertible Notes and the creation and issue of the Convertible Notes and the allotment and issue of the Conversion Shares pursuant to the exercise of the Conversion Rights; and (iv) all other transactions contemplated under the Acquisition Agreement;
- (5) the Stock Exchange granting the listing of, and permission to deal in, the Performance Shares and the Conversion Shares;
- (6) the Key Employees having entered into the employment agreements with Apperience ("**New Key Employee Agreements**") which will take effect in accordance with the terms thereof;

- (7) the members of the Apperience Group and/or the PRC Company having terminated the employment agreements, confidentiality, non-competition and intellectual property rights agreements (“**Existing Key Employee Agreements**”) with the Key Employees with effect from Completion and having settled all relevant social insurance payments, severance payments or other amounts payable to the Key Employees under all applicable laws and regulations and under the Existing Key Employment Agreements entered into with them;
- (8) the increase in the authorised share capital of the Company having been approved by the Shareholders for the purposes of maintaining sufficient unissued share capital of the Company for the allotment and issue of the Performance Shares and the Conversion Shares;
- (9) report on the actual and potential tax liabilities of the Apperience Group (including penalties, if any) for the period from 7 March 2011 (being the date of incorporation of Apperience) to 30 September 2012 (“**Tax Report**”) issued by a qualified accounting firm appointed by the Company having been received by the Company;
- (10) the Company having obtained the Business Valuation;
- (11) all warranties given by the Vendors and the Warrantors in the Acquisition Agreement will remain true and correct as at the Completion Date;
- (12) all requisite consents, clearances, authorisations and approvals (or, as the case may be, the relevant waivers) in connection with the entering into and performance of the terms of the Acquisition Agreement having been obtained by the Company;
- (13) the consummation of the transactions contemplated pursuant to the Acquisition Agreement shall not have been restrained, enjoined or otherwise prohibited by any applicable laws and regulations, including any order, injunction, decree or judgment of any court or other governmental authority; and
- (14) there being no material adverse change to the business, assets and financial conditions of the Apperience Group since 31 December 2011.

The Company may waive the above conditions precedent (other than those set out in (4), (5), (8), (12) and (13)) at any time before the Long Stop Date by notice in writing to the Vendors. At the time when the Acquisition Agreement was prepared, only those conditions precedent which must be complied with under applicable laws and regulations or rules (i.e. the conditions precedent set out in (4), (5), (8), (12) and (13)) were made incapable of being waived and all other conditions precedent were made capable of being waived by the Company for the sake of flexibility. As regards conditions precedent (1), (2) and (10), the Company has engaged legal advisers and reporting accountants to conduct legal and tax due diligence and audit review on the Apperience Group and the Company has also engaged valuer to appraise the value of Apperience. While certain of the conditions precedent (including conditions precedent set out in (1), (2) and (10)) are capable of being waived by the Company for the sake of flexibility, the Company has no intention to waive any of these conditions precedent.

In the event that the conditions precedent (4) and (8) set out above are not fulfilled as a result of the failure to convene the EGM while all other conditions precedent are fulfilled (or waived, where applicable), the Vendors shall be entitled to extend the Long Stop Date to a later date as they reasonably determine for the purposes of allowing sufficient time for the convening of the EGM provided that such extended Long Stop Date shall not fall beyond 30 June 2013.

Subject to the aforesaid, if the above conditions precedent shall not have been fulfilled (or waived, as the case may be) in full on or before 5:00 p.m. on the Long Stop Date, all rights and obligations of the parties under the Acquisition Agreement shall cease and terminate, and no party shall have any claim against the others save for claim (if any) in respect of such continuing provisions or any antecedent breach thereof.

The Acquisition Agreement can be terminated immediately upon mutual consent by all parties thereto in writing.

### ***Completion***

Subject to the fulfillment or waiver of the above conditions precedent, Completion shall take place on the fifth business day after the last outstanding conditions precedent shall have been fulfilled or waived (or such other date as the Company and the Vendors shall agree in writing).

Under the Acquisition Agreement, the Company may nominate one of its subsidiaries to take up the Sale Shares upon Completion. Under the Acquisition Agreement, (i) any or some of the Ordinary Vendors may together with IDG-Accel collectively nominate an entity, which shall be wholly owned by the relevant Ordinary Vendor(s) and IDG-Accel, (ii) the IDG-Accel Vendors may nominate an entity which shall be wholly owned by the IDG-Accel Vendors, and (iii) THL may nominate one of its subsidiaries, in each case, to take up their respective number of the Performance Shares (where applicable) and/or the Convertible Note(s) upon issuance and allotment of the same.

Immediately after Completion, the Company will hold 50.5% of the entire issued share capital of Apperience and take management control of the Apperience Group. The results of the Apperience Group will be consolidated into the financial statements of the Group upon Completion.

### ***Other major terms***

#### ***Board representation of Apperience Group***

Upon Completion, the Company shall be entitled to nominate such number of directors representing a majority of members of the board of Apperience and other members of the Apperience Group.

### *Day-to-day management*

Following Completion, the business and day-to-day operation of the Apperience Group shall be vested in the management team (“**Management Team**”) nominated by the Company. Any change of members of the Management Team shall require the prior written approval of the Company.

### *Transfer restrictions*

During the period of one year from the Completion Date, THL shall not, without the prior written consent of the Company, effect, permit or facilitate a transfer, sale or assignment of any Conversion Shares.

### *Non-competition*

The Ordinary Vendors and the Warrantors have jointly and severally undertaken that they will and shall procure each of the Key Employees to deliver a deed of undertakings in favour of the Group (including members of the Apperience Group upon Completion) that for a period of 24 months after their respective cessation of employment under the New Key Employee Agreement: (i) not to carry on or be engaged, concerned or interested directly or indirectly in any business which may or could compete with the business of the Group (including members of the Apperience Group); (ii) not to solicit or entice away from the Group (including members of the Apperience Group) any customer, identified prospective customers, supplier or identified prospective supplier of the Group or the Apperience Group; (iii) not to employ, solicit or entice away from the Group (including members of the Apperience Group) any officer, manager, consultant or employee of the Group or the Apperience Group.

### *Tax Indemnity*

In accordance with the Acquisition Agreement, the Ordinary Vendors and the Warrantors shall execute and deliver to the Company at Completion a deed of tax indemnity (“**Tax Indemnity**”) in favour of the Company (for itself and as trustee for and on behalf of the Apperience Group) to indemnify and at all times keep the Company (for itself and as trustee for and on behalf of the Apperience Group) indemnified, among others, on demand against taxation, together with all costs (including all legal costs), expense or other liabilities which the members of the Apperience Group may incur in connection with the taxation, falling on any of such members resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Completion Date.

The aggregate liabilities of the Ordinary Vendors and the Warrantors to the Company (for itself and as trustee for and on behalf of the Apperience Group) under the Tax Indemnity will be capped at such amount being equal to two times the actual and potential tax liabilities of the Apperience Group as identified in the Tax Report. Any claim arising under the Tax Indemnity against the Ordinary Vendors and the Warrantors shall be wholly barred and unenforceable unless notice in writing containing particulars relating to such claim is given to the Ordinary Vendors and the Warrantors within a period of 3 years after the Completion Date.

## 1.2 Convertible Notes

Upon Completion, the Company will create and issue to the Vendors the Convertible Notes as partial consideration for the purchase of the Sale Shares in the following manner (subject to adjustment as described in the paragraph headed “Adjustment to the Maximum Note Amount” above):

<b>Name of Vendors</b>	<b>Maximum principal amount of Convertible Notes to be issued to each Vendor</b>
Access Magic	HK\$77,379,506.225
Ace Source	HK\$109,624,561.700
Well Peace	HK\$19,343,896.225
Wealthy Hope	HK\$19,343,896.225
IDG-Accel	HK\$138,469,828.400
IDG-Accel Investors	HK\$11,324,786.600
THL	HK\$16,646,024.625
<b>Total:</b>	<b>HK\$392,132,500</b>

Subject to the terms and conditions of the Convertible Notes as summarised in the paragraph headed “Principal terms of the Convertible Notes” below, upon exercise of the Conversion Rights in full at the initial Conversion Price of HK\$0.108, the Company will allot and issue 3,630,856,478 Conversion Shares, representing (i) approximately 290.73% of the existing issued share capital of the Company as at the date of this Announcement; and (ii) approximately 57.34% of the issued share capital of the Company as enlarged by the issue of the Performance Shares and the Conversion Shares upon the exercise of the Conversion Rights in full at the initial Conversion Price of HK\$0.108.

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

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

The principal terms of the Convertible Notes are summarised below:

### ***(1) Principal amount***

The maximum aggregate principal amount of the Convertible Notes is HK\$392,132,500 (subject to adjustment as described in the paragraph headed “Adjustment to the Maximum Note Amount” above).

### ***(2) Interest***

The Convertible Notes shall accrue no interest.

If any amount due under the Convertible Notes is not paid in full when due, interest shall accrue on the overdue sum at the rate which is the lower of (a) HIBOR plus 1.5% per annum and (b) 4% per annum (beginning on the due date) until such amount has been paid in full.

### ***(3) Maturity Date***

The date falling four years after the Issue Date or, if that is not a business day, the first business day thereafter and subject to the following, shall include any extended Maturity Date.

In the event that the Conversion Right have not been exercised in full at any time during the Conversion Period in light of the restriction set out in (i) in the paragraph headed in “Conversion Period” below, the Maturity Date as relates to the Convertible Note(s) outstanding by 4:00 p.m. (Hong Kong time) shall be extended to a later date falling one year after the initial Maturity Date (or, if that is not a business day, the business day immediately prior to such later date).

### ***(4) Conversion Period***

Subject always to the conditions that following and as a result of any exercise of the Conversion Right, (i) a Noteholder and parties acting in concert with it (within the meaning of the Takeovers Code), taken together, will not directly or indirectly, control or be able to exercise the control of 29.9% or more of the issued share capital of the Company or such percentage of Shares prescribed by the SFC from time to time triggering obligations on part of such Noteholder and parties acting in concert with it to make a general offer for Shares in the Company; and/or (ii) the public float of the Company as prescribed under the GEM Listing Rules can be maintained, such Noteholder shall have the right to convert its Convertible Notes into Shares at any time during the period commencing on the Issue Date up to 4:00 p.m. (Hong Kong time) on the Maturity Date.

### ***(5) Conversion Price***

HK\$0.108 per Conversion Share, subject to adjustment for, among others, consolidation or subdivision of the Shares, capitalisation of profits or reserves, capital distributions in cash or specie or subsequent issue of securities in the Company.



The initial Conversion Price of HK\$0.108 is the same with the agreed issue price (subject to adjustment) of the Performance Shares and:

- represents a premium of approximately 1.89% over the closing price of HK\$0.106 per Share on the Last Trading Day;
- represents a premium of approximately 1.12% over the average closing price of HK\$0.1068 per Share for the last 10 trading days up to and including the Last Trading Day; and
- represents a discount of approximately 2.53% over the average closing price of HK\$0.1108 per Share for the last 15 trading days up to and including the Last Trading Day.

(6) *Conversion Shares*

The Conversion Shares shall rank pari passu in all respects with the Shares in issue on the relevant date on which a Noteholder is registered as holder of Shares issued pursuant to the exercise of the Conversion Right on the Company's register of members ("**Registration Date**") together with all rights to dividends or other distributions paid or made on the Shares after the relevant Registration Date other than any dividend or other distribution previously declared, or recommended or resolved to be paid or made if the record date therefor falls on or before the relevant Registration Date.

(7) *Transferability*

Commencing on the Issue Date (in respect of the Convertible Notes issued to and held by the Vendors (other than THL) ("**Ordinary Shareholders**") or their respective transferee(s) or assign(s)) or, as the case may be, upon expiry of one year from the Issue Date (in respect of the Convertible Notes issued to and held by the persons/entities other than the Original Shareholders or their respective transferee(s) or assign(s)), the Convertible Notes or any amount outstanding under the Convertible Notes may be transferred to any person prior to the Maturity Date provided that (i) any such transfer shall be in whole multiples of HK\$1,000,000 (or such amount as may represent the entire principal amount thereof); and (ii) any transfer of the Convertible Notes to any connected person (within the meaning of the GEM Listing Rules) of the Company shall be subject to the requirements (if any) that the Stock Exchange may impose from time to time.

(8) *Redemption*

At any time prior to the Maturity Date, with the consent of the Noteholder concerned ("**Consenting Noteholder**"), the Company may cancel and redeem the Convertible Note held by such Noteholder at a redemption amount to be agreed between the Company and such Noteholder. Where there are more than one Consenting Noteholder and for so long as the Consenting Noteholders include the Vendors or any of them, the amount of the Convertible Notes to be redeemed from such Consenting Noteholders shall be in proportion to the outstanding principal amount of the Convertible Notes held by each such Consenting Noteholder.

The Convertible Notes shall be mandatorily redeemed by the Company in the following circumstances:

- (i) upon the occurrence of an event of default (as defined in the terms of the Convertible Notes) and at any time thereafter, the Noteholder(s) may by notice in writing require the Company to redeem the whole (but not part) of the outstanding principal amount of the Convertible Notes;
- (ii) subject to (iii) below, any Convertible Note which remains outstanding by 4:00 p.m. (Hong Kong time) on the Maturity Date shall be redeemed by the Company at a redemption amount equal to the principal amount of the outstanding Convertible Notes to be redeemed together with the interest accrued (if any) until payment in full; and
- (iii) any Convertible Note which remains outstanding by 4:00 p.m. (Hong Kong time) on the Maturity Date shall, at the Company's sole discretion, be redeemed by the Company by the issue and delivery by the Company of a promissory note in favour of the Noteholder(s) in a principal amount equal to 100% of the principal amount of the outstanding Convertible Notes together with all the interest accrued as calculated on the amount outstanding at an interest rate which is the lower of (a) HIBOR plus 1.5% per annum and (b) 4% per annum and will due to mature on the first anniversary date of the issue of the promissory note.

(9) *Status*

The Convertible Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law. The payment obligations of the Company under the Convertible Notes shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

### **1.3 Application for listing**

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Performance Shares and the Conversion Shares which may fall to be issued upon the exercise of the Conversion Rights.

The Performance Shares and the Conversion Shares will be allotted and issued pursuant to a specific mandate to be sought from the Shareholders at the EGM.

### **1.4 Very substantial acquisition**

The Acquisition constitutes a very substantial acquisition for the Company and is subject to approval by the Shareholders by way of poll pursuant to the GEM Listing Rules. The Company has confirmed with the Vendors and the Warrantors that as at the date of this announcement, none of the Vendors, the Warrantors and any of their respective associates is holding any Shares. As such, no Shareholder is required to abstain from voting in favour of the resolution(s) to approve the Acquisition and the transactions contemplated thereunder at the EGM.

## **2. CONTINUING CONNECTED TRANSACTIONS**

Apperience and the PRC Company have entered into certain agreements and the transactions contemplated thereunder are expected to continue after completion of the Acquisition.

The PRC Company is owned as to 70% by Dong Yuguo and Xue Qiushi, being two of the Key Employees, in equal share and 30% by another individual holding for the benefits of IDG-Accel. As Dong Yuguo and Xue Qiushi are the directors of Apperience and certain members of the Apperience Group and will continue to be so after Completion, upon Completion, the transactions contemplated under the IT Consultancy Service Agreement (as supplemented by the Supplemental IT Consultancy Service Agreement) and the 2012 IT Consultancy Service Agreement will constitute continuing connected transactions for the Company under the GEM Listing Rules.

In accordance with Rule 20.41 of the GEM Listing Rules, where a listed issuer has entered into an agreement involving continuing transactions and such transactions subsequently become continuing connected transactions for whatever reason, the listed issuer must, immediately upon it becoming aware of this fact, comply with all applicable reporting, annual review and disclosure requirements of the GEM Listing Rules in respect of all such continuing connected transactions.

Following Completion, the Company will comply with all applicable reporting, annual review and disclosure requirements of the GEM Listing Rules as aforesaid.

### **2.1 IT Consultancy Service Agreement**

The IT Consultancy Service Agreement was entered into between Apperience and the PRC Company on 15 April 2011, the principal terms of which are set out below:

#### ***Date***

15 April 2011

#### ***Parties***

- (1) Apperience
- (2) the PRC Company

#### ***Services provided***

In accordance with the IT Consultancy Service Agreement, the PRC Company shall provide to Apperience, among others, the following services on an exclusive basis:

- (a) development and research on related technologies according to the business needs of Apperience;
- (b) provision of technological applications and implementation according to the business operations of Apperience, including but not limited to, the whole system design, system installation and commissioning and system trial operation;

- (c) daily maintenance, monitoring, debugging and troubleshooting of computer network equipment;
- (d) consultancy services for the purchase of software, hardware and equipment required for network operators launched by Apperience;
- (e) technical training and technical support to the staff of Apperience;
- (f) technical advice and solutions for the questions of Apperience about network equipment, technological products and software; and
- (g) other technical and consultancy services and advice according to the business of Apperience.

### ***Service fees***

Service fees shall be determined with reference to, among others, the complexity of technological development and management, time involved, workload and commercial value of the services provided by the PRC Company and to be agreed by Apperience and the PRC Company in separate agreement(s). The parties agree that the quarterly service fees to be payable by Apperience to the PRC Company shall, in principle, not exceed RMB2,000,000. Any quarterly service fee exceeding RMB2,000,000 shall be subject to the consent of the board of Apperience.

### ***Duration***

The IT Consultancy Service Agreement shall commence on the date of its signing and cease to have effect upon the dissolution of Apperience, subject to early termination by Apperience by 30 days' notice in writing to the PRC Company.

### ***Supplemental IT Consultancy Service Agreement***

On 10 November 2012, Apperience and the PRC Company entered into the Supplemental IT Consultancy Service Agreement to amend certain term of the IT Consultancy Service Agreement pursuant to which the duration of the IT Consultancy Service Agreement will end on 10 November 2015.

## **2.2 2012 IT Consultancy Service Agreement**

Ancillary to the IT Consultancy Service Agreement, the 2012 IT Consultancy Service Agreement was entered into between Apperience and PRC Company on 28 December 2011, the principal terms of which are set out below:

### **Date**

28 December 2011

### ***Parties***

- (1) Apperience
- (2) the PRC Company

### ***Services provided***

Ancillary to the IT Consultancy Service Agreement, the scope of services to be provided by the PRC Company to Apperience in 2012 shall include the following:

- (a) development and update services for certain software of Apperience;
- (b) technical training related to the relevant software;
- (c) maintenance services and update of related data based on the business information of Apperience; and
- (d) consultancy services in relation to the purchase of software, hardware and ancillary equipment and maintenance regarding network development and management.

### ***Service fees***

US\$2,300,000

### ***Duration***

The 2012 IT Consultancy Service Agreement shall commence on the date of its signing and cease to have effect on 31 December 2012.

## **2.3 Other agreements**

### ***(1) IP Transfer Agreement***

On 15 April 2011, Apperience and the PRC Company entered into the IP Transfer Agreement pursuant to which Apperience has agreed to acquire, and the PRC Company has agreed to sell, certain trademarks, software copyrights and domain names registered in the name of the PRC Company at a consideration of not more than US\$20,000.

The PRC Company undertakes to Apperience that it shall transfer all of its intellectual property rights to be obtained or developed by it at the lowest price to such extent as permitted under the PRC laws. Shall such transfer be prohibited or restricted by laws or government policies, the PRC Company shall grant an exclusive licence to use such intellectual property rights worldwide to Apperience at nil consideration.

### ***(2) IP Licence Agreement***

Ancillary to the IP Transfer Agreement, on 15 April 2011, Apperience and the PRC Company entered into the IP Licence Agreement pursuant to which the PRC Company shall grant to Apperience an exclusive licence to use certain trademarks registered in its name in the PRC at nil consideration. The IP Licence Agreement shall have the term for a period from the date of the IP Transfer Agreement to the date on which the relevant trademarks are transferred and registered in the name of Apperience.

Upon Completion, the transactions contemplated under the IP Licence Agreement will constitute continuing connected transactions for the Company which are exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Rule 20.33(3) of the GEM Listing Rules.

*(3) New Key Employee Agreements*

As one of the conditions precedent to the Acquisition, Apperience shall enter into the New Key Employee Agreement with each of the Key Employees for a term of three years from the effective date of the New Key Employee Agreement.

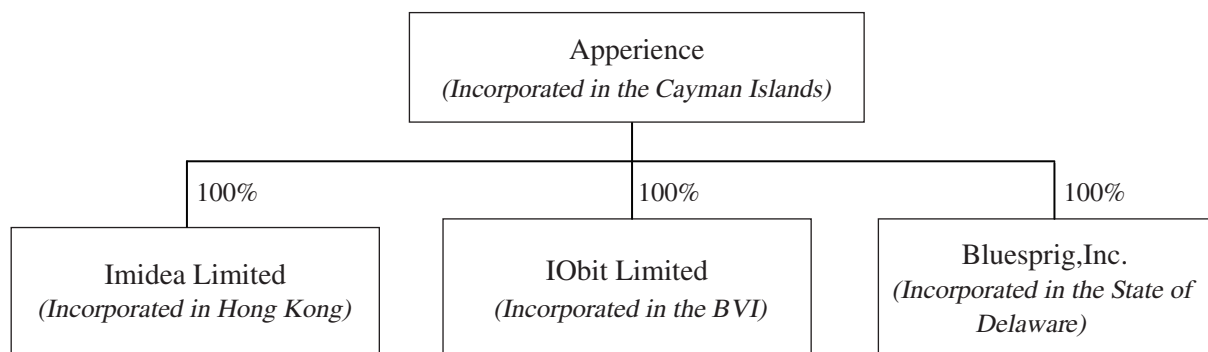
Dong Yuguo, Xue Qiushi, Lian Ming, Chen Liang, all being the Warrantors, and Jason Johnson, being one of the Key Employees, are directors of Apperience and/or other member(s) of the Apperience Group, upon Completion, the transactions contemplated under the New Key Employee Agreements with each of them will constitute connected transactions for the Company which are exempt from the reporting, announcement and independent Shareholders' approval requirements under Rule 20.31(6) of the GEM Listing Rules.

### **3. INFORMATION ON THE APPERIENCE GROUP AND THE PRC COMPANY**

#### **3.1 The Apperience Group**

Apperience is an exempted company incorporated in the Cayman Islands with limited liability on 7 March 2011. The principal businesses of Apperience are investment holding and the research, development and distribution of software products. Prior to the incorporation of Apperience in March 2011, the business of research and development and distribution of software products was carried on by the PRC Company, which was established in the PRC in November 2008. Further information of the PRC Company is set out in the paragraph headed "Information on the Apperience Group and the PRC Company — The PRC Company" below. In April 2011 when the IDG Vendors invested in Apperience, a corporate restructuring was undertaken pursuant to which Apperience has been formed to act as the principal operating subsidiary amongst the Apperience Group.

The corporate structure of Apperience is as follows:



The Apperience Group is principally engaged in the research and development and distribution of software for personal computer performance and security as well as mobile applications which are available for download by customers through internet worldwide. The Apperience Group focuses on the development and sale of mobile phone applications, downloadable via mobile phones by customers. Its major products include Advanced SystemCare, Smart Defrag and IObit, of which Advanced SystemCare is the flagship products created by Apperience, which is a system utility software which helps users to protect their personal computers from spyware and virus, detect and solve issues regarding computer security and performance. The Apperience Group's major product, Advanced SystemCare, has been undergoing updates and upgrades periodically. The latest version no. 6 has been formally launched in November 2012. Based on the internal sales database of the Apperience Group, Advanced SystemCare has accumulated over 800,000 paid subscribers. According to the internal sales database of the Apperience Group, there are over 5,000,000 free and paid active users (which refer to users who have used the product at least one time in that month) in October 2012. The principal market of the Apperience Group is the US, which contributed more than 50% of its total revenue from April 2011 to September 2012 based on the internal records of the Apperience Group. The target customers of the Apperience Group are principally individual consumers.

Set out below is certain unaudited consolidated financial information of Apperience for the period from 7 March 2011 (being the date of incorporation of Apperience) to 30 September 2011 and for the 12 months ended 30 September 2012 which was prepared in accordance with Hong Kong Financial Reporting Standards:

	<b>For the period from 7 March 2011 to 30 September 2011 (approximately)</b>	<b>For the 12 months ended 30 September 2012 (approximately)</b>
Turnover	US\$4,021,000 (equivalent to approximately HK\$31,223,000)	US\$11,666,000 (equivalent to approximately HK\$90,586,000)
Net profits before taxation and extraordinary items	US\$2,629,000 (equivalent to approximately HK\$20,414,000)	US\$7,967,000 (equivalent to approximately HK\$61,864,000)
Net profit after taxation and extraordinary items	US\$1,972,000 (equivalent to approximately HK\$15,313,000)	US\$5,975,000 (equivalent to approximately HK\$46,396,000)

The unaudited consolidated total asset value and net asset value of the Apperience Group as at 30 September 2012 were approximately US\$9,042,000 (equivalent to approximately HK\$70,211,000) and US\$6,361,000 (equivalent to approximately HK\$49,393,000) respectively. The main components of the unaudited consolidated total asset value of the Apperience Group as at 30 September 2012 of approximately US\$9,042,000 were (i) intangible assets of approximately US\$1,913,000; (ii) trade receivables of approximately US\$925,000; (iii) prepayment and other receivables of approximately US\$97,000; and (iv) cash at bank of approximately US\$6,087,000. The principal assets of the Apperience Group include a number of trademarks and copyrights including, among others, Advanced

SystemCare, IObit and Smart Defrag registered in the PRC, the United States, Canada and/or the United Kingdom. In August 2012, Apperience has declared dividend of an aggregate amount of approximately US\$10,600,000 to its then shareholders. As at 31 October 2012, the unaudited consolidated total asset value and net asset value of the Apperience Group amounted to approximately US\$9,545,000 and US\$6,742,000 respectively. The main components of the total asset value of the Apperience Group as at 31 October 2012 of approximately US\$9,545,000 were (i) intangible assets of approximately US\$2,405,000; (ii) trade receivables of approximately US\$903,000; (iii) prepayment and other receivables of approximately US\$97,000; and (iv) cash at bank of approximately US\$6,120,000. In November 2012, Apperience further declared and paid dividend of an aggregate amount of approximately US\$3,973,000 to its then shareholders.

### **3.2 The PRC Company**

The PRC Company is a company established in the PRC with limited liability on 27 November 2008. As at the date of this announcement, the PRC Company was owned as to 70% by Dong Yuguo and Xue Qiushi, being two of the Key Employees, in equal share and 30% by another individual holding for the benefits of IDG-Accel.

The PRC Company is principally engaged in the development and sale of software for personal computer performance and security in the PRC and has been a supplier of the Apperience Group through the IT Consultancy Service Agreement and the 2012 IT Consultancy Service Agreement.

## **4. REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

### **4.1 The Acquisition**

The Group is principally engaged in the provision of website development, electronic learning products and services. The Acquisition will allow the Group to diversify into the IT business for personal computers and mobiles and increase the product variety of the Group. Apperience is wholly-owned by the Vendors, which include, among others, IDG-Accel, IDG-Accel Investors and THL, the strategic investors. THL is a subsidiary of Tencent Holdings Limited, a company listed on the Main Board of the Stock Exchange. The Tencent Group is engaged in, among others, the provision of internet and wireless value added services. Through strategic investment by THL, the Apperience Group has been able to establish business cooperation with the Tencent Group through mutual grant of licence to use their respective self-developed software products to each other. The Group can capture the opportunities to strengthen its cooperation with THL through its acquisition of majority stake in Apperience.

The Company has no intention to discontinue the existing business. Up to the date of this announcement, the Company has not entered into, and has no intention to enter into, any agreement, arrangement, understanding or negotiation to dispose of or discontinue its existing principal business or relevant material assets. The Company has no intention to undergo any substantial changes of members of the Board or substantial changes of its management team. Apart from the fact that after Completion, the business of the Apperience Group will be principally managed by the Key Employees while the Company will retain the control of the board of directors of the members of the Apperience Group.



The Directors believe, having reviewed the relevant information provided by the Vendors and subject to further due diligence on the Apperience Group, that the future operation of the Apperience Group is expected to be self-sustainable and would be financed by its cash and bank balances.

The terms of the Acquisition Agreement (including the issue of the Convertible Notes pursuant to the terms thereof) were determined after arm's length negotiations between the parties thereto. The Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **4.2 IT Consultancy Service Agreement and 2012 IT Consultancy Service Agreement**

The PRC Company possesses a team of experienced and well-trained software programmers and engineers. With the technical support and assistance of the PRC Company, the Apperience Group has been able to develop its existing software products and mobile applications smoothly as evidenced by its constant growth in its revenue since its incorporation. The Company considers that the continuation of the IT Consultancy Service Agreement (as supplemented by the Supplemental IT Consultancy Service Agreement) and the 2012 IT Consultancy Service Agreement would enable a smooth operation of the Apperience Group in a short run.

The Directors (including the independent non-executive Directors) are of the view that the terms of each of the IT Consultancy Service Agreement (as supplemented by the Supplemental IT Consultancy Service Agreement) and the 2012 IT Consultancy Service Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## 5. EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company as at the date of this announcement and the changes thereto as a result of (i) the allotment and issue of the Performance Shares; (ii) the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights at the initial Conversion Price in full; and (iii) the allotment and issue of the conversion shares (“**2012 Sept Conversion Shares**”) pursuant to the exercise of the conversion rights (“**2012 Sept Conversion Rights**”) in full attaching to the convertible notes issued by the Company as disclosed in its announcement dated 28 September 2012 and 14 November 2012 (assuming no adjustment to the conversion price thereof) and the combination of the above:

	As at the date of this announcement <i>No. of Shares held/approximate %</i>	Immediately after allotment and issue of the Conversion Shares (assuming the exercise of the Conversion Rights in full at the initial Conversion Price) ( <i>Note 2</i> ) <i>No. of Shares held/approximate %</i>	Immediately after allotment and issue of the Performance Shares ( <i>Note 2</i> ) <i>No. of Shares held/approximate %</i>	Immediately after allotment and issue of the Performance Shares and the Conversion Shares (assuming the exercise of the Conversion Rights in full at the initial Conversion Price) ( <i>Note 2</i> ) <i>No. of Shares held/approximate %</i>	Immediately after allotment and issue of the Performance Shares, the Conversion Shares (assuming the exercise of the Conversion Rights in full at the initial Conversion Price) and the 2012 Sept Conversion Shares (assuming the exercise of the 2012 Sept Conversion Rights in full) ( <i>Note 2</i> ) <i>No. of Shares held/approximate %</i>
Access Magic	—	716,476,909/ 14.684%	286,590,762/ 10.610%	1,003,067,671/ 15.842%	1,003,067,671/ 15.357%
Ace Source	—	1,015,042,237/ 20.801%	406,016,894/ 15.031%	1,421,059,131/ 22.442%	1,421,059,131/ 21.755%
Well Peace	—	179,110,150/ 3.670%	71,644,060/ 2.652%	250,754,210/ 3.960%	250,754,210/ 3.839%
Wealthy Hope	—	179,110,150/ 3.670%	71,644,060/ 2.652%	250,754,210/ 3.960%	250,754,210/ 3.839%
IDG-Accel	—	1,282,128,040/ 26.274%	512,851,216/ 18.986%	1,794,979,256/ 28.347%	1,794,979,256/ 27.479%
IDG-Accel Investors	—	104,859,135/ 2.149%	41,943,654/ 1.553%	146,802,789/ 2.318%	146,802,789/ 2.247%
THL	—	154,129,857/ 3.159%	61,651,942/ 2.282%	215,781,799/ 3.408%	215,781,799/ 3.303%

	As at the date of this announcement <i>No. of Shares held/approximate %</i>	Immediately after allotment and issue of the Conversion Shares (assuming the exercise of the Conversion Rights in full at the initial Conversion Price) ( <i>Note 2</i> ) <i>No. of Shares held/approximate %</i>	Immediately after allotment and issue of the Performance Shares ( <i>Note 2</i> ) <i>No. of Shares held/approximate %</i>	Immediately after allotment and issue of the Performance Shares and the Conversion Shares (assuming the exercise of the Conversion Rights in full at the initial Conversion Price) ( <i>Note 2</i> ) <i>No. of Shares held/approximate %</i>	Immediately after allotment and issue of the Performance Shares, the Conversion Shares (assuming the exercise of the Conversion Rights in full at the initial Conversion Price) and the 2012 Sept Conversion Shares (assuming the exercise of the 2012 Sept Conversion Rights in full) ( <i>Note 2</i> ) <i>No. of Shares held/approximate %</i>
Wise Action Limited	—	—	—	—	200,000,000/ 3.062%
Existing public Shareholders	1,248,894,324/ 100%	1,248,894,324/ 25.593%	1,248,894,324/ 46.234%	1,248,894,324/ 19.723%	1,248,894,324/ 19.119%
<b>Total:</b>	<b>1,248,894,324/ 100%</b>	<b>4,879,750,802/ 100%</b>	<b>2,701,236,912/ 100%</b>	<b>6,332,093,390/ 100%</b>	<b>6,532,093,390/ 100%</b>

*Notes:*

- (1) The calculation of these percentages is based on the assumption that no other change in the shareholding structure of the Company before the issue of the Performance Shares, the Conversion Shares and the 2012 Sept Conversion Shares and takes no account of the allotment and issue of Shares upon the exercise of outstanding share options granted by the Company in accordance with its share option scheme.
- (2) Such scenario is theoretical in nature and it is a term of the Convertible Notes that no conversion shall be made if (i) a Noteholder and parties acting in concert with it (within the meaning of the Takeovers Code), taken together, will directly or indirectly, control or be able to exercise the control of 29.9% or more of the issued share capital of the Company or such percentage of Shares prescribed by the SFC from time to time triggering obligations on part of the Noteholder and parties acting in concert with it to make a general offer for Shares in the Company and/or (ii) the public float requirement of the Company as prescribed under the GEM Listing Rules cannot be maintained. In addition, the Company shall be entitled to defer the allotment and issue of the Performance Shares and/or the Conversion Shares prescribed under the terms and conditions of the Acquisition Agreement to a later time or otherwise to allot and issue the Performance Shares in multiple tranches at different times and in such manner as the Company considers appropriate so as to allow the relevant Vendor to take such action to ensure that the allotment and issue of Performance Shares will not have resulted (i) in it and parties acting in concert with it controlling or being able to exercise control of 29.9% or more of the issued share capital of the Company and/or (ii) in the Company failing to maintain its public float as prescribed under the GEM Listing Rules.

## **6. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

The current authorised share capital of the Company is HK\$400,000,000 divided into 4,000,000,000 Shares of HK\$0.10 each. As at the date of this announcement, 1,248,894,324 Shares were in issue and there were outstanding options carrying rights to subscribe for an aggregate of 6,200,000 Shares and rights to subscribe for 200,000,000 Shares (being the 2012 Sept Conversion Shares) upon the exercise in full of the 2012 Sept Conversion Rights (assuming no adjustment to the conversion price thereof). In order to maintain sufficient unissued share capital for the allotment and issue of the Performance Shares and the Conversion Shares in the future, the Board proposes to increase the authorised share capital of the Company to HK\$800,000,000 by the creation of an additional 4,000,000,000 Shares. Immediately after the completion of the increase in authorised share capital of the Company and assuming no new Shares are issued or no Shares are repurchased from the date of this announcement up to the EGM, the authorised share capital of the Company will be HK\$800,000,000 divided into 8,000,000,000 Shares, with 1,248,894,324 Shares in issue and 6,751,105,676 Shares remaining unissued. The proposed increase in authorised share capital of the Company is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM.

## **7. GENERAL**

The EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve (i) the Acquisition Agreement and the transactions contemplated thereunder, including the allotment and issue of the Performance Shares and the creation and issue of the Convertible Notes together with the allotment and issue of the Conversion Shares pursuant to the exercise of the Conversion Rights; and (ii) the proposed increase in the authorised share capital of the Company. To the best knowledge of the Directors as at the date of this announcement, no Shareholder is required to abstain from voting in favour of the resolutions to approve the Acquisition and the proposed change in the authorised share capital of the Company at the EGM.

A circular containing, among others, (i) details of the Acquisition and the proposed increase in the authorised share capital of the Company; (ii) further information of the Apperience Group; and (iii) the notice of the EGM is expected to be despatched to the Shareholders on or before 10 January 2013 as more time is needed for the preparation of the information to be contained therein.

## **8. SUSPENSION AND RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:00 a.m. on 16 November 2012 pending the release of this announcement. An application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 6 December 2012.

**As Completion is subject to the fulfillment of a number of conditions precedent, the Acquisition may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## 9. DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“2012 IT Consultancy Service Agreement”	the IT consultancy service agreement entered into between Apperience as service recipient and the PRC Company as service provider dated 28 December 2011 in relation to the provision of technological consultancy services
“Access Magic”	Access Magic Limited, a company incorporated in the BVI which is principally engaged in investment holding and beneficially 100% owned by Dong Yuguo, being one of the Warrantors and Key Employees
“Ace Source”	Ace Source International Limited, a company incorporated in the BVI which is principally engaged in investment holding and beneficially 100% owned by Xue Qiushi, being one of the Warrantors and Key Employees
“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser from the Vendors pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 15 November 2012 entered into by and among the Company, the Vendors and the Warrantors in relation to the Acquisition
“Apperience”	Apperience Corporation, an exempted company incorporated in the Cayman Islands
“Apperience Group”	Apperience and its subsidiaries
“associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors
“Business Valuation”	the business valuation showing the estimated fair value of Apperience as at 30 September 2012
“BVI”	the British Virgin Islands
“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 Acquisition
“Completion Date”	the date on which Completion is to take place
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules

“Consideration”	the total consideration payable by the Company to the Vendors for the purchase of the Sale Shares pursuant to the Acquisition Agreement, which would be satisfied partly by the creation and issue of the Convertible Notes and (where applicable) partly by the allotment and issue of the Performance Shares
“Conversion Price”	HK\$0.108, being the conversion price for the subscription of one Conversion Share upon the exercise of the Conversion Rights attaching to the Convertible Notes, subject to adjustments under the terms and conditions of the Convertible Notes
“Conversion Right(s)”	the right(s) of the Noteholder to convert the whole or part of the outstanding principal amount of the Convertible Notes into Conversion Shares subject to the terms and conditions of the Convertible Notes
“Conversion Share(s)”	the new share(s) of the Company to be allotted and issued to the Noteholder(s) upon the exercise of the Conversion Rights attaching to the Convertible Notes
“Convertible Notes”	the zero coupon convertible notes in the principal amount of up to HK\$392,132,500 (subject to adjustment) due on, subject to the conditions attached to the Convertible Notes, the 4th anniversary of the Issue Date (if that is not a business day, the first business day thereafter)
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and approve, among other things, the Acquisition and the transactions contemplated thereunder and the proposed increase in authorised share capital 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
“HIBOR”	Hong Kong Interbank Offered Rate
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“IDG-Accel”	IDG-Accel China Growth Fund II L.P., an investment fund established in the Cayman Islands as an exempted limited partnership
“IDG-Accel Investors”	IDG-Accel China Investors II L.P., an investment fund established in the Cayman Islands as an exempted limited partnership
“IDG-Accel Vendors”	IDG-Accel and IDG-Accel Investors
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“IP Licence Agreement”	the intellectual property rights licence agreement dated 15 April 2011 entered into between Apperience as licensee and the PRC Company as licensor in relation to the granting of licence to use certain intellectual property rights of the PRC Company
“IP Transfer Agreement”	the intellectual property rights transfer agreement dated 15 April 2011 entered into between Apperience as purchaser and the PRC Company as vendor in relation to the sale and purchase of certain intellectual property rights of the PRC Company
“Issue Date”	the date of first issue of the Convertible Notes
“IT Consultancy Service Agreement”	the information technological consultancy service agreement dated 15 April 2011 entered into between Apperience as service recipient and the PRC Company as service provider in relation to the provision of technological consultancy services
“Key Employees”	the Warrantors and five other individuals
“Last Trading Day”	15 November 2012, being the last day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares pending the publication of this announcement
“Long Stop Date”	30 April 2013 (or such later date as the Company and the Vendors may agree in writing) and subject to the terms and conditions of the Acquisition Agreement
“Maturity Date”	the 4th anniversary of the Issue Date or, if that is not a business day, the first business day thereafter and subject to the conditions attached to the Convertible Notes, shall include any extended Maturity Date

“Maximum Note Amount”	the maximum aggregate principal amount of the Convertible Notes of HK\$392,132,500
“Noteholder(s)”	holder(s) of the Convertible Notes
“Ordinary Vendors”	collectively, Access Magic, Ace Source, Well Peace and Wealthy Hope
“Performance Shares”	the new Shares comprising the Tranche I Performance Shares and the Tranche II Performance Shares which shall be allotted and issued at the issue price of HK\$0.108 per Performance Share to the Vendors, the maximum number of which shall be 1,452,342,588 subject to adjustment
“PRC”	the People’s Republic of China, for the purposes of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PRC Company”	成都奧畢信息技術有限公司 (Chengdu AOBI Information Technology Co., Ltd.), a limited liability company established in the PRC
“Sale Shares”	the 10,436,667 shares of US\$0.001 each in the issued share capital of Apperience, representing 50.5% of the entire issued share capital of Apperience as at Completion
“Selling Proportion”	as among the Vendors, as to 19.733% by Access Magic, 27.956% by Ace Source, 4.933% by Well Peace, 4.933% by Wealthy Hope, 35.312% by IDG-Accel, 2.888% by IDG-Accel Investors and 4.245% by THL
“SFC”	The Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental IT Consultancy Service Agreement”	supplemental agreement dated 10 November 2012 entered into between Apperience and the PRC Company amending certain term of the IT Consultancy Service Agreement
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“Target Profit I”	the audited consolidated net profits of Apperience after taxation for the Target Profit Period I as shown in the TP Audited Accounts I and subject to adjustment in accordance with the terms and conditions of the Acquisition Agreement



“Target Profit II”	the audited consolidated net profits of Apperience after taxation for the Target Profit Period II as shown in the TP Audited Accounts II and subject to adjustment in accordance with the terms and conditions of the Acquisition Agreement
“Target Profit Period I”	a period of 12 months commencing on the first day of the calendar month immediately next following Completion
“Target Profit Period II”	a period of 12 months commencing on the first day of the 13th calendar month following Completion
“THL”	THL A1 Limited, a company incorporated in the BVI which is principally engaged in investment holding, being one of the Vendors
“TP Audited Accounts I”	the audited consolidated balance sheet of Apperience made up as at the last day of the Target Profit Period I, the audited consolidated income statements of Apperience for the Target Profit Period I and the audited consolidated cash flow statements of Apperience for the Target Profit Period I
“TP Audited Accounts II”	the audited consolidated balance sheet of Apperience made up as at the last day of the Target Profit Period II, the audited consolidated income statements of Apperience for the Target Profit Period II and the audited consolidated cash flow statements of Apperience for the Target Profit Period II
“Tranche I Performance Shares”	such number of Shares which shall be allotted and issued at the issue price of HK\$0.108 per Performance Share (subject to adjustment) to the Vendors, subject to the terms of the Acquisition Agreement, together with any Shortfall Performance Shares to be allotted and issued as determined in the manner specified under the paragraph headed “The Performance Shares” in this announcement
“Tranche II Performance Shares”	such number of Shares which shall be allotted and issued at the issue price of HK\$0.108 per Performance Share (subject to adjustment) to the Vendors as determined in the manner specified under the paragraph headed “The Performance Shares” in this announcement other than the Tranche I Performance Shares
“US”	United States of America
“US\$”	United States dollars, the lawful currency of the US
“Vendors”	Access Magic, Ace Source, Well Peace, Wealthy Hope, IDG-Accel, IDG-Accel Investors and THL

“Warrantors”	Dong Yuguo, Xue Qiushi, Lian Ming and Chen Liang
“Wealthy Hope”	Wealthy Hope Limited, a company incorporated in the BVI which is principally engaged in investment holding and beneficially 100% owned by Chen Liang, being one of the Warrantors and Key Employees
“Well Peace”	Well Peace Global Limited, a company incorporated in the BVI which is principally engaged in investment holding and beneficially 100% owned by Lian Ming, being one of the Warrantors and Key Employees
“%”	per cent.

*For the purpose of this announcement, all amounts denominated in US\$ has been translated into HK\$ using the exchange rates of US\$1: HK\$7.765. No representation is made that any amounts in US\$ or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.*

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

Hong Kong, 5 December 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 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.*