THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in M Dream Inworld Limited ("**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser, the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities of the Company.

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 NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

KINGSTON CORPORATE FINANCE LTD.

A notice convening the extraordinary general meeting of the Company to be held at 10:30 a.m. on 12 March 2013 at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong is set out on pages 157 to 159 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof to the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting in person should you so wish.

This circular will remain on the "Latest Company Announcements" page of the GEM website at http://www.hkgem.com for at least seven (7) days from the date of publication and on the website of the Company at http://www.mdreaminworld.com.hk.

* *For identification purpose only*

23 February 2013

CONTENTS

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"2013 IT Consultancy Service Agreement"	the IT consultancy service agreement entered into between Apperience as service recipient and the PRC Company as service provider dated 31 December 2012 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 Company as 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 (as supplemented and amended by the Supplemental Agreement)
"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) 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 Maturity Date
"Copyright Licence Agreement"	the copyright licence agreement dated 18 February 2013 entered into between Apperience as licensee and the PRC Company as licensor in relation to the granting of licence to use the copyright of "Advanced SystemCare" registered in the name of the PRC Company in the PRC
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held at 10:30 a.m. on 12 March 2013 for the purpose of considering and, if thought fit, approving the Acquisition and the transactions contemplated under the Acquisition Agreement (including the creation and issue of the Convertible Notes, the allotment and issue of the Conversion Shares and the allotment and issue of the Performance Shares) and the proposed increase in authorised share capital of the Company

"Enlarged Group"	the group of companies consisting of the Company and its subsidiaries after Completion (including, for the avoidance of doubt, members of the Apperience Group)
"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, their biographies are set out in the paragraph headed "Biographies of Key Employees" in the Letter from the Board in this circular
"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 the announcement of the Company relating to, among other matters, the Acquisition which was published on 5 December 2012
"Latest Practicable Date"	19 February 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"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$0.108 per Performance Share to the Vendors, the maximum number of which shall be 1,452,342,588 subject to adjustment
"PRC"	the People's Republic of China, for the purposes of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Company"	成都奧畢信息技術有限公司 (Chengdu AOBI Information Technology Co., Ltd.), a limited liability company established in the PRC
"S$"	Singapore dollars, the lawful currency of Singapore

"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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws 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 Agreement"	supplemental agreement dated 11 December 2012 entered into by and among the Company, the Vendors and the Warrantors amending certain terms of the Acquisition Agreement
"Supplemental IT Consultancy Service Agreement"	supplemental agreement dated 10 November 2012 entered into between Apperience and the PRC Company amending certain terms 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 the "Letter from the Board" of this circular
"Tranche II Performance Shares"	such number of Shares which shall be allotted and issued at the issue price of HK$0.108 per Performance Share (subject to adjustment) to the Vendors as determined in the manner specified under the paragraph headed "The Performance Shares" in the "Letter from the Board" of this circular other than the Tranche I Performance Shares
"US"	United States of America
"US$"	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 and "Vendor" means any one of them
"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 circular, 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.

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)

Executive Directors:
Mr. Chi Chi Hung, Kenneth
Mr. Ng Kay Kwok

Independent non-executive Directors:
Mr. Billy B Ray Tam
Mr. Yu Pak Yan, Peter
Ms. Chan Hoi Ling

Registered office:
P.O. Box 309
Ugland House
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KY1-1104
Cayman Islands
British West Indies

Head office and principal place of business in Hong Kong:
Unit 901, 9th Floor
Wings Building
110–116 Queen's Road Central
Central, Hong Kong

23 February 2013

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION;
CONTINUING CONNECTED TRANSACTIONS;
AND
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

INTRODUCTION

Reference is made to the announcement of the Company dated 5 December 2012 in which the Company announced that on 15 November 2012 (after trading hours), the Company, the Vendors and the Warrantors entered into the Acquisition Agreement pursuant to which the Company had conditionally agreed to purchase, and the Vendors had conditionally agreed to sell at the Selling Proportion, the Sale Shares, which in aggregate represent 50.5% of the issued share capital of Apperience. On 11 December 2012, the Company, the Vendors and the Warrantors entered into the Supplemental Agreement to amend certain terms of the Acquisition

* *For identification purpose only*

Agreement. 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.

The Acquisition constitutes a very substantial acquisition for the Company and is subject to, among other requirements, approval by the Shareholders by way of poll pursuant to the GEM Listing Rules.

The purpose of this circular is to provide you with details of the Acquisition Agreement, further information of the Group, the Apperience Group and, as appropriate, the Enlarged Group and to give you notice of EGM.

1. THE ACQUISITION AGREEMENT

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. On 11 December 2012, the Company, the Vendors and the Warrantors entered into the Supplemental Agreement to amend certain terms of the Acquisition Agreement. Major terms of the Acquisition Agreement (as supplemented and amended by the Supplemental Agreement dated 11 December 2012) are set out below:

Date

15 November 2012 (as supplemented and amended by the Supplemental Agreement dated 11 December 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:

Name of Vendors	Approximate % of the shares of Apperience held as at the date of the Acquisition Agreement
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%
Total:	**100%**

(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 letter from the Board.

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 in the paragraph headed "Adjustment to the Maximum Note Amount" 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 valuer ("**Valuer**") 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 letter from the Board.

As advised by the Valuer, the market approach had been employed by the Valuer in the valuation of Apperience. In the valuation, the equity value of Apperience is estimated by applying the valuation multiples of guideline listed companies to the actual financial results of Apperience. The valuation multiples relate the market values of companies to their earnings metrics, without taking into account the net asset value of Apperience.

The Company will publish an announcement to inform the public on the amounts of the Target Profit I and the Target Profit II when such information is available.

Payment of the Consideration

In accordance with the terms of the Acquisition Agreement, 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:

Name of Vendors	Number of the Tranche I Performance Shares to be allotted and issued/(%)	Number of the Tranche II Performance Shares to be allotted and issued/(%)
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%
Total:	**726,171,294 Tranche I Performance Shares/ 100%**	**726,171,294 Tranche II Performance Shares/ 100%**

*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. 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 Latest Practicable Date; 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 (assuming no other new Shares will be issued and no Shares in issue will be repurchased, in each case, by the Company before the full allotment and 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;

— represents a discount of approximately 2.53% to the average closing price of HK$0.1108 per Share for the last 15 trading days up to and including the Last Trading Day; and

— represents a discount of approximately 36.09% to the closing price of HK$0.169 per Share on the Latest Practicable Date.

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:

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

"**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$.

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

As shown on the valuation report of Apperience prepared and issued by the Valuer set out in Appendix IV to this circular, it has been confirmed that the Business Valuation as at 30 September 2012 is higher than US$140,000,000. Hence, there shall be no adjustment to the Maximum Note Amount and the principal amount of the Convertible Notes to be created and issued upon Completion shall be HK$392,132,500.

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.

As at the date of this circular, conditions precedent (9) and (10) have been satisfied.

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 the 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

It is a term under the Acquisition Agreement that, 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.

On 10 December 2012, IDG-Accel, IDG-Accel Investors and THL entered into a deed of right of first refusal pursuant to which during the period of five years from the Completion Date (in the case of Conversion Shares) or, as the case may be, the period of five years from the date of issue of the Performance Shares (in the case of Performance Shares), if any of IDG-Accel and IDG-Accel Investors wishes to transfer any Conversion Shares upon exercise of the Convertible Notes and/or the Performance Shares (together, the "**Transferred Shares**") to any person ("**Third Party Purchaser**"), then IDG-Accel and/or IDG-Accel Investors shall, prior to consummating any such desired transfer, notify THL of its intention to make such transfer and detailed terms and conditions of the transfer. THL shall, within 10 calendar days after such notification, be entitled to elect to accept the sale of the Transferred Shares by notice in writing to IDG-Accel and/or IDG-Accel Investors. If after the aforesaid 10 calendar days period not all or any of the Transferred Shares have been accepted by THL, IDG-Accel and/or IDG-Accel Investors shall be entitled to sell and complete the sale of the Transferred Shares to the Third Party Purchaser subject to the same terms and conditions. Such transfer restriction does not apply to a transfer of any Transferred Shares by any of IDG-Accel or IDG-Accel Investors to its respective wholly-owned subsidiaries or affiliated funds subject to the terms and conditions of the said deed of right of first refusal.

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.

Biographical information of each of the Key Employees is set out in the paragraph headed "Biographies of Key Employees" below.

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):

Name of Vendors	Maximum principal amount of Convertible Notes to be issued to each Vendor
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
Total:	**HK$392,132,500**

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 Latest Practicable Date; 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 (assuming no other new Shares will be issued and no Shares in issue will be repurchased, in each case, by the Company before the full allotment and issue of the Conversion Shares and the Performance Shares).

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

The initial Conversion price of HK$0.108 per Conversion Share is subject to adjustment in each of the following cases (detailed provisions are set out in the terms and conditions of the instrument constituting the Convertible Notes):

(a) an alternation to the nominal value of the Shares as a result of consolidation or subdivision or reclassification;

(b) an issue by the Company of any Shares credited as fully paid (other than the Performance Shares) to the Shareholders by way of (i) capitalisation of profits or reserves or (ii) a scrip dividend;

(c) a capital distribution by the Company to the Shareholders;

(d) a rights issue of Shares or options or warrants to subscribe for new Shares to all or substantially all Shareholders at a subscription price which is less than 90% of the market price;

(e) a rights issue of other securities to all or substantially all Shareholders (other than Shares or options, warrants or other rights to subscribe for or purchase Shares);

(f) an issue wholly for cash of any Shares (other than the Conversion Shares), or issue or grant any options, warrants or other rights to subscribe for or purchase any Shares, at a price per Shares which is less than 90% of the market price per Share;

(g) an issue wholly for cash of any securities (other than the Convertible Notes) which by their terms of issue carry rights of conversion into, or exchange or subscription for, the Shares, and the consideration per Share receivable by the Company in respect of such conversion, exchange or subscription is less than 90% of the market price per Share;

(h) any modification of the rights of conversion, exchange, subscription or redesignation attaching to any such securities as mentioned in (g) above (other than the Convertible Notes) so that following such modification the consideration per Share receivable by the Company in respect of such conversion, exchange, subscription or redesignation is less than 90% of the market price per Share;

(i) an issue, sale or distribution of any securities in connection with an offer that Shareholders holding at least 60% of the outstanding Shares are entitled to participate in arrangements whereby such securities may be acquired by them at an effective price per Share which is less than 90% of the market price per Share; or

(j) such other circumstances where the Company determines, or in accordance with the instrument constituting the Convertible Notes, the Noteholder determines that an adjustment should be made to the Conversion Price, provided that the Board considers that such determination of the Company or, as the case may be, the Noteholder, is fair and reasonable and an independent investment bank shall be appointed to act as an expert to determine what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof.

The Directors will exercise their fiduciary duties with reasonable skill, care and diligence to ensure that the adjustment to be made to the Conversion Price under circumstances in paragraph (j) above would be fair and reasonable.

The conversion of the Convertible Notes after adjustment to be made to the Conversion Price under circumstances in paragraph (j) above would still be subject to the restrictions that (a) 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 issued share capital of the Company or such percentage of Shares prescribed by the SFC from time to time triggering the obligations on part of such Noteholder and parties acting in concert with it to make a general offer for Shares in the Company; and (b) the public float of the Company as prescribed under the GEM Listing Rules can be maintained.

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;

— represents a discount of approximately 2.53% to the average closing price of HK$0.1108 per Share for the last 15 trading days up to and including the Last Trading Day; and

— represents a discount of approximately 36.09% to the closing price of HK$0.169 per Share on the Latest Practicable Date.

(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.

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 2013 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 2013 IT Consultancy Service Agreement

Ancillary to the IT Consultancy Service Agreement, the 2013 IT Consultancy Service Agreement was entered into between Apperience and PRC Company on 31 December 2012, the principal terms of which are set out below:

Date

31 December 2012

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 2013 shall include the following:

(a) development and update services for certain software of Apperience;

(b) technical trainings and consultancy services 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 equipment purchasing and maintenance regarding network development and management.

Service fees

US$2,600,000

Duration

The 2013 IT Consultancy Service Agreement shall commence on the date of its signing and cease to have effect on 31 December 2013.

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.

The transfer price paid by the Apperience Group to the PRC Company under the IP Transfer Agreement is US$20,000. As at the Latest Practicable Date, all the trademarks and domain names identified in the IP Transfer Agreement have been transferred from the PRC Company to Apperience.

The copyright of Advanced SystemCare registered in the name of the PRC Company in the PRC was failed to be transferred to the Apperience Group despite earlier application. The parties to the IP Transfer Agreement agreed that upon successful registration of the copyright of Advanced SystemCare by the Apperience Group in the US, the PRC Company will cancel its copyright registration of Advanced SystemCare in the PRC. On 18 February 2013, the PRC Company as licensor and Apperience as licensee entered into the Copyright Licence Agreement pursuant to which the PRC Company shall grant to Apperience an exclusive licence to use the copyright of "Advanced SystemCare" registered in the name of the PRC Company in the PRC at nil consideration for a period from the date of the Copyright Licence Agreement to (i) the date on which the relevant copyright is transferred from the PRC Company and registered in the name of Apperience in the PRC; or (ii) the date on which the copyright of "Advanced SystemCare" has been registered in the name of Apperience in the US (whichever is the earlier). On this basis, it is considered that the failure to register the copyright of "Advanced SystemCare" by the Apperience Group as at the Latest Practicable Date has no material adverse impact on the operation of the Apperience Group.

As at the Latest Practicable Date, the Apperience Group has not yet registered the copyright of "Advanced SystemCare" in the PRC and the US. Registration of software copyrights is not mandatory under the PRC law and the US law, but can enhance the protections available to the registered copyright holders. The Apperience Group would expedite its application to the registration of the copyright of "Advanced SystemCare" in the US.

(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.

As at the Latest Practicable Date, all the relevant trademarks identified in the IP Transfer Agreement have been transferred and registered in the name of Apperience. As a result, the IP Licence Agreement ceased to have effect.

(3) Copyright Licence Agreement

On 18 February 2013, the PRC Company as licensor and Apperience as licensee entered into the Copyright Licence Agreement pursuant to which the PRC Company shall grant to Apperience an exclusive licence to use the copyright of "Advanced SystemCare" registered in the name of the PRC Company in the PRC at nil consideration for a period from the date of the Copyright Licence Agreement to (i) the date on which the relevant copyright is transferred from the PRC Company and registered in the name of Apperience in the PRC; or (ii) the date on which the copyright of "Advanced SystemCare" has been registered in the name of Apperience in the US (whichever is the earlier).

Upon Completion, the transactions contemplated under the Copyright 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.

(4) 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 commencement date specified in the New Key Employee Agreement.

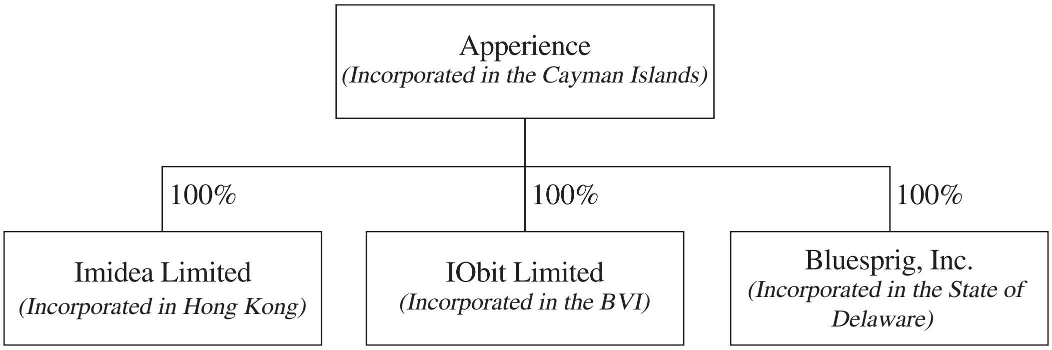
Dong Yuguo, Xue Qiushi, Lian Ming, Chen Liang, all being the Warrantors, and Jason Johnson, being one of the Key Employees, are directors of Apperience and/or other member(s) of the Apperience Group, upon Completion, the transactions contemplated under the New Key Employee Agreements with each of them 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 product 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 Apperience Group also derives income from toolbar advertisement. During the installation of the Apperience Group's software products, internet users can select whether to install toolbar developed by the customer of the Apperience Group into their computers. The Apperience Group would receive advertising income based on the number of users who installed the toolbar and kept for a required timeframe. The principal market of the Apperience Group is the US, which contributed to approximately 56% of its total revenue for the year ended 30 September 2012 based on the audited financial statements of the Apperience Group. The target customers of the Apperience Group are principally individual consumers.

Set out below is certain audited 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 year ended 30 September 2012 which was prepared in accordance with Hong Kong Financial Reporting Standards:

	For the period from 7 March 2011 to 30 September 2011	For the year ended 30 September 2012
Turnover	US$4,774,979 (equivalent to approximately HK$37,077,712)	US$10,911,361 (equivalent to approximately HK$84,726,718)
Net profits before taxation and extraordinary items	US$3,085,065 (equivalent to approximately HK$23,955,530)	US$7,796,305 (equivalent to approximately HK$60,538,308)
Net profits after taxation and extraordinary items	US$2,308,203 (equivalent to approximately HK$17,923,196)	US$5,812,351 (equivalent to approximately HK$45,132,906)

The audited consolidated total asset value and net asset value of the Apperience Group as at 30 September 2012 were approximately US$9,332,000 (equivalent to approximately HK$72,466,000) and US$6,533,000 (equivalent to approximately HK$50,725,000) respectively. The main components of the audited consolidated total asset value of the Apperience Group as at 30 September 2012 of approximately US$9,332,000 were (i) intangible assets of approximately US$1,938,000; (ii) trade receivables of approximately US$925,000; (iii) prepayment and other receivables of approximately US$357,000; and (iv) cash at bank of approximately US$6,096,000. 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$9,866,000 (equivalent to approximately HK$76,612,000) and US$6,940,000 (equivalent to approximately HK$53,891,000) respectively. The main components of the total asset value of the Apperience Group as at 31 October 2012 of approximately US$9,866,000 were (i) intangible assets of approximately US$2,164,000; (ii) trade receivables of approximately US$903,000; (iii) prepayment and other receivables of approximately US$662,000; 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.

Please refer to Appendix II for details of the audited financial information of the Apperience Group for the period from 7 March 2011 to 30 September 2011 and for the year ended 30 September 2012.

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 Latest Practicable Date, 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 2013 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 the Group's acquisition of majority stake in Apperience.

The Company has no intention to discontinue the existing business. Up to the Latest Practicable Date, 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. The Board currently has no intention to nominate any of the Key Employees as Directors. 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 Board considers both the businesses carried on by the Apperience Group and the Group are in the same line of business, i.e. IT business involving computer technology and focusing on research, development and distribution of software products. It is expected that the Acquisition would bring a horizontal expansion to the Group with a wider range of software products, channels and customer group.

Further elaboration of the expected synergistic effects from the Acquisition is set out as follows:

(a) **Customers crossover:** while the Group has been developing and promoting electronic courseware products including e-books for kids, Chinese and Putonghua learning materials principally through the Group's sales teams in Hong Kong, the Group can benefit from the sharing of and accessing to over 800,000 paid subscribers of the Apperience Group by promoting the e-products to the subscribers worldwide. On the other hand, the Apperience Group can also benefit from promoting its PC software products to the customers of the Group. The Acquisition enables the Group to enlarge and diversify its customer base to the non-Chinese group worldwide. Both the Group and the Apperience Group are better off in terms of image promotion in the consumer market;

(b) **Diversification of sales channels:** currently, the Group's e-products are principally promoted and marketed through the personal visits by its sales team to individual consumers and educational institutions in Hong Kong, while the sale and marketing of the Apperience Group's e-products are mainly through online subscription. The Acquisitions enables the Group to extend its sale channels by sharing the online sale experience possessed by the Apperience Group and thereby enhancing its market presence;

(c) **Enhancement of the existing business operation and better planning of future strategies:** while the software products of the Apperience Group can improve PC performance and enhance PC security, the Group can enhance and facilitate its existing business of website development and e-products development by using such software products in the course of the development. After completion of the Acquisition, the customer base of the Enlarged Group will be worldwide. The development agenda for the Group will contain more options and the Group will have more flexibility in tailoring its resources deployment, both human resources and financial resources, in its targeted market and flagship products;

(d) **Strengthening of R&D capacity:** after completion of the Acquisition, the Group can benefit from technology exchange with the Apperience Group which is also a developer of mobile applications by further developing its e-learning mobile application currently launched by the Group. Through integration of the R&D efforts of both the Group and the Apperience Group, the Group would be in a better position to maintain its product technologies at the forefront of the market. The Group's current R&D ability is limited. It is expected that its operation would be greatly improved with the aid of the R&D personnel of the Apperience Group; and

(e) **Diversification of product portfolio:** the Enlarged Group will have a wider diversity of products which would cover more potential customers. The wider coverage of products and markets would further enhance the Enlarged Group's overall competitiveness in a long run.

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 2013 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 2013 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 2013 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. BUSINESS PLAN OF THE APPERIENCE GROUP

While the Apperience Group will continue to focus on the development and upgrade of its flagship anti-virus product of "Advanced SystemCare" so as to respond to new security threats and counteract new virus, malware and spyware, it will also plan to develop and launch online games in the near future. In 2012, the Apperience Group has launched new products including family safety mobile application which is designed to track location of family members and provide emergency response tools with options to call emergency services or view the location of the nearest police station, fire station or hospital, i-cloud platform to provide backup, access and restore personal data to a new device if the original was lost or damaged and mobile security application which can track down a lost smartphone and activate an alarm to help people find it. The Apperience Group will continue to develop these products and release upgrades in 2013. In terms of business operation, the Apperience Group will continue to retain its existing staff and recruit additional research and development staff with technical trainings provided from time to time where necessary, alongside with the technical services provided by the PRC Company according to the IT Consultancy Service Agreement (as supplemented by the Supplemental IT Consultancy Service Agreement).

6. BIOGRAPHIES OF KEY EMPLOYEES

Dong Yuguo (董雨果), aged 36, is a co-founder and a director of Apperience and has served as the chairman and chief executive officer since March 2011. Mr. Dong has over 8 years of managerial and operational experience in internet industry. Prior to the founding of the Apperience Group in 2011, Mr. Dong served as chief executive officer of the PRC Company since November 2008. In 2005, Mr. Dong founded www.iobit.com and a studio engaging in PC security, and served as its chairman and chief executive officer until the studio was acquired by the PRC Company in 2008. Mr. Dong received his PhD degree in computer and communications in 2004 from National Digital Switching Center, China (國家數字交換工程中心).

Xue Qiushi (薛秋實), aged 28, is a co-founder and a director of Apperience and has served as the director and president since March 2011. Prior to the founding of the Apperience Group in 2011, Mr. Xue served as the president of the PRC Company from November 2008 to March 2011, where he was responsible for its business operations and research and development. Mr. Xue received his bachelor's degree in computer science from University of Electronic Science and Technology of China (電子科技大學) in June 2008.

Lian Ming (連銘), aged 28, is the Co-Chief Technology Officer of Apperience and has led the R&D department of Apperience since March 2011. Mr. Lian has over six years of R&D and technological management experience in the software industry. Prior to joining the Apperience Group, Mr. Lian served as the head of R&D department of the PRC Company since November 2008. Prior to that and since April 2007, he was an R&D engineer at the Research Institute of Fujian Telecom (福建電信研究院). From February 2005 to March 2007, Mr. Lian was a R&D staff at Time Channel Information Technology Co., Ltd. (福建天創信息科技有限公司). Mr. Lian received his bachelor's degree of computer science from the University of Zhangzhou (漳州大學) in 2005.

Chen Liang (陳亮), aged 26, is the Co-Chief Technology Officer of Apperience, and is responsible for developing the core technological competencies of the Apperience Group. Mr. Chen joined the Apperience Group since March 2011. Prior to that, he was a software engineer at the PRC Company since November 2008. Mr. Chen received his bachelor's degree in computer science from the University of Electronic Science and Technology of China (電子科技大學) in 2009.

Jason Johnson, aged 42, is the Senior Vice President of Business Development Department at Apperience. Mr. Johnson joined the Apperience Group in May 2011. Before he joined the Apperience Group, he was the Vice President of Marketing and Business Development at Dolby Laboratories Inc. since 2004. Prior to that, he was Vice President of Marketing and Business Development at Global IP Solutions since 2001. Prior to that, he was the CEO and Co-founder at InterQuest from 1997. Mr. Johnson received master's degree in business administration at Stanford University Graduate School of Business in 2005.

Zhang Jing (張靜), aged 37, is the Vice President of Human Resource and Administration Department at Apperience. Ms. Zhang has over 10 years of Human Resource and Administration management experience. Prior to joining the Apperience Group in August 2011, Ms. Zhang served as the Director of Human Resource at Wondershare Software (深圳萬

興軟件有限公司) since April 2010. Prior to that, she was the Vice Director of Human Resource at Kingdee International Software Group Company Limited (金蝶國際軟件集團有限公司), a company listed on the Main Board of the Stock Exchange since 2001. Prior to her experience at Kingdee International Software Group Company Limited, she was a Human Resource Staff at Shenzhen Lenovo. Ms. Zhang received a bachelor's degree in management from Sichuan University (四川大學) in 2000.

Ge Caihong (葛彩虹), aged 30, is the Financial Director of Apperience. Ms. Ge has over five years of financial management experience. Prior to joining the Apperience Group in March 2012, Ms. Ge served as the Regional Finance Director at BITAUTO (北京易車互聯信息技術有限公司) (Chengdu) since January 2010. Prior to that, she was the Finance Supervisor at BITAUTO (北京易車互聯信息技術有限公司) (Beijing) since 2007. Prior to her experience at BITAUTO, she was a Finance Accountant at Qinhuangdao Aidi Technology Co., Ltd. (秦皇島愛迪電力信息技術有限公司). Ms. Ge received a bachelor's degree of management from Harbin Institute of Technology (哈爾濱工業大學) in 2005.

Chen Xiaoli (陳曉莉), aged 27, is the Director of Customer Support Department at Apperience. Ms. Chen joined the Apperience Group in March 2011. Prior to joining the Apperience Group, Ms. Chen worked as a customer representative since June 2009 at the PRC Company and was promoted as a director of customer support department in August 2010. Ms. Chen worked in Sinxon (Dongguan) Plastic Limited Company in Dongguan, Guangdong province, the PRC as a Quality Assurance staff for 10 months. Ms. Chen received a bachelor's degree of business English from Chengdu University of Technology (成都理工大學) in 2008.

Qu Bo (瞿波), aged 33, is the Design Director of PC Business Division at Apperience since joining the Apperience Group in March 2011. Prior to that, he was the design director at the PRC company. Mr. Qu has about 10 years of experience in design industry. Mr. Qu was the Manager of Design Department in www.game5.com, a webgame platform operated by Gamewave Group (趣游 (北京) 科技有限公司) since 2008. Prior to that, he was responsible for design in Technical Department at www.51bxg.com, a website providing market news and information in the stainless steel industry operated by 信用行科技無錫有限公司 since 2006. He was a teacher of Graphic Design and Webpage Design in Yunnan EinSun Vocational School (雲南愛因森科技專修學院) since 2003. Mr. Qu received a college degree of Computer from Sichuan XinHua College of Science and Technology (四川理工學院成都新華學院) in 2002.

7. EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date 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 ("**2012 Sept 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 Latest Practicable Date *No of Shares held/ approximate %*	**Immediately after allotment and issue of the Conversion Shares (assuming the exercise of the Conversion Rights in full at the initial Conversion Price)** *(Note 2)* *No of Shares held/ approximate %*	**Immediately after allotment and issue of the Performance Shares** *(Note 2)* *No of Shares held/ approximate %*	**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)** *(Note 2)* *No of Shares held/ approximate %*	**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)** *(Note 2)* *No of Shares held/ approximate %*
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%
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%
Total:	**1,248,894,324/ 100%**	**4,879,750,802/ 100%**	**2,701,236,912/ 100%**	**6,332,093,390/ 100%**	**6,532,093,390/ 100%**

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.

8. 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 Latest Practicable Date, 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. An ordinary resolution will be proposed at the EGM to approve the proposed increase in authorised share capital of the Company.

Details of the change in the share capital structure are set out in the paragraph headed "Share Capital" in Appendix V to this circular.

9. FINANCIAL EFFECTS OF THE ACQUISITION

Set out in Appendix III to this circular is the unaudited pro forma financial information of the Enlarged Group which illustrates the financial impact of the Acquisition on the assets and liabilities, results and cash flows of the Enlarged Group.

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. As at 30 June 2012, the Group's unaudited total assets was approximately

HK$163.4 million and unaudited total liabilities was approximately HK$6.7 million. The Group recorded an audited loss for the year of approximately HK$6.1 million for the year ended 31 December 2011.

As set out in the "Unaudited pro forma financial information of the Enlarged Group" as contained in Appendix III to this Circular, upon Completion, the Enlarged Group's (i) total loss for the year will be decreased by approximately HK$9.8 million to profit for the year approximately HK$3.7 million, assuming the Acquisition was completed on 1 January 2011; (ii) total assets will be increased by approximately HK$660.2 million to approximately HK$823.6 million; (iii) total liabilities will be increased by approximately HK$407.4 million to approximately HK$414.1 million; and (iv) would have recorded net assets of approximately HK$409.5 million, assuming the Acquisition was completed on 30 June 2012.

10. IMPLICATIONS UNDER THE GEM LISTING RULES

The Acquisition constitutes a very substantial acquisition for the Company and is subject to, among other requirements, approval by the Shareholders by way of poll pursuant to the GEM Listing Rules.

As explained in the section headed "Continuing connected transactions" above, upon Completion, the transactions contemplated under the IT Consultancy Service Agreement (as supplemented by the Supplemental IT Consultancy Service Agreement) and the 2013 IT Consultancy Service Agreement will constitute continuing connected transactions for the Company under the GEM Listing Rules.

11. EGM

The EGM will be held at 10:30 a.m. on 12 March 2013 at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong, the notice of which is set out on pages 157 to 159 of this circular, for the Shareholder to consider and, if thought fit, approve (i) the Acquisition and the transactions contemplated under the Acquisition Agreement (including the creation and issue of the Convertible Notes, the allotment and issue of the Conversion Shares and the allotment and issue of the Performable Shares); and (ii) the proposed increase in authorised share capital of the Company.

In compliance with the GEM Listing Rules, all resolutions will be voted on by way of poll at the EGM.

The Company has confirmed with the Vendors and the Warrantors that as at the Latest Practicable Date, none of the Vendors, the Warrantors and any of their respective associates was holding any Shares. Provided that the Vendors, the Warrantors and any of their respective associates do not have any interest in the Shares at the date of the EGM and no Shareholder has a material interest in the Acquisition, 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.

You will find enclosed a form of proxy for use at the EGM. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof to the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM in person should you so wish.

12. RECOMMENDATION

The Directors consider that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Shareholders as a whole and recommend the Shareholders to vote for the relevant resolution to be proposed at the EGM.

The Directors consider that the increase in the authorised share capital of the Company is in the interest of the Shareholders and the Company and recommend the Shareholders to vote for the relevant resolution to be proposed at the EGM.

13. ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

On behalf of the Board
M Dream Inworld Limited
Chi Chi Hung, Kenneth
Chairman

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. Its major product, Advanced SystemCare, 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 also derives income from toolbar advertisement. Set out below is an overview of the growth of the internet, the Web security market and its global trends.

SECURITY SOFTWARE

Overview

The increasing popularization of the internet has transformed the ways people create, access and share information. Along with the emergence of new platforms, including Internet search engine, social networks and cloud computing, people are spending more time online and have evolved new modes for communicating, obtaining information and engaging with each other. At the same time, internet security has become an increasing concern for internet users as the scale and nature of security threats has evolved. In the past, computer viruses have been created to disrupt computer hardware and to disrupt Internet services through denial of service attacks. Criminals are increasingly utilising targeted internet intrusions to gain access to personal and corporate information for monetary gain. As a result, there has been increasing demand among internet users and enterprises for security solutions to defend against a range of covert threats.

The changing nature of internet threats requires security software to be updated frequently. Therefore, piracy of security software is not a significant risk to the industry. Developers of security software continuously monitor the internet for new threats and provide software updates to licensed users to defend against such threats.

Various types of security software exist for internet users and enterprises to protect their computers systems and data. These include:

- Secure content management software, which scans computer systems and incoming data for intrusions such as viruses, worms, spyware, Trojans and spam;

- Access management software, which verifies the identities of system users and controls the access of valid users to data within a computer system;

- Firewall software, which monitors and controls the access between applications on a computer system and the internet;

- Intrusion detection software, which monitors computer networks for unauthorised access and malicious activity; and

- Security management software, which enables enterprises to operate and monitor their range of security initiatives.

Web security market

IDC views that the Web security continues to become more critical as applications, and IT services in general, move into the cloud, which is basically Web technology. Web security will grow in prominence as enterprise applications are evolving from the corporate firewall to the hosted cloud and Security as a Service (SaaS) environments.

According to IDC's definition, Web security includes URL filtering, Web antimalware, Web application firewall and Web content filtering products. Web security products are deployed on software, appliances, and SaaS platforms. Web security products protect against both inbound (malware) threats and outbound (data leakage) threats.

IDC reports that the worldwide Web security market reached US$1.9 billion in 2011, growing 12.1% over 2010, and is forecast to grow to US$3.2 billion in 2016, representing a 11.2% compound annual growth rate (CAGR). Web security SaaS will be the fastest-growing segment of the Web security market, while Web security appliances will be the second-fastest-growing segment of the Web security market.

The table below shows IDC's projected revenue for each segment of the Web security market for the next five years.

Worldwide Web Security Revenue by Platform, 2010–2016 ($M)

	2010	2011	2012	2013	2014	2015	2016	2011 Share (%)	2016 Share (%)	2011–2016 CAGR (%)
Software	853.9	900.1	938.8	972.0	1,007.5	1,045.1	1,060.7	47.4	32.8	3.3
Appliance	633.4	747.0	877.0	1,011.5	1,158.8	1,317.0	1,473.4	39.4	45.6	14.6
Software as a service	205.5	250.4	343.2	422.0	501.8	588.1	695.2	13.2	21.5	22.7
Total	1,692.8	1,897.5	2,159.0	2,405.5	2,668.1	2,950.2	3,229.4	100.0	100.0	11.2

Source: IDC, 2012

Outlooks

Set out below are the key market forces assumed by IDC for its projection of revenue of the Worldwide Web security market. The Directors view the same as a reference for the opportunities and challenges going forward for the industry.

Cloud Services. Cloud is a new paradigm of computing that will shape IT spending over the next several decades. It is estimated that cloud services spending will continue to grow in the future, gradually accounting for a larger proportion of all IT spending. The key advantage to cloud services will be the ability of IT organizations to shift IT resources from maintenance to new initiatives. This in turn could lead to new business revenue and competitiveness as well as create new opportunities for IT vendors in small and medium-sized business and emerging markets.

Software Industry Transformation. The software industry is still going through a major transformation, from basic architecture (service-oriented architecture) and the way software is written (composite applications) to the way software is delivered (software as a service) and even funded (advertising based). Such transformation will bring faster and more dynamic delivery of software functionality. The new model should increase overall spending even as it lowers costs. The shift away from on-premise software will have growth-dampening effects on the Web security on-premise software market, as customers transition away from server-based Web security solutions to purpose-built appliances and cloud services.

Hardware. Hardware spending, which contributes about 40% of total IT spending, drives spending in software and services as well. Hardware markets outpaced expectations in 2011 but did not keep pace with growth in 2010. Strong trends, in particular, have continued in demand for storage, smartphones, and tablets while the PC market experienced a difficult 2011 in the face of weak business confidence and some cannibalization from tablets. Overall hardware spending has been steady in the first half of 2012 but is vulnerable to any deterioration in the economic outlook.

Background of IDC

International Data Corporation ("**IDC**") is a global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. Market information in this section has been quoted from IDC's independently produced research report named "Worldwide Web Security 2012–2016 Forecast and 2011 Vendor Shares" and other publicly available resources.

The Directors are satisfied that the information extracted from the report prepared by IDC is reliable because the information was prepared by a reputable international provider with access to market information and statistics.

US Regulations

Background

The Apperience Group is principally engaged in the research, development and distribution of software for personal computer performance and security as well as mobile applications which are available for download by customers through the internet worldwide. The Apperience Group also focuses on the development and sale of mobile phone applications, downloadable via mobile phones by customers. The Apperience Group also derives income from toolbar advertisement.

The principal market of the Apperience Group is the US. Sales to customers located in the US contributed to approximately 56% of its total revenue for the year ended 30 September 2012 based on the audited financial statements of the Apperience Group. The target customers of the Apperience Group are principally individual consumers.

The principal assets of the Apperience Group include a number of trademarks, several of which are registered in the US, copyrights, and several provisional patent applications filed with the US Patent Office. The Apperience Group has a US subsidiary located in California, namely, Bluesprig, Inc., which was incorporated as a Delaware corporation (the "**US Subsidiary**").

The Apperience Group's sales to customers located in the US and operations of its US Subsidiary are subject to certain US laws and regulations and the major ones are summarized in this section. The summary contained herein is not intended be an exhaustive summary of all applicable laws or imply that regulations outside of these areas is not important to Apperience Group's business.

Privacy and Data Security Regulations

Businesses who engage in offering software for downloading by users in the US are subject to certain regulations in the US, most notably regulations relating to privacy and data security.

Privacy. The US Federal Trade Commission ("**FTC**") is the primary federal government agency that oversees and enforces consumer privacy and data security regulations. A number of different laws, both state and federal, can apply to the collection and release (authorized or not) of personal information, such as names, addresses and individual identification numbers. Moreover, this area of law continues to evolve and thus new regulations are likely to apply to the Apperience Group's business activity going forward.

One key area in privacy regulation is the collection of personally identifiable information from consumers. In August 2012, the FTC published a non-binding guide directed at mobile application developers. The FTC outlines six data privacy requirements in the guide, which are summarized as follows:

(1) developers should be transparent about their data practices and disclose what information is collected from users and what is done with that information;

(2) developers should provide opt-outs or privacy setting so users can control whether and how they share their data;

(3) developers are required to honor the promises made in their privacy policies;

(4) if an app is designed for children, the developers must comply with the Children's Online Privacy Act ("**COPPA**") which sets out additional requirements;

(5) consent must be obtained before collecting sensitive data, such as medical, financial, or precise geo-location information; and

(6) reasonable steps must be taken to keep sensitive data secure.

Data Security. There are numerous federal and state laws and rules regarding information security largely dependent on the type of information that is being collected, stored, or maintained (e.g., medical, financial or personal). These rules look to curb the fraudulent use of the information and generally to protect the privacy of individuals. Also, substantially all of the states in the US and the District of Columbia have enacted security breach notification laws. These laws have varying standards about when a business must give notice to individuals whose financial account or private or similarly sensitive information has been accessed without authorization.

In addition to the federal laws and regulations, states have promulgated their own laws governing data collection practices. For example, Massachusetts requires any entity which collects personal information of a Massachusetts resident to have a written information security policy. Another state, California, requires developers of mobile apps which collect data from residents of California to prominently display a privacy policy in their apps or risk a US$2,500 fine for each individual download.

Do Not Track law. Presently there are several "Do Not Track" proposals under consideration in the federal and state legislatures. These proposals would allow users to opt out of online monitoring and would thereby block even monitoring conducted with benign intent, such as monitoring to increase the efficacy of security software. It is difficult to predict exactly what proposal(s) might be enacted on either the federal or state level.

Export Control Regulations

In the US, the Export Administration Regulations (the "**EAR**") and the International Traffic in Arms Regulations (the "**ITAR**") govern the export of certain items and information, including software. An export license is required when a "controlled" item subject to the EAR or the ITAR rules is either exported from the US to another country or is disclosed to a foreign national in the US, i.e., someone who is not a US citizen or green card holder. For example, an export occurs if a software application was developed in the US and then sent to and used outside of the US or if a software application received from aboard was modified in the US and then sent aboard for further modification. One area of particular concern to the US regulators is the use of non-standard encryption in software. If encryption other than standard "mass market" encryption is used with the software that is developed or modified in the US and then sent abroad, then such activities will be subject to increased scrutiny by US officials and potentially subject to a violation of export law.

Regulations on Intellectual Property Rights

Patents. US Code, Title 35, Patents, §§ 100–105, 111–122 and 131–135 of the US Patent Act governs patent rights (including inventions and designs) in the US The US Patent Office, after examining a patent application in accordance with law, decides whether to grant patent rights to an invention and to issue the patent certificate, which essentially registers the patent. Patent rights become effective on the date of the grant of the patent. The duration of a patent term is 20 years from the filing date of the patent application from which the patent is issued, and 14 years from the date of grant of the patent covering designs.

Trademarks. Federally registered trademarks in the US are protected in accordance with US Code, Title 15, Trademarks, §§ 1051–1072, 1091–1096, 111–1129 and 1141 of the US Trademark Act, and US Code, Title 12 of the Madrid Protocol. A trademark can be registered in the US with the US Trademark Office. The duration of protection for a federally registered trademark is ten years beginning on the date of registration of the mark. The registration remains in force for a ten-year term, if an Affidavit of Use, attesting to actual use of the mark in US commerce on or in connection with the goods and services identified in the registration is filed with the US Trademark Office by expiration of the sixth year of the ten-year registration term. The registration may be renewed by filing a renewal application and an Affidavit of Use on or before the ten year anniversary of the date of registration.

Copyright. In the US, holders of computer software copyrights enjoy protections under the US Code, Title 17, Copyrights, §§ 101–1332. Software copyright owners may license or transfer their software copyrights to others. Registration of software copyrights, exclusive licensing and transfer contracts with the US Copyright Office is encouraged. Such registration is not mandatory under the US law, but can enhance the protections available to the registered copyrights holders.

Tax Regulations

Taxation on Non-US Companies. If a non-US company has income that is effectively connected with a US trade or business, the non-US company must file a US corporate income tax return and pay regular US corporate income tax and "branch profits" tax (at a combined US federal rate of 54.5%). Whether a non-US company will be treated as conducting a US trade or business depends on all the facts and circumstances. A non-US company is treated as engaged in business in the US only if activities in the US are considerable, continuous and regular, however, the threshold level of activity is relatively low. For example, any one of the following activities could subject a non-US company to US federal income tax:

- The non-US company ships products to the US and title passes in the US.

- The non-US company's employees or agents travel regularly in the US to make sales calls or to engage in marketing activities, demonstrate products, or solicit orders.

— The Internal Revenue Service ("**IRS**") could take the position that the non-US company's full-time independent contractors, who do not perform substantial services for other third parties, should be treated as employees for tax purposes. Whether a service provider is an employee is based on a number of facts-and-circumstances. Independent contractors, who do not perform substantial services for other third parties, could be treated as employees for tax purposes. In that case, US federal and state tax authorities would likely treat the non-US company as having offices in the states where they work out of their homes.

— It is also possible for the IRS (or state tax authorities) to take the position that the independent contractors are in fact dependent agents of the non-US company, on the ground that they perform services primarily for the non-US company's business and are under the control of the non-US company. If that is the case, this would be a separate ground for being treated as conducting a US trade or business.

- The non-US company's employees or agents travel regularly in the US to assist customers with product installations, training, or service.

In case a tax treaty with the US exists and applies, the non-US company would have to have a "permanent establishment" in order to be required to file US corporate income tax returns and pay regular US federal income tax and branch profits tax. Some of the activities discussed above could constitute a permanent establishment, such as non-US company's employees or full-time independent contractors working in the US, an office in the US, and a US subsidiary that obtains contracts on behalf of its non-US parent company.

Taxation Obligations of US Corporations. A corporation incorporated and existing under the laws of a state of the US, such as the US Subsidiary, is subject to certain tax compliance obligations. A US corporation should (a) obtain a US taxpayer identification number, and (b) register with federal and state tax authorities to commence payroll tax withholding on the wages paid to its employees. Filing obligations are often monthly. A US bank account should be established, and a US payroll company should be retained to make sure the proper payroll taxes are withheld. Payroll taxes include:

- Federal withholding tax (maximum of 25%, typically much lower rate)

- State withholding tax (typically from 5% to 9%)

- Social security and Medicare tax (FICA) (generally, employer's share of 7.65% and employee's share of 7.65% up to about US$110,000 of wages; after that employer's share is 1.45% and employee's share is 1.45%)

- Federal unemployment insurance (FUTA) (6.2% on first US$7,000 of wages)

- State unemployment insurance (varies; payment of FUTA is credit towards state payment obligations)

A US corporation should register to conduct business in the applicable states and register with the applicable states for state sales tax purposes. This at the least would include the state(s) in which a US corporation has its headquarters, its property and/or its employees.

A US corporation is required to file US federal and state corporate income tax returns annually, generally due each 15 March (but an extension to September 15 is available). However, estimated corporate income taxes are due quarterly and the entire tax is due by March 15 of the following year, even if an extension is obtained (for example, due 15 March 2014 for 2013 tax year).

RISKS RELATING TO THE APPERIENCE GROUP AND ITS BUSINESS

Short history of operation

Apperience was incorporated in the Cayman Islands on 7 March 2011. 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. The Apperience Group recorded an audited consolidated turnover of approximately US$4,775,000 and approximately US$10,911,000 for the period from 7 March 2011 to 30 September 2011 and for the 12 months ended 30 September 2012, respectively. The Apperience Group recorded an audited consolidated net profit after taxation and extraordinary items of approximately US$2,308,000 and approximately US$5,812,000 for the period from 7 March 2011 to 30 September 2011 and for the 12 months ended 30 September 2012, respectively. The Apperience Group operates in a dynamic and changing market and potential investors should not rely on its historical results as an indication of its future operating performance. There is no assurance that the Apperience Group will be able to maintain historical rate of growth of revenue in future periods and that the revenue generated during a particular period will be sustained in any subsequent periods. This is not guaranteed that the Apperience Group can maintain a viable business in the future. There is also no assurance that the products of the Apperience Group will be able to gain acceptance from its existing and prospective customers. In the event that the Apperience Group fails to retain its existing clients and is unable to solicit new clients, its future turnover and profitability may be significantly and adversely affected.

Reliance on several key personnel

The performance of the Apperience Group, to a large extent, depends on the continued service and performance of the Key Employees. In particular, the Apperience Group relies on Dong Yuguo, Xue Qiushi, Lian Ming and Chen Liang, all being the Warrantors and some of the Key Employees, who have been critical in developing the business strategy of the Apperience Group and product development and overseeing daily operations of the Apperience Group. If the Apperience Group fails to retain the Key Employees or fails to attract the qualified staff needed to manage and grow its business, it may not be possible for the Apperience Group to promptly recruit suitable candidates to replace them. In such circumstances, the business of the Apperience Group may be significantly and adversely affected.

Market acceptance of new products and upgrades and changing consumers' behaviour

The industry in which the Apperience Group operates is ever-changing and evolving. It is essential for the Apperience Group to develop competitive new products and/or upgrade its existing products that meet the changing needs of the target users in order to attract new users and maintain or increase revenue from existing users. With the objective of diversifying the Apperience Group's product portfolio, the Apperience Group plans to develop online games in the near future. The results of the operations of the Apperience Group in the future will, to a significant extent, depend on the development of the new products and upgrade of the existing products. The development of upgrades and new products involves significant time, manpower and expenses and is subject to risks including, among others, the management of the length of the development cycle, adaption to the industry standards, regulatory compliance and acquisition and maintenance of intellectual property rights. If the Apperience Group fails to launch the new products or upgrades on time, or fails to achieve widespread market acceptance or does not meet the user expectations, the business, operating results and financial conditions of the Apperience Group may be significant and adversely affected.

In addition, the target customers of the Apperience Group are principally individual consumers worldwide. The Apperience Group primarily draws its revenue from individual users purchasing subscriptions to its products from time to time. If a significant portion of the existing users stops using the products of the Apperience Group by switching to the products of its competitors or the Apperience Group cannot retain its existing user base or attract new users, the business, operating results and financial conditions of the Apperience Group may be significantly and adversely affected. In addition, the Apperience Group may be subject to difficulties including substantial costs associated with developing software products or mobile applications in various languages as well as a variety of regulatory limitations on its ability to operate in some countries. Failure to overcome these difficulties may have a negative impact of the business and operations of the Apperience Group and its ability to expand its business.

Further, some of the active users of the Apperience Group have been users of its trial products, which are free of charge. One of the business strategies of the Apperience Group is based on offering premium products with charges on top of the free products. If the Apperience Group fails to convert these free users into subscription paid users, the ability of the Apperience to generate revenue will be adversely affected.

Maintenance of the flagship product

Advanced SystemCare is the flagship product created by Apperience, which is 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. More than 80% of the audited total turnover of the Apperience Group for the year ended 30 September 2012 was attributable to the sales of Advanced SystemCare products. If Advanced SystemCare experiences any reduction in its user base or decrease in its popularity due to intensifying competition, or the Apperience Group fails to upgrade or enhance Advanced SystemCare in a timely manner, the business, operating results and financial conditions of the Apperience Group may be significantly and adversely affected.

Potential product liability

The software products developed by the Apperience Group may contain defects, errors or vulnerabilities that may cause them to fail to perform in accordance with the user expectations. If any products sold by the Apperience Group are defective or contain errors, the Apperience Group will consequently be required to incur additional costs in correcting or eliminating defects or errors in the software products. Furthermore, the Apperience Group may not be able to correct any defects or errors or address vulnerabilities promptly which may cause harm to its reputation and competitive position and loss of its existing and potential customers.

The Apperience Group does not maintain any insurance against product liability and legal claims. There has been no claim against the Apperience Group by its customers up to the Latest Practicable Date. Our sales contracts normally include provisions for liability limitation against claims from users. Should there be any product liability claim against the Apperience Group in the future and in the event that such limitation provisions are unenforceable, the business, operating results and financial position of the Apperience Group may be significantly and adversely affected.

Limited intellectual property protection

The Apperience Group's success depends on its intellectual property proprietary rights.

As at the Latest Practicable Date, the Apperience Group has registered trademarks such as "Advanced SystemCare" in the PRC, the United Kingdom and Canada, "IObit" in the PRC, the United Kingdom, Canada and the US (class 9), "Smart Defrag" in the US, "Security 360" in the US (class 9), Canada and the United Kingdom, "Aircover" and "Bluesprig" in the European Union and "Jetboost" and "Jetclean" in the US and the European Union. The Apperience Group is now applying for registration of trademarks such as "Advanced SystemCare" in the US, "IObit" in class 42 in the US, "Smart Defrag" in the PRC, the United Kingdom and Canada, "Security 360" in the PRC and "Security 360" in class 42 in the US. As advised by the directors of Apperience, the Apperience Group is applying for registration of five patents in the name of a Key Employee in the US. In addition, it is also planning to apply for registration of software copyright of Advanced SystemCare in the US. There is no assurance that the aforesaid trademark applications can be successfully completed in a timely manner or at all and that the pending patent applications in the US will be successful and result in the issuance of patents. Even if the patent applications are successful, there is no assurance that such patents, when registered, can be successfully transferred by the said Key Employee who applied for the patent registrations in the US to the Apperience Group.

If other parties apply for registration of trademarks, patents or copyrights in the countries in which the Apperience Group has not completed the registrations, there is no assurance that protection to its products against piracy risks or infringement by third parties will be sufficiently afforded in these countries or at all. Although certain trademarks of the Apperience Group are registered in some jurisdictions, for example, in the PRC, there is no assurance that such laws will be adequate or can effectively be enforced against third parties who violate the Apperience's Group trademarks by copying or pirating its products. Only senior management of the Apperience Group will have access to its trade secrets. There is also no assurance that the non-disclosure agreements with employees of the Apperience Group or other third parties will not be breached, and that the Apperience Group will be able to effectively to enforce these agreements or to have adequate remedies for any breach or that its trade secrets and other proprietary information will not be disclosed or otherwise cease to be protected. There is no assurance that the Apperience Group will be able to prevent third parties from infringing or misappropriating its intellectual property rights and using its technology for their competitive advantages which could have adverse effect on the business, operating results and financial conditions of the Apperience Group. Substantial costs or diversion of the resources of the Apperience Group may be required for protecting its intellectual property rights and technology.

In addition, the Apperience Group has authorised third parties to perform translation, modification, promotion and distribution of its "Advanced SystemCare" products in certain territories, such as Brazil, Mexico, Poland and Thailand. There is no assurance that the products of the Apperience Group will be adequately protected against piracy or infringement by other parties in these countries. There is also no assurance that such licensed third parties will protect the confidential and proprietary information of the Apperience Group. In addition, disputes may arise in relation to titles to the work products further developed by such third parties. On the other hand, the Apperience Group has also been granted licence to use the software products of other party to develop its own products. Risks may be associated with the use of such software products if, among others, the titles to such software products are defective. Disputes may also arise in relation to titles of the final products developed by the Apperience Group with the usage of such software products of other party. Any disputes over these agreements may incur additional costs and expenses and legal fees to the Apperience Group.

As at the Latest Practicable Date, there was no claim of infringement of trademarks or other intellectual property rights by third parties in respect of the products of the Apperience Group.

Reliance on the PRC Company to provide technical services

In accordance with the IT Consultancy Service Agreement dated 15 April 2011 (as supplemented by the Supplemental IT Consultancy Service Agreement dated 10 November 2012), the PRC Company (which had been carrying on the business of research and development and distribution of software products of the Apperience Group prior to the incorporation of Apperience in March 2011) has been providing technical research and development, support and assistance services to the Apperience Group on an exclusive basis. The Apperience Group did not recruit other technical service provider since its establishment in 2011. The IT Consultancy Service Agreement (as supplemented by the Supplemental IT Consultancy Service Agreement), which can be terminated unilaterally only by the Apperience Group by 30-day prior notice in writing, will expire on 10 November 2015. The PRC Company shall have no right to terminate the IT Consultancy Service Agreement (as supplemented by the Supplemental IT Consultancy Service Agreement) prior to its expiry. In the event that IT Consultancy Service Agreement (as supplemented by the Supplemental IT Consultancy Service Agreement) is terminated or expires, and the Apperience Group fails to find suitable replacement or to retain the members of its in-house programming team, the operation and profitability of the Apperience Group may be significantly and adversely affected.

Effectiveness of marketing efforts

The products of the Apperience Group are primarily promoted through its own website and download websites. If any of its own website or the download websites experiences breakdown or interruption, it may lead to a reduction in the number of the existing and potential users of the Apperience Group. If such circumstance arises, the business, operating results and financial conditions of the Apperience Group will be significantly and adversely affected.

Protection of personal data privacy

The Apperience Group collects and processes personal data (including email addresses and names of users) from users who purchase its products worldwide. The Apperience Group may be subject to data protection and privacy-related laws and regulations of different jurisdictions. Should there be any change in data protection and privacy-related laws and regulations, the Apperience Group may incur more financial resources and time to secure data security and privacy in order to comply with the changes in such laws and regulations.

General obligations under service contracts

Certain service contracts to which the Apperience Group is a party contain some terms and conditions which impose specific obligations or indemnity obligations on the part of the Apperience Group. In some of the contracts, the Apperience Group gives indemnity for breach of any representation and/or warranty therein which may incur material indemnified amount. Should any of these contracts is not fully complied with by the Apperience Group, it may be sued for breach of contract for damages or otherwise required to indemnify counterparties directly which may have negative impact to the business and financial conditions of the Apperience Group.

Taxation liability

The Apperience Group operates primarily in the PRC and generates revenue from customers in multiple jurisdictions including but not limited to the US. The Apperience Group may be subject to unanticipated tax liabilities in all or any of the jurisdictions in which it operates which may have negative impact to the financial conditions and operating results of the Apperience Group. For the year ended 30 September 2012, the Apperience Group has made tax provision of approximately US$1,984,000. In accordance with the Acquisition Agreement, the Ordinary Vendors and the Warrantors shall also execute and deliver to the Company at Completion a deed of 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. Further details of the Tax Indemnity are set out in the paragraph headed "Tax Indemnity" in the Letter from the Board in this circular. There is no assurance that the tax provision made by the Apperience Group and the Tax Indemnity provided by the Ordinary Vendors and the Warrantors will be able to cover the tax liability to be incurred by the Apperience Group. If that is the case, the business, operating results and financial conditions of the Apperience Group will be materially and adversely affected.

Achievement of business objectives

The business plan and objectives of the Apperience Group are set out in the paragraph headed "Business plan of the Apperience Group" in the Letter from the Board in this circular. There is no assurance that the Apperience Group will be able to deliver new products on a commercially viable basis or in a timely manner, or at all, or achieve any or all of these business strategies and plans which are subject to many factors (including global economic conditions) which are beyond the control of the Apperience Group. If the Apperience Group fails to implement its business strategies in accordance with its plan, its revenue and profitability will not grow as it expects, and its business, financial conditions and operating results may be materially and adversely affected.

RISKS RELATING TO THE INDUSTRY IN WHICH THE APPERIENCE GROUP OPERATES

Competition

The market for the IT software and mobile application is highly competitive and subject to rapid technological changes as customers' needs evolve. The Apperience Group faces intense competition around the world, including competition from other large, multinational and other regional companies. Some of these companies may have substantially greater financial and other resources as well as greater brand name recognition than the Apperience Group. The competitors may offer their products at lower prices or market and advertise their products in a way that will impact customers' preference and solicit the existing users of the Apperience Group.

The Apperience Group may be unable to anticipate the timing and scale of its competitors' activities and initiatives or to successfully counteract them, which could harm its business. In addition, the cost of responding to its competitors' activities may increase pricing pressure and thereby affecting the financial performance of the Apperience Group. There is no assurance that current or future competitors will not develop or offer products with better functionality or better pricing over the products of the Apperience Group. If the Apperience Group is unable to compete effectively, it may lose market share. The ability of the Apperience Group to compete also depends on its ability to attract and retain key talent and protect patent and trademark rights. A failure to compete effectively could materially and adversely affect the growth, profitability and operation of the Apperience Group.

Rapid technology changes

The IT software and mobile application business is characterised by rapid technological developments, changes in user needs and behaviour, the proliferation of new and changing computer virus and frequent product introductions and updates. The market expects timely introduction of software products and mobile applications to respond to the technological advancements and new threats that the consumers are facing in the PC security market. The Apperience Group may experience delays in the introduction of new products, updates, enhancements and features. If it fails to respond to the rapidly changing needs of the users by developing and introducing the products on a timely basis, its competitive position, reputation and business prospects could be harmed.

In addition, the development of new products, updates, enhancements and features by the Apperience Group will entail substantial investments in the research and development. There is no assurance that such research and development efforts will result in the successful development of new products or enhancements, nor that any of such new or enhanced products will be accepted by the market. In the event that the Apperience Group's products fail to meet the requirements of the market and gain market acceptance, its future growth and prospects may be materially and adversely affected.

Fluctuation in consumers' demand

Demand for the software products and mobile applications of the Apperience Group fluctuates from time to time due to factors such as general economic conditions, competition, product obsolescence, technological changes, financial conditions of the customers and levels of internet usage. Most of these factors are beyond the control of the Apperience Group. A change in the factors driving demand for the products of the Apperience Group could materially and adversely affect the business, financial conditions and operating results of the Apperience Group.

Adverse conditions in the global economies

The user community of the Apperience Group is worldwide of which the US is the principal market. Global economy has experienced a prolonged downturn and the future severity of the economic conditions and the length of time of such conditions that may persist are unknown. These conditions may increase the difficulties in planning future business. Users may delay or reduce technology purchases in midst of such economic conditions. Any continuation of or further deterioration in these conditions or a reduction in consumer spending on technology purchases could result in a downturn in sales of the products of the Apperience Group which in turn could have a material negative impact on the business, financial conditions and operating results of the Apperience Group.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the six months ended 30 June 2012 is set out in the unaudited condensed consolidated financial statements in the interim report of the Company for the six months ended 30 June 2012 published on 10 August 2012 at http://www.hkexnews.hk/listedco/listconews/GEM/2012/0810/GLN20120810016.pdf.

Financial information of the Group for the years ended 31 December 2009, 2010 and 2011 are set out in the audited consolidated financial statements in the annual reports of the Company for the years ended 31 December 2009, 2010 and 2011 at http://www.hkexnews.hk/listedco/listconews/GEM/2010/0310/GLN20100310031.pdf; http://www.hkexnews.hk/listedco/listconews/GEM/2011/0316/GLN20110316011.pdf; and http://www.hkexnews.hk/listedco/listconews/GEM/2012/0327/GLN20120327044.pdf respectively.

2. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the Group for the six months ended 30 June 2012 and for the years ended 31 December 2011, 2010 and 2009 respectively.

For the six months ended 30 June 2012

Business review

The optical display business

The business of sales of optical display equipment, components and related technology recorded no turnover for the Period. A minimal operation was maintained by the subsidiary in Beijing and the business so far was not successful. In May 2012, the Board decided to close the business of sales of optical display equipment, components and related technology carried out by the subsidiary which was classified as discontinuing operations.

E-learning business

During the Period under review, the Group focused on e-learning business. The turnover mainly generated from e-learning business for the Period was approximately HK$1,679,000. The sales for the Period were more than the sales for the same period in the last year. With such turnover the contribution of this business to the Group was approximately HK$974,000. The Group actively expended its distribution network and customer base during the Period. Beginning in the past quarter, KanHan Educational Services Limited ("**KanHan EDU**") has begun its cooperation with EnglishCentral, Inc. (the "**EnglishCentral**"), a US based e-learning technology and service provider, in customizing her unique listening and speaking skills training platform to suit for Hong Kong schools' English curriculum. The resulting program graded into 10 levels has been launched in June with a few pilot schools joining for trial use. The Company expects EnglishCentral business will begin to pick up when the new school term starts in September 2012. The management also expects the contribution of this business will increase significantly in this year.

Financial review

Turnover

The turnover of the Group was approximately HK$1,679,000 for the Period, representing an increase of approximately 29% compared to the turnover for the period ended 30 June 2011 of approximately HK$1,299,000.

Loss for the period

The loss attributable to the equity shareholders of the Company for the Period was approximately HK$1,649,000 compared to loss attributable to equity shareholders of approximately HK$3,946,000 for the period ended 30 June 2011.

Interim dividend

The Directors do not recommend to pay any interim dividend for the six months ended 30 June 2012 (2011: HK$ Nil).

Pledge of assets

On 13 February 2012, the Company's indirect wholly-owned subsidiary, Elipva (Greater China) Holdings Limited, purchased a property in Hong Kong at a consideration of HK$6,500,000 and took out a bank loan in the principal amount of HK$3,250,000, denominated in Hong Kong dollar, at the interest rate of 2% per annum below Prime, and by 180 monthly instalments each inclusive of interest, commencing one month after drawdown and due in February 2027. The bank loan plus interests and other charges are guaranteed by the Company.

Contingent liabilities

As at 30 June 2012, the Group had no significant contingent liabilities.

Liquidity and financial resources

As at 30 June 2012, the Group's cash and cash equivalents amounted to approximately HK$125,683,000, which were principally denominated in Renminbi and Hong Kong dollar.

As at 30 June 2012, the total net current assets of the Group were approximately HK$126,829,000 as compared to net current assets of approximately HK$133,337,000 as at 31 December 2011. As at 30 June 2012, the outstanding bank borrowing of the Group was approximately HK$3,193,000 (31 December 2011: Nil) and the interest expenses for the six months period were approximately HK$35,000 (2011: HK$110,000). The details of bank borrowing are set out in the paragraph headed "Pledge of assets" in this Management Discussion and Analysis.

Gearing ratio

As at 30 June 2012, the gearing ratio (being the ratio of total liabilities to total assets) of the Group, defined as the percentage of the total liabilities of approximately HK$6,661,000 (31 December 2011: HK$3,257,000), to total assets of approximately HK$163,378,000 (31 December 2011: HK$161,647,000), was approximately 4% (31 December 2011: 2%).

Capital structure

There has been no significant change in the capital structure of the Company during the Period.

Foreign exchange exposure

During the Period the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Directors did not consider the Group was significantly exposed to any foreign currency exchange risk. The Group did not adopt any foreign exchange hedging policy. However, the management monitored its foreign exchange risks and would take protective approaches when necessary.

Significant investment

The Group had no significant investments during the Period.

Material acquisitions and disposals

The Group had no material acquisition or disposal during the Period.

Employees and remuneration policies

As at 30 June 2012, the Group had approximately 38 employees in Hong Kong and the PRC. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, individual qualifications and performance, and in accordance with the statutory requirements of the respective jurisdiction where the employees are engaged. On 24 December 2007, the share option scheme ("**Share Option Scheme**") was approved by shareholders of the Company in an extraordinary general meeting. The Share Option Scheme is to enable the Company to grant option to either Directors or employees of the Group in order to recognise and motivate their contribution, to provide incentives and to help the Group in retaining its existing employees and recruiting additional quality employees and to provide them with a direct economic interest in attaining the long term business objectives of the Group. No options were granted under the Share Option Scheme for the period ended 30 June 2012. As at 30 June 2012, there were options to subscribe for 6,200,000 shares of the Company outstanding under the Share Option Scheme.

Outlook

The e-learning business is becoming the engine of growth now for the Group. The Group will further allocate resources on e-learning business in this year so as to fulfill the huge demand in primary and secondary schools. As mentioned before in the Company's announcement, the profit guarantee before tax from this business is HK$6,500,000 for this year. Details of this guarantee are set out in announcements of the Company published on 14 July 2010 and 3 July 2012 respectively. Such guarantee should improve the result of the Group in the near future.

Apart from the contribution of e-learning business, the Group has sufficient cash reserve after the placement and open offer in last year and the money has been kept as fixed deposit in bank to earn interest during the Period. With this extra resource, the Board will carefully continue to explore and pursue potential mergers and acquisitions that can enhance the Group's profitability.

For the year ended 31 December 2011

Business review

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

The optical display business

The optical display business recorded no turnover for the Year. A minimal amount of display units was kept by the Beijing subsidiary and some effort was put in to try to dispose them, but there was no result produced due to the high competition of the market. The management is thinking seriously about the prospect of this business.

E-learning business

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

Financial review

Turnover

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

Loss for the year

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

Dividend

The Board of the Company does not recommend the payment of any dividend for the Year (2010: HK$ Nil).

Pledge of assets

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

Contingent liabilities

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

Liquidity and financial resources

As at 31 December 2011, the Group's cash and cash equivalents amounted to approximately HK$118,105,000, which were principally denominated in Renminbi and Hong Kong dollars, and the total liabilities of the Group amounted to approximately HK$3,257,000. There is no liquidity problem expected by the Group in the year of 2012, particularly after the completion of the Open Offer in January 2011 which gathered net proceeds of approximately HK$101,178,000, and the completion of the placing shares in June 2011 which gathered net proceeds of approximately HK$25,197,000.

Gearing ratio

As at 31 December 2011, the gearing ratio (being the ratio of total liabilities to total assets) of the Group, defined as the percentage of the total liabilities of approximately HK$3,257,000 (31 December 2010: HK$4,135,000), to total assets of approximately HK$161,647,000 (31 December 2010: HK$41,815,000), was approximately 2% (31 December 2010: 10%).

Capital structure

On 17 January 2011, the Company has raised approximately HK$101,178,000, net of expenses, by issuing 1,048,894,324 offer shares and 786,670,743 bonus shares in aggregate to all equity shareholders of the Company. Details of this issuing open offer and bonus shares are set out in the Company's announcements published on 15 October 2010, 16 November 2010, 13 December 2010, 29 December 2010 and 19 January 2011 respectively.

On 19 May 2011, the Company has granted 6,200,000 (after adjustment for share consolidation dated 18 July 2011) share options to a consultant at the exercise price of HK$0.116 (after adjustment for share consolidation dated 18 July 2011) per share. Details of the granted share options are set out in the Company's announcements dated 19 April 2011 and 19 May 2011 respectively.

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

On 18 July 2011, the Company has finished the share consolidation, in which the every two exiting issued and unissued ordinary shares of HK$0.05 each in the share capital of the Company have been consolidated into one share of HK$0.10 in the share capital of the Company. Details of the share consolidation are set out in the Company's announcements dated 13 June 2011, 15 June 2011, 24 June 2011, 15 July 2011 and 18 July 2011 respectively.

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

Foreign exchange exposure

During the Year the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Directors did not consider the Group was exposed to any significant foreign currency exchange risk. The Group did not adopt any foreign exchange hedging policy. However, the management monitored its foreign exchange risks and would take protective approaches when necessary.

Significant investment

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

Material acquisitions and disposals

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

Employees and remuneration policies

As at 31 December 2011, the Group employed has about 31 employees (2010: 25) working in Hong Kong, Guangzhou and Beijing. The increase of headcount is due to enhance new manpower of KanHan EDU for new product development. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, individual qualifications and performance, and in accordance with the statutory requirements of the respective jurisdiction where the employees are engaged. On 19 May 2011, the Company has granted 6,200,000 (after adjustment for share consolidation dated 18 July 2011) share options to a consultant at the exercise price of HK$0.116 (after adjustment for share consolidation dated 18 July 2011) per share. Details of the granted share options are set out in the Company's announcements dated 19 April 2011 and 19 May 2011 respectively.

Outlook

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

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

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

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

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

For the year ended 31 December 2010

Business review

The optical display and E-learning businesses

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

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

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

Financial review

Turnover

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

Loss for the year

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

Dividend

The Board of the Company does not recommend the payment of any dividend for the Year (2009: HK$ Nil).

Pledge of assets

As at 31 December 2010, the Group did not have any substantial pledge of assets.

Contingent liabilities

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

Liquidity and financial resources

As at 31 December 2010, the Group's cash and cash equivalents amounted to approximately HK$12,878,000, which were principally denominated in Renminbi and Hong Kong dollars, and the total liabilities of the Group amounted to approximately HK$4,135,000. There is no liquidity problem expected by the Group in the year of 2011, particularly after the completion of the Open Offer in January 2011 which gathered net proceeds of approximately HK$101,178,000.

Gearing ratio

As at 31 December 2010, the gearing ratio (being the ratio of total liabilities to total assets) of the Group, defined as the percentage of the total liabilities of approximately HK$4,135,000 (31 December 2009: HK$1,592,000), to total assets of approximately HK$41,815,000 (31 December 2009: HK$31,027,000), was approximately 10% (31 December 2009: 5%).

Capital structure

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

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

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

Foreign exchange exposure

During the Year the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Directors did not consider the Group was exposed to any significant foreign currency exchange risk. The Group did not adopt any foreign exchange hedging policy. However, the management monitored its foreign exchange risks and would take protective approaches when necessary.

Significant investments

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

Material acquisitions and disposals

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

Employees and remuneration policies

The Group currently has about 25 employees (2009: 20) working in Hong Kong, Guangzhou and Beijing. The increase of headcount is due to the acquisition of KanHan EDU. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, individual qualifications and performance, and in accordance with the statutory requirements of the respective jurisdiction where the employees are engaged. No options were granted under the Share Option Scheme for the year ended 31 December 2010.

Outlook

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

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

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

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

For the year ended 31 December 2009

Business review

The optical display business and System solution services

In October 2009 the shareholders of the Company have approved in a general meeting the disposal of the Singapore subsidiary which is engaged in providing system solution services business. Although this subsidiary has achieved a turnover of HK$5,226,000 during the period up to the date of disposal, the loss absorbed by the Company was HK$2,587,000. The Company no longer has to take up the loss of this subsidiary after the disposal.

The display business recorded a turnover of HK$5,191,000 for the Year. There were contracts from both governmental and non-governmental entities engaged by the Beijing subsidiary. The Company is committed to putting in its resources to strengthen this business.

The cash and cash equivalents of the Group as at 31 December 2009 had HK$21,889,000 and the Group remained in a very healthy cash position.

Financial review

Turnover

The turnover of the Group for continuing operation was HK$5,555,000 for the Year, representing an increase of approximately 172% compared to the turnover for the year ended 31 December 2008 of approximately HK$2,042,000.

Loss for the year

The loss of the Group attributable to the shareholders of the Company for the Year was HK$14,166,000 compared to the same of loss of HK$8,358,000 for the year ended 31 December 2008. This was mainly due to the increase in selling and administrative expenses for the Year as more management staff have been employed and more offices were opened.

Dividend

The Board of the Company does not recommend the payment of any dividend for the Year (2008: HK$ Nil).

Pledge of assets

As at 31 December 2009, the Group did not have any substantial pledge of assets.

Contingent liabilities

As at 31 December 2009 the Directors did not consider the Group had any contingent liabilities (2008: HK$ Nil).

Liquidity and financial resources

The Group's total liabilities decreased to HK$1,592,000 as at 31 December 2009 from HK$4,064,000 as at 31 December 2008. As at 31 December 2009, the Group's cash and cash equivalents amounted to approximately HK$21,889,000, which were principally denominated in Renminbi, Singapore and Hong Kong dollars, which was so far more enough to settle its total liabilities of approximately HK$1,592,000. Therefore no liquidity problem is expected by the Group in the year of 2010.

Gearing ratio

As at 31 December 2009 the gearing ratio of the Group was 5% (2008: 11%).

Capital structure

On 31 July 2009, the Company issued 273,279,476 offer shares at HK$0.045 per offer share by way of an open offer on the basis of one offer share for every three issued shares held on 8 July 2009. The net proceed of approximately HK$11,700,000 from the open offer was used for general working capital and future business expansion. Besides that there has been no significant change in the capital structure of the Company for the Year.

Foreign exchange exposure

During the Year the business activities of the Group were mainly denominated in Hong Kong dollars, Renminbi and Singapore dollars. The Directors did not consider the Group was exposed to any significant foreign currency exchange risk. The Group did not adopt any foreign exchange hedging policy. However, the management monitored its foreign exchange risks and would take protective approaches when necessary.

Significant investments

The Group had no significant investments during the Year.

Material acquisitions and disposals

The Group had no material acquisition during the Year.

In March 2008, the Group disposed of 30% of the issued share capital of a wholly-owned subsidiary company, Elipva Limited ("**Elipva**"), together with its interest in a subsidiary, Elipva Inc., at a consideration of S$100,000 (equivalent to approximately HK$560,000) and the gain on partial disposal of Elipva was approximately HK$267,000.

In October 2009, the Group further disposed of the remaining 70% of the issued share capital of Elipva, together with its interest in a subsidiary, Elipva Inc., at a consideration of HK$300,000 and the gain on the disposal of Elipva was approximately HK$1,101,000.

Elipva is a limited public company incorporated in Singapore and the principal activities of Elipva are those relating to the provision of e-commerce solutions services and the development of portals. This disposal constituted a very substantial disposal for the Company under the GEM Listing Rules and details of transaction are disclosed in note 10(a) to the financial statement of the Company for the year ended 31 December 2008 and 2009, and the Company's announcements dated 28 March 2008, 9 September 2009 and 29 October 2009 respectively and the Company's circulars dated 10 April 2008 and 12 October 2009 respectively.

Employees and remuneration policies

The Group currently has about 20 employees (2008: 30) working in Hong Kong, Beijing and Shenzhen. The decrease of headcount is due to the disposal of the Singapore subsidiary. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, individual qualifications and performance, and in accordance with the statutory requirements of the respective jurisdiction where the employees are engaged. No options were granted under the Share Option Scheme for the year ended 31 December 2009.

Outlook

The Company will further strengthen its effort in the display business this year. There is great demand in large display system such as interactive reading and signage display boards and video walls in China and this is the market the Company is tackling. Some tenders for contracts of relatively large scale have been proposed, and it would bring in new momentum in development if the Company could obtain the contracts.

Micro projection is another arena of display business with lots of potential. Portable integrated projection TV and built-in projectors are expected to be the trendy products for youngsters and professionals. The Company has already done some ground work to enter this market and proper products may be able to launch within this year. The Company is also considering bringing in business partners for this.

Due to global warming, pushing for low carbon emission and develop green energy are the works being promoted by the world and the Chinese government. The Company is seeking and exploring opportunities in high efficient energy storage systems, electrical automobiles and smart grid etc. By doing so the Company intends not only to capture the potential but also to diversify its business scope.

3. WORKING CAPITAL

After due and careful consideration, the Directors are of the opinion that, taking into account of (i) the existing bank and borrowing facilities available to the Enlarged Group; (ii) the Enlarged Group's internal financial resources including cash and bank balances; and (iii) the expected due and punctual repayment of all the existing trade receivables upon their maturity by customers, the Enlarged Group has sufficient working capital to satisfy its present requirements for at least 12 months from the date of publication of this circular in the absence of any unforeseen circumstances.

4. INDEBTEDNESS STATEMENT

Borrowings

At the close of business on 31 December 2012, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had the following outstanding borrowings:

	Note	Non-current portion *HK$'000*	Current portion *HK$'000*	Total *HK$'000*
2012 Sept Convertible Notes	*1*	—	20,053	20,053
Bank loan, secured	*2*	2,891	217	3,108
Due to a director of the Company	*3*	—	401	401
Others		—	45	45
		2,891	20,716	23,607

Notes:

1. On 14 November 2012, the Company issued 2% convertible notes (the "**2012 Sept Convertible Notes**") with a nominal value of HK$20,000,000. The holders of the 2012 Sept Convertible Notes shall have the right to convert the whole or part of the principal amount of the 2012 Sept Convertible Notes from the date of issue of the 2012 Sept Convertible Notes up to (but excluding) the date falling three business days prior to the date falling on twelve months from the date of issue of the 2012 Sept Convertible Notes at the initial conversion price of HK$0.10 per share, subject to adjustment for subdivision or consolidation of shares.

2. The bank loan of approximately HK$3,108,000 was secured by fixed charges on certain leasehold land and buildings owned by a wholly owned subsidiary of the Company with an aggregate carrying amount of approximately HK$6,585,000, and was guaranteed by the Company with an amount of HK$3,250,000 plus interest and other charges.

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

Pledge of assets

At the close of business on 31 December 2012, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had pledged certain leasehold land and buildings with an aggregate carrying amount of approximately HK$6,585,000 to secure the borrowings of the Enlarged Group.

Guarantee

At the close of business on 31 December 2012, the Company had provided guarantee to a bank of approximately HK$3,250,000 to secure a bank loan.

Contingent liabilities

As at the close of business on 31 December 2012, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group did not have any material contingent liabilities.

Disclaimer

Save as aforesaid and apart from intra-group liabilities and normal trade payable in the ordinary course of business, the Enlarged Group did not have any bank borrowings, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures or other loan capital, mortgage, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities outstanding at the close of business on 31 December 2012.

5. MATERIAL ADVERSE CHANGE

As disclosed in the profit warning announcement published by the Company on 28 December 2012, the consolidated results of the Group for the year ended 31 December 2012 ("**2012 Annual Results**") may incur a significant increase in loss attributable to the equity shareholders of the Company as compared to the last corresponding year ended 31 December 2011. The loss was mainly attributable to the impairment loss of goodwill in relation to the acquisition of the entire issued share capital of KanHan Educational Services Limited. Please refer to the announcement of the Company dated 28 December 2012 for further details. The 2012 Annual Results will be announced by the Company on or around 15 March 2013.

Apart from the above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2011, being the date to which the latest published audited financial statements of the Company were made up.

6. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in the provision of website development, electronic learning products and services. At the end of the year 2012, the Board is of the view that the existing performance of e-learning business has fallen short of expectation, and the Group may record significant impairment losses in relation to the acquisition of e-learning business. Notwithstanding the above, up to the Latest Practicable Date, the Company has no intention to discontinue the existing business.

On 28 September 2012, the Group has entered into a subscription agreement with Wise Action Limited, an indirect wholly-owned subsidiary of Modern Education Group Limited ("**Modern Education**" together with its subsidiaries, the "**Modern Education Group**") (a company listed on the Main Board of the Stock Exchange), in respect of the issue of the 2012 Sept Convertible Notes which will mature on the day falling one year from the date of its issue with the principal amount of HK$20,000,000. The Directors are of the view that the issue of the 2012 Sept Convertible Notes presents a valuable opportunity to bring in a strategic investor.

In order to further expand the e-learning platform, on 28 September 2012, the Group and Modern Education (Hong Kong) Limited ("**Modern Education HK**"), an indirect wholly-owned subsidiary of Modern Education, entered into a service agreement pursuant to which the Group agreed to engage and Modern Education HK agreed to provide 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. The Company recognizes Modern Education's potential as one of the key business partners of the Group in providing learning service in Hong Kong and overseas markets. The Company also plans to launch a new website for internet education business in mid-2013. The Directors also believe, riding on the well-established solid foundation of Modern Education Group in the educational field, together with the Group's extensive experience in the area of e-learning, the market share and customer base of the Group in the learning business could be expanded in the future.

As disclosed in the section headed "Reasons for and Benefits of the Transactions" above, the Company believes that the Acquisition would allow the Group to diversify into the IT business for personal computer and mobile and thus increase the product variety of the Group. It would bring a horizontal expansion to the Group with a wider range of software products, sales channels and target customer groups. Furthermore, the Acquisition would reinforce Group's shareholding structure and bring in reputable and experienced shareholders.

While the Apperience Group will continue to focus on the development and upgrade of its flagship anti-virus product of "Advanced SystemCare", it will also plan to develop and launch online games in the near future. In 2012, the Apperience Group has launched new products including family safety mobile application, i-cloud platform and mobile security application. The Apperience Group will continue to develop these products and release upgrades in 2013. Please refer to the paragraph headed "Business plan of the Apperience Group" in the Letter from the Board in this circular for further details.

Based on the above, the Directors are of the view that the Enlarged Group would have a positive future outlook and will continue to deliver better operating results to Shareholders.

7. IMPLICATIONS UNDER RULE 19.82 OF THE GEM LISTING RULES

Under Rule 19.82 of the GEM Listing Rules, if the assets of a listed issuer consist wholly or substantially of cash or short-dated securities, it will not be regarded as suitable for listing and trading in its securities will be suspended.

As at 30 November 2012, the unaudited cash position of the Group is approximately HK$140.5 million and the unaudited total assets of the Group and unaudited net assets of the Group are approximately HK$176.3 million and HK$154.4 million respectively. Accordingly, the unaudited percentage of cash to total assets and cash to net assets of the Group are approximately 79.7% and 91% as at 30 November 2012 respectively.

Based on the unaudited pro-forma consolidated statement of financial position of the Enlarged Group, the unaudited cash position of the Enlarged Group will be approximately HK$168.3 million and the unaudited total assets of the Enlarged Group and unaudited net assets of the Enlarged Group will be approximately HK$823.6 million and HK$409.5 million respectively. Accordingly, the unaudited percentage of cash to total assets and cash to net assets of the Enlarged Group are approximately 20.4% and 41.1% as at 31 December 2012 respectively. In case that the Acquisition can be completed, Rule 19.82 of the GEM Listing Rules should not be applicable to the Enlarged Group.

As the Acquisition may or may not proceed, subject to, among other things, the terms and conditions set out in the Acquisition Agreement, the Company may or may not satisfy the requirement under Rule 19.82 of the GEM Listing Rules. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the Company's reporting accountants, RSM Nelson Wheeler.

RSM
Audit • Tax • Advisory

29th Floor
Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

23 February 2013

The Board of Directors
M Dream Inworld Limited

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") of Apperience Corporation ("**Apperience**") and its subsidiaries (hereinafter collectively referred to as the "**Apperience Group**") for the period from 7 March 2011 (date of incorporation) to 30 September 2011 and the year ended 30 September 2012 (the "**Relevant Periods**") for inclusion in the circular dated 23 February 2013 issued by M Dream Inworld Limited (the "**Company**") in connection with the proposed acquisition of the 50.5% of the issued capital of Apperience (the "**Circular**").

Apperience was incorporated on 7 March 2011 in the Cayman Islands with limited liability and was principally engaged in investment holding, and research, development and distribution of software products. As at the date of this report, Apperience has the following subsidiaries:

Name	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of ownership interest/voting power/profit sharing	Principal activities
Imidea Limited	Hong Kong	10 ordinary shares of HK$1 each	100%	Development and sales of software
IObit Limited	British Virgin Islands	1 ordinary share of US$1 each	100%	Investment holding
Bluesprig, Inc.	Delaware, United States of America	1,000 ordinary share of US$0.0001 each	100%	Development and sales of mobile phone software

All the companies of the Apperience Group have adopted 30 September as the financial year end date.

We have audited the financial statements of Imidea Limited for the period from 11 April 2011 (date of incorporation) to 30 September 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

No audited financial statements of Apperience, IObit Limited and Bluesprig, Inc. have been prepared for the Relevant Periods as there is no statutory audit requirement in the country of their incorporation.

For the purpose of this report, the directors of Apperience have prepared the consolidated financial statements of the Apperience Group for the Relevant Periods in accordance with HKFRSs (the "**HKFRS Financial Statements**").

We have performed our independent audit on the HKFRS Financial Statements in accordance with Hong Kong Standards on Auditing and have examined the HKFRS Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information has been prepared from the HKFRS Financial Statements in accordance with HKFRSs. No adjustments were considered necessary for the purpose of preparing our report for inclusion in the Circular.

The directors of Apperience are responsible for the preparation of the HKFRS Financial Statements. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the HKFRS Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of Apperience and of the Apperience Group as at 30 September 2011 and 2012 and of the Apperience Group's results and cash flows for the Relevant Periods.

FINANCIAL INFORMATION

A. Consolidated Statements of Comprehensive Income

	Note	Period from 7 March 2011 (date of incorporation) to 30 September 2011 US$	Year ended 30 September 2012 US$
Turnover	6	4,774,979	10,911,361
Operating costs		(853,622)	(1,843,589)
Gross profit		3,921,357	9,067,772
Other income		—	100,000
Selling expenses		(38,354)	(269,584)
Administrative expenses		(797,938)	(1,101,883)
Profit before tax		3,085,065	7,796,305
Income tax expense	8	(776,862)	(1,983,954)
Profit and total other comprehensive income for the period/year	9	2,308,203	5,812,351
Attributable to:			
Owners of Apperience		2,308,203	5,812,351

B. Consolidated Statements of Financial Position

		At 30 September	
		2011	2012
	Note	*US$*	*US$*
Non-current assets			
Intangible assets	*12*	413,267	1,937,689
Current assets			
Trade receivables	*13*	1,074,666	925,446
Prepayments and other receivables		71,935	356,744
Due from a director	*14*	—	5,000
Due from shareholders	*15*	12,000	12,000
Bank balances	*16*	11,583,296	6,095,541
		12,741,897	7,394,731
Current liabilities			
Other payables		63,685	54,123
Current tax liabilities		771,276	2,745,743
		834,961	2,799,866
Net current assets		11,906,936	4,594,865
NET ASSETS		12,320,203	6,532,554
CAPITAL AND RESERVES			
Share capital	*17*	18,000	18,667
Reserves	*18*	12,302,203	6,513,887
EQUITY ATTRIBUTABLE TO OWNERS OF APPERIENCE		12,320,203	6,532,554

C. Statements of Financial Position

		At 30 September	
		2011	**2012**
	Note	*US$*	*US$*
Non-current assets			
Intangible assets	*12*	413,267	1,937,689
Investments in subsidiaries	*22*	2	12
		413,269	1,937,701
Current assets			
Trade receivables	*13*	1,074,666	866,051
Prepayments and other receivables		71,935	356,744
Due from a subsidiary	*22*	190,000	190,000
Due from a director	*14*	—	5,000
Due from shareholders	*15*	12,000	12,000
Bank balances	*16*	11,389,489	5,853,002
		12,738,090	7,282,797
Current liabilities			
Other payables		63,685	42,656
Due to subsidiaries	*22*	2	12
Current tax liabilities		770,324	2,718,254
		834,011	2,760,922
Net current assets		11,904,079	4,521,875
NET ASSETS		12,317,348	6,459,576
CAPITAL AND RESERVES			
Share capital	*17*	18,000	18,667
Reserves	*18(b)*	12,299,348	6,440,909
TOTAL EQUITY		12,317,348	6,459,576

D. Consolidated Statements of Changes in Equity

	Share capital *US$*	Share premium *US$* *(Note 18(c))*	Retained profits *US$*	Total *US$*
At 7 March 2011 (date of incorporation)	10	—	—	10
Issued during the period *(note 17(a)(ii))*	17,990	9,994,000	—	10,011,990
Profit and total comprehensive income for the period	—	—	2,308,203	2,308,203
At 30 September and 1 October 2011	18,000	9,994,000	2,308,203	12,320,203
Issued during the year *(note 17(a)(iii))*	667	1,999,333	—	2,000,000
Profit and total comprehensive income for the year	—	—	5,812,351	5,812,351
Dividends paid *(note 11)*	—	(6,681,852)	(6,918,148)	(13,600,000)
At 30 September 2012	18,667	5,311,481	1,202,406	6,532,554

E. Consolidated Statements of Cash Flows

	Note	Period from 7 March 2011 (date of incorporation) to 30 September 2011 US$	Year ended 30 September 2012 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3,085,065	7,796,305
Adjustments for:			
Amortisation of intangible assets		7,048	203,827
Operating profit before working capital changes		3,092,113	8,000,132
(Increase)/decrease in trade receivables		(1,074,666)	149,220
Increase in prepayments and other receivables		(71,935)	(284,809)
Increase/(decrease) in other payables	*19*	43,685	(9,562)
Cash generated from operations		1,989,197	7,854,981
Income tax paid		(5,586)	(9,487)
Net cash generated from operating activities		1,983,611	7,845,494
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire intangible assets	*19*	(400,315)	(1,728,249)
Increase in time deposits with maturity of over three months		(80,000)	(41)
Increase in amount due from a director		—	(5,000)
Net cash used in investing activities		(480,315)	(1,733,290)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	*19*	10,000,000	2,000,000
Dividends paid		—	(13,600,000)
Net cash generated from/(used in) financing activities		10,000,000	(11,600,000)

	Note	Period from 7 March 2011 (date of incorporation) to 30 September 2011 US$	Year ended 30 September 2012 US$
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		11,503,296	(5,487,796)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR		—	11,503,296
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/ YEAR		11,503,296	6,015,500
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank balances		11,583,296	6,095,541
Less: Time deposits with maturity of over three months		(80,000)	(80,041)
		11,503,296	6,015,500

F. Notes to the Financial Information

1. GENERAL INFORMATION

Apperience was incorporated in the Cayman Islands with limited liability. The address of its registered office is Fourth Floor, Harbour Centre, P.O. Box 613, Grand Cayman KYI-1107, Cayman Islands. The address of its principal place of business is Room 807, New Hope Tower, Hang Kong Road, Chengdu, the People's Republic of China (the "**PRC**").

The principal activities of Apperience are investment holding, and research, development and distribution of software products. The principal activities of its subsidiaries are set out in note 22 to the Financial Information.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

During the Relevant Periods, the Apperience Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting period beginning on 1 October 2011. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations.

The Apperience Group has not applied the new HKFRSs that have been issued but are not yet effective. The Apperience Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its result of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs and accounting principals generally accepted in Hong Kong. The Financial Information has been prepared under the historical cost convention.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4 to the Financial Information.

The significant accounting policies applied in the preparation of the Financial Information are set out below.

(a) Consolidation

The Financial Information includes the financial statements of Apperience and its subsidiaries made up to 30 September. Subsidiaries are entities over which the Apperience Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Apperience Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Apperience Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) Apperience's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Apperience Group.

Changes in Apperience's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of Apperience.

In Apperience's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by Apperience on the basis of dividends received and receivable.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Apperience Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Financial Information is presented in United States dollars ("**US$**"), which is Apperience's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Apperience Group entities that have a functional currency different from Apperience's presentation currency are translated into the Apperience's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(c) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Apperience Group's software development is recognised only if all of the following conditions are met:

— An asset is created that can be identified;

— It is probable that the asset created will generate future economic benefits; and

— The development cost of the asset can be measured reliably.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 2 to 6 years. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

(d) Intangible assets

Intangible assets representing computer and mobile phone software and are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 2 to 6 years.

(e) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Apperience Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Apperience Group transfers substantially all the risks and rewards of ownership of the assets; or the Apperience Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(f) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Apperience Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(g) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent bank balances, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

(h) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of Apperience after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out in notes (i) to (j) below.

(i) Other payables

Other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(j) Equity instruments

Equity instruments issued by Apperience are recorded at the proceeds received, net of direct issue costs.

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Apperience Group and the amount of revenue can be measure reliability.

Revenue from the sales of software products is recognised when the product is delivered to an end customer; the customer has accepted the product and collectability of the related receivables is reasonably assured.

(l) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Apperience Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Apperience Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Apperience Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Apperience Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(m) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the period/year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Apperience Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Apperience Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Apperience Group intends to settle its current tax assets and liabilities on a net basis.

(n) Related parties

A related party is a person or entity that is related to the Apperience Group.

(A) A person or a close member of that person's family is related to the Apperience Group if that person:

(i) has control or joint control over the Apperience Group;

(ii) has significant influence over the Apperience Group; or

(iii) is a member of the key management personnel of Apperience or of a parent of Apperience.

(B) An entity is related to the Apperience Group (reporting entity) if any of the following conditions applies:

(i) The entity and Apperience are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Apperience Group or an entity related to the Apperience Group. If the Apperience Group is itself such a plan, the sponsoring employers are also related to the Apperience Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(o) Impairment of assets

At the end of each reporting period, the Apperience Group reviews the carrying amounts of its tangible and intangible assets except receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Apperience Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Apperience Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(q) Events after the reporting period

Events after the reporting period that provide additional information about the Apperience Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Financial Information when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of estimation uncertainty

The key assumptions concerning the future, and the key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Estimated useful lives of intangible assets

The estimated useful lives of intangible assets reflect management's estimation on the Apperience Group's intention to derive future economic benefits from the intangible assets. When useful lives of intangible assets are different from those previously estimated, the amortisation charges for future periods will be adjusted accordingly.

(b) Impairment loss for bad and doubtful debts

The Apperience Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the period/year in which such estimate has been changed.

(c) Income taxes

The Apperience Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. FINANCIAL RISK MANAGEMENT

The Apperience Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk and liquidity risk. The Apperience Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Apperience Group's financial performance.

(a) Foreign currency risk

The Apperience Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principal denominated in US$, which is the functional currency of Apperience. The Apperience Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions. The Apperience Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need rise.

At 30 September 2011 and 2012, if US$ had weakened 5 per cent against the Renminbi ("**RMB**") with all other variables held constant, consolidated profit after tax for the respective period would have been US$375,000 and US$Nil higher, arising mainly as a result of the foreign exchange gain on bank balances denominated in RMB. If US$ had strengthened 5 per cent against RMB with all other variables held constant, consolidated profit after tax for the respective period would have been US$375,000 and US$Nil lower, arising mainly as a result of the foreign exchange loss on bank balances denominated in RMB.

(b) Credit risk

The carrying amount of trade and other receivables, amounts due from shareholders and a director and the bank balances, included in the statement of financial position represents the Apperience Group's maximum exposure to credit risk in relation to the Apperience Group's financial assets.

It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amounts due from shareholders and a director are closely monitored by the directors.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity risk

Liquidity risk is the risk that the Apperience Group will not be able to meet its obligations associated with its financial liabilities. The Apperience Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management.

The Apperience Group's policy is to regularly monitor current and expected liquidity to ensure that it maintains sufficient reserves of cash and to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Apperience Group's financial liabilities is as follows:

At 30 September 2011
Maturity analysis — Undiscounted cash outflows

	Repayment on demand	**Less than 1 year**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**	**Total undiscounted cash outflows**
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
Other payables	—	63,685	—	—	—	63,685

At 30 September 2012
Maturity analysis — Undiscounted cash outflows

	Repayment on demand	**Less than 1 year**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**	**Total undiscounted cash outflows**
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
Other payables	11,467	42,656	—	—	—	54,123

(d) Categories of financial instruments at 30 September

	2011	2012
	US$	*US$*
Financial assets:		
Loans and receivables (including cash and cash equivalents):		
Trade receivables	1,074,666	925,446
Due from a director	—	5,000
Due from shareholders	12,000	12,000
Bank balances	11,583,296	6,095,541
Total	12,669,962	7,037,987

	2011	2012
	US$	*US$*
Financial liabilities:		
Financial liabilities at amortised cost		
Other payables	63,685	54,123

(e) Fair values

The carrying amounts of the Apperience Group's financial assets and financial liabilities as reflected in the consolidated statements of financial position approximate their respective fair values.

6. TURNOVER

The Apperience Group's turnover represents the net invoiced value of software products sold after discount, and the associated income received upon installation of the software.

7. SEGMENT INFORMATION

The Apperience Group has two reportable segments as follows:

Software — development and sales of software

Toolbar and advertisement — commission income from toolbar and advertisement

The Apperience Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 3 to the Financial Information. Segment profits do not include corporate income and expenses. Segment assets do not include prepayments and other receivables, due from a director, due from shareholders and bank balances. Segment liabilities do not include other payables and current tax liabilities.

(a) Information about reportable segment profit or loss, assets and liabilities:

	Software		**Toolbar and advertisement**		**Total**	
	Period from 7 March 2011 (date of incorporation) to 30 September 2011	**Year ended 30 September 2012**	**Period from 7 March 2011 (date of incorporation) to 30 September 2011**	**Year ended 30 September 2012**	**Period from 7 March 2011 (date of incorporation) to 30 September 2011**	**Year ended 30 September 2012**
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
Revenue from external customer	3,935,697	9,448,204	839,282	1,463,157	4,774,979	10,911,361
Segment profit	2,245,783	6,333,148	839,282	1,463,157	3,085,065	7,796,305
Amortisation	7,048	203,827	—	—	7,048	203,827
Additions to segment non-current assets	420,315	1,728,249	—	—	420,315	1,728,249

	2011	**2012**	**2011**	**2012**	**2011**	**2012**
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
As at 30 September						
Segment assets	945,745	2,876,719	614,123	343,160	1,559,868	3,219,879

Reconciliation of reportable segment profit, segment assets and liabilities:

	Period from 7 March 2011 (date of incorporation) to 30 September 2011	**Year ended 30 September 2012**
	US$	*US$*
Profit		
Total profit of reportable segments	3,085,065	7,796,305
Income tax expense	(776,862)	(1,983,954)
Consolidated profit for the period/year	2,308,203	5,812,351

	2011	2012
	US$	*US$*
Assets		
Total assets of reportable segments	1,559,868	3,219,879
Due from a director	—	5,000
Due from shareholders	12,000	12,000
Bank balances	11,583,296	6,095,541
Consolidated total assets	13,155,164	9,332,420

Geographical information:

	Revenue	
	Period from 7 March 2011 (date of incorporation) to 30 September 2011	Year ended 30 September 2012
	US$	*US$*
United States	2,807,324	6,120,779
United Kingdom	291,941	753,656
Australia	213,613	458,233
Canada	184,677	437,474
Japan	163,517	474,349
Others	1,113,907	2,666,870
Consolidated total	4,774,979	10,911,361

In presenting the geographical information, revenue is based on the locations of the customers.

As at 30 September 2011 and 2012, the total non-current assets located in the PRC were US$413,267 and US$1,937,689 respectively.

Revenue from major customers:

During the period/year ended 30 September 2011 and 2012, revenue of US$835,360 and US$1,372,989 were derived from a single customer respectively in toolbar and advertisement segment.

8. INCOME TAX EXPENSE

	Period from 7 March 2011 (date of incorporation) to 30 September 2011	Year ended 30 September 2012
	US$	*US$*
Current tax — The PRC		
Provision for the period/year	771,276	1,974,467
Current tax — Japan		
Charge for the period/year	5,586	9,487
	776,862	1,983,954

The reconciliation between the income tax expense and the product of profit before tax multiplied by the PRC enterprise income tax rate is as follows:

	Period from 7 March 2011 (date of incorporation) to 30 September 2011	Year ended 30 September 2012
	US$	*US$*
Profit before tax	3,085,065	7,796,305
Tax at the income tax rate of 25%	771,266	1,949,076
Tax effect of temporary differences not recognised	10	25,391
Withholding tax in Japan	5,586	9,487
Income tax expense	776,862	1,983,954

No provision for deferred taxation has been made in the Financial Information as the tax effect of taxable temporary differences is immaterial to the Apperience Group.

9. PROFIT FOR THE PERIOD/YEAR

The Apperience Group's profit for the period/year is stated after charging the following:

	Period from 7 March 2011 (date of incorporation) to 30 September 2011	Year ended 30 September 2012
	US$	*US$*
Amortisation of intangible assets	7,048	203,827
Auditor's remuneration	10,952	10,952
Directors' emoluments	18,000	36,000
Research and development expenditure	207,800	23,200
Staff costs including directors' emoluments	146,608	342,296

10. PROFIT FOR THE PERIOD/YEAR ATTRIBUTABLE TO OWNERS OF APPERIENCE

The profit for the period/year attributable to owners of Apperience included a profit of US$2,305,348 and US$5,742,228 respectively which have been dealt with in the financial statements of Apperience for the period/year ended 30 September 2011 and 2012 respectively.

11. DIVIDENDS

	Period from 7 March 2011 (date of incorporation) to 30 September 2011 *US$*	**Year ended 30 September 2012** *US$*
US$0.167 per common share and preferred share	—	3,000,000
US$0.589 per common share and preferred share	—	10,600,000
	—	13,600,000

12. INTANGIBLE ASSETS

The Apperience Group and Apperience

	Software *US$*	**Trademarks** *US$*	**Total** *US$*
Cost			
Additions	400,315	20,000	420,315
At 30 September 2011	400,315	20,000	420,315
Additions	1,728,249	—	1,728,249
At 30 September 2012	2,128,564	20,000	2,148,564
Accumulated amortisation			
Charge for the period	7,048	—	7,048
At 30 September 2011	7,048	—	7,048
Charge for the year	203,827	—	203,827
At 30 September 2012	210,875	—	210,875
Carrying amount			
At 30 September 2011	393,267	20,000	413,267
At 30 September 2012	1,917,689	20,000	1,937,689

The average remaining amortisation period of the software is five years as at 30 September 2011 and 2012.

13. TRADE RECEIVABLES

The Apperience Group

The Apperience Group allows an average credit period of 30 days to 90 days to its customers. Overdue balances are reviewed regularly by the directors.

The ageing analysis of trade receivables, based on the invoice date, is as follows:

	2011	**2012**
	US$	*US$*
1 to 30 days	556,393	681,897
31 to 60 days	157,718	134,580
61 to 90 days	151,084	108,963
Over 91 days	209,471	6
	1,074,666	925,446

As of 30 September 2011 and 2012, trade receivables of US$353,119 and US$110,997 respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2011	**2012**
	US$	*US$*
Up to 3 months	171,435	110,991
3 to 6 months	181,684	6
	353,119	110,997

Apperience

Apperience allows an average credit period of 30 days to 90 days to its customers. Overdue balances are reviewed regularly by the directors.

The ageing analysis of trade receivables, based on the invoice date, is as follows:

	2011	**2012**
	US$	*US$*
1 to 30 days	556,393	638,836
31 to 60 days	157,718	118,246
61 to 90 days	151,084	108,963
Over 91 days	209,471	6
	1,074,666	866,051

As of 30 September 2011 and 2012, trade receivables of US$353,119 and US$110,997 respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2011	**2012**
	US$	*US$*
Up to 3 months	171,435	110,991
3 to 6 months	181,684	6
	353,119	110,997

14. DUE FROM A DIRECTOR

Amount due from a director disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Name	**Balance at 30 September**		**Balance at 7 March (date of incorporation)/ 1 October 2011**		**Maximum amount outstanding during the period/year**	
	2011	**2012**	**2011**	**2012**	**2011**	**2012**
	US$	*US$*	*US$*	*US$*	*US$*	*US$*
Mr. Dong Yuguo	—	5,000	—	—	—	5,000

Amount due from a director is unsecured, interest-free and has no fixed repayment terms.

15. DUE FROM SHAREHOLDERS

Amounts due from shareholders are unsecured, interest-free and have no fixed repayment terms.

16. BANK BALANCES

The Apperience Group

	2011	**2012**
	US$	*US$*
Bank balances	11,503,296	6,015,500
Times deposits with maturity of over three months	80,000	80,041
	11,583,296	6,095,541

As at 30 September 2011 and 2012, the bank balances of the Apperience Group are denominated in the following currencies:

	2011	**2012**
	US$	*US$*
US$	1,583,296	6,083,893
Hong Kong Dollar	—	11,648
RMB	10,000,000	—
	11,583,296	6,095,541

Apperience

	2011	2012
	US$	*US$*
Bank balances	11,389,489	5,853,002

As at 30 September 2011 and 2012, the bank balances of the Apperience are denominated in the following currencies:

	2011	2012
	US$	*US$*
US$	1,389,489	5,853,002
RMB	10,000,000	—
	11,389,489	5,853,002

17. SHARE CAPITAL

(a) Authorised and issued share capital

		Common shares		Series A Preferred Shares		Series A-1 Preferred Shares		Total	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
	Note		*US$*		*US$*		*US$*		*US$*
Authorised									
At incorporation, US$0.001 each	*(i)*	50,000,000	50,000	—	—	—	—	50,000,000	50,000
Redesignated during the period	*(ii)*	(6,000,000)	(6,000)	6,000,000	6,000	—	—	—	—
At 30 September 2011, US$0.001 each		44,000,000	44,000	6,000,000	6,000	—	—	50,000,000	50,000
Redesignated during the year	*(iii)*	(666,667)	(667)	—	—	666,667	667	—	—
At 30 September 2012, US$0.001 each		43,333,333	43,333	6,000,000	6,000	666,667	667	50,000,000	50,000
Issued									
At incorporation, US$0.001 each	*(i)*	10,000	10	—	—	—	—	10,000	10
Issued during the period	*(ii)*	11,990,000	11,990	6,000,000	6,000	—	—	17,990,000	17,990
At 30 September2011, US$0.001 each		12,000,000	12,000	6,000,000	6,000	—	—	18,000,000	18,000
Issued during the year	*(iii)*	—	—	—	—	666,667	667	666,667	667
At 30 September 2012, US$0.001 each		12,000,000	12,000	6,000,000	6,000	666,667	667	18,666,667	18,667

Notes:

(i) Apperience was incorporated on 7 March 2011 with authorised share capital of US$50,000 divided into 50,000,000 shares of US$0.001 each. Apperience issued 2 subscriber shares and further allotted and issued 9,998 ordinary shares of US$0.001 each to the shareholders at par.

(ii) By an unanimous written consent of the shareholders on 15 April 2011, the authorised share capital was redesignated and reclassified into 44,000,000 common shares of a par value of US$0.001 each and 6,000,000 Series A Preferred Shares of a par value of US$0.001 each and the existing issued shares be deemed as common shares.

On the same day, Apperience allotted and issued 11,990,000 common shares to the then existed shareholders. Apperience further allotted and issued 6,000,000 Series A Preferred Shares at a price of US$1.667 per share, for an aggregate price of US$10,000,000.

(iii) By an unanimous written consent of the shareholders on 10 September 2012, the authorised share capital of US$50,000 was redesignated and reclassified into 43,333,333 common shares of a par value of US$0.001 each, 6,000,000 Series A Preferred Shares of a par value of US$0.001 each and 666,667 Series A-1 Preferred Shares of a par value of US$0.001 each (the "**2012 Redesignation**").

Immediate following the 2012 Redesignation, Apperience allotted and issued 666,667 Series A-1 Preferred Shares at a price of US$3 per share, for an aggregate price of US$2,000,000.

(b) Management of capital

Apperience's objective when managing capital is to safeguard Apperience's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

Apperience currently does not have any specific policies and processes for managing capital.

Apperience is not subject to any externally imposed capital requirements.

18. RESERVES

(a) The Apperience Group

The amounts of the the Apperience Group's reserves and movements therein are presented in the consolidated statements of comprehensive income and consolidated statements of changes in equity.

(b) Apperience

	Share premium *US$*	Retained profits *US$*	Total *US$*
At 7 March 2011 (date of incorporation)	—	—	—
Issued during the period	9,994,000	—	9,994,000
Profit and total comprehensive income for the period	—	2,305,348	2,305,348
At 30 September 2011 and 1 October 2011	9,994,000	2,305,348	12,299,348
Issued during the year	1,999,333	—	1,999,333
Profit and total comprehensive income for the year	—	5,742,228	5,742,228
Dividends paid *(note 11)*	(6,681,852)	(6,918,148)	(13,600,000)
At 30 September 2012	5,311,481	1,129,428	6,440,909

(c) Nature and purpose of reserves

Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of Apperience are distributable to the shareholders of Apperience provided that immediately following the date on which the dividend is proposed to be distributed, Apperience will be in a position to pay off its debts as they fall due in the ordinary course of business.

19. MAJOR NON-CASH TRANSACTION

During the period ended 30 September 2011, Apperience allotted and issued 12,000,000 shares of US$0.001 each to the shareholders at par amounted to US$12,000. The amount was included in amounts due from shareholders.

Addition to intangible assets during the period ended 30 September 2011 of US$20,000 was included in other payables as described in note 21 to the Financial Information.

20. CONTINGENT LIABILITIES

As at 30 September 2011 and 2012, the Apperience Group did not have any significant contingent liabilities.

21. RELATED PARTY TRANSACTIONS

During the period/year ended 30 September 2011 and 2012, the Apperience Group paid software development fees amounted to US$673,750 and US$1,921,250 to a related company respectively, in which the directors of Apperience have equity interest and controls.

During the period/year ended 30 September 2011 and 2012, the Apperience Group received administrative services gratis from this related company.

As at 30 September 2011 and 2012, included in prepayments and other receivables were US$65,635 and US$235,436 respectively prepaid to this related company.

The Apperience Group acquired trademarks amounted to US$20,000 from this related company during the period ended 30 September 2011, and such amount was included in other payables as at 30 September 2011. The amount due to this related company is unsecured, interest-free and has no fixed repayment terms.

22. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 30 September are as follows:

Name	Place of incorporation and operation	Particulars of issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing 2011	2012	Principal activities
Imidea Limited	Hong Kong	10 ordinary shares of HK$1 each	100%	100%	Development and sales of software
IObit Limited	British Virgin Islands	1 ordinary share of US$1 each	100%	100%	Investment holding
Bluesprig, Inc.	Delaware, United States of America	1,000 ordinary share of US$0.0001 each	—	100%	Development and sales of mobile phone software

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed repayment terms.

23. SUBSEQUENT FINANCIAL STATEMENTS

No audit financial statements have been prepared by Apperience or any of its subsidiaries in respect of any period subsequent to 30 September 2012.

Yours Faithfully,
RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS OF APPERIENCE GROUP

Set out below is the management discussion and analysis of the Apperience Group for the period from 7 March 2011 (being the date of incorporation of Apperience) to 30 September 2011 and for the year ended 30 September 2012.

For the year ended 30 September 2012

Business review

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. In 2012, while maintaining Advanced SystemCare as its flagship product, the Apperience Group has launched new products including family safety mobile application which is designed to track location of family members and provide emergency response tools with options to call emergency services or view the location of the nearest police station, fire station or hospital, i-cloud platform to provide backup, access and restore personal data to a new device if the original was lost or damaged and mobile security application which can track down a lost smartphone and activate an alarm to help people find it.

Financial review

Turnover

The turnover of the Apperience Group was approximately US$10,911,000 (equivalent to approximately HK$84,726,000) for the year ended 30 September 2012, representing an increase of approximately 128.50% compared to the turnover for the period from 7 March 2011 to 30 September 2011 of approximately US$4,775,000 (equivalent to approximately HK$37,078,000). For the year ended 30 September 2012, approximately 86.6% (2011: 82.4%) of the turnover was from development and sales of software and approximately 13.4% (2011: 17.6%) was from commission income from toolbar and advertisement. The increase in turnover was mainly contributed from (i) the business operation of a complete 12-month financial year ended 30 September 2012; and (ii) the increased subscription on the Apperience Group's products, primarily Advanced SystemCare due to its gaining of popularity.

Profit for the year

The profit of the Apperience Group attributable to the owners of Apperience for the year ended 30 September 2012 was approximately US$5,812,000 (equivalent to approximately HK$45,133,000) compared to the profit of approximately US$2,308,000 (equivalent to approximately HK$17,923,000) for the period from 7 March 2011 to 30 September 2011, representing an increase of approximately 151.82%. The net profit margin for the year ended 30 September 2012 rose to approximately 53.27% from 48.34% for the period from 7 March 2011 to 30 September 2011, mainly due to a proportionate decrease in administrative expenses as a result of the more effective cost control for the year subsequent to the new establishment in 2011.

Liquidity and financial resources

The Apperience Group had total liabilities of approximately US$2,800,000 (equivalent to approximately HK$21,741,000) as at 30 September 2012, representing an increase of approximately 235.33% from US$835,000 (equivalent to approximately HK$6,483,000) as at 30 September 2011. Such increase was mainly attributable to the significant increase in current tax liabilities with the increase in turnover and the carrying forward of tax liabilities from the previous period. Cash and cash equivalents were approximately US$6,096,000 (equivalent to approximately HK$47,332,000) as at 30 September 2012, decreased from US$11,583,000 (equivalent to approximately HK$89,944,000) as at 30 September 2011. Such decrease was mainly due to the distribution of dividend of an aggregate amount of US$13,600,000 (equivalent to approximately HK$105,604,000) and the decreased proceeds from issue of shares by Apperience during the year, which together offset the cash inflow generated from the operating activities that increased by approximately US$5,862,000 (equivalent to approximately HK$45,518,000) during the year.

Dividend

The board of Apperience recommended the payment of dividends of US$13,600,000 (equivalent to approximately HK$105,604,000) for the year ended 30 September 2012 (2011: US$ Nil).

Pledge of assets

As at 30 September 2012, the Apperience Group did not have any pledge of assets.

Capital structure

By an unanimous written consent of the shareholders on 10 September 2012, the authorised share capital of US$50,000 was redesignated and reclassified into 43,333,333 common shares of a par value of US$0.001 each, 6,000,000 series A preferred shares of a par value of US$0.001 each and 666,667 series A-1 preferred shares of a par value of US$0.001 each (the "**2012 Redesignation**").

Immediate following the 2012 Redesignation, Apperience allotted and issued 666,667 series A-1 preferred shares at a price of US$3 per share, for an aggregate price of US$2,000,000.

As at 30 September 2012, the total numbers of issued common shares, series A preferred shares and the series A-1 preferred shares of Apperience were 12,000,000, 6,000,000 and 666,667, respectively.

Foreign exchange exposure

During the year ended 30 September 2012, the business activities of the Apperience Group were mainly denominated in US dollars. The Apperience Group did not adopt any foreign exchange hedging policy. However, the management monitored its foreign exchange risks and would take protective approaches when necessary.

Significant investment

The Apperience Group had no significant investment during the year ended 30 September 2012.

Material acquisitions and disposals

The Apperience Group had no material acquisition or disposal during the year ended 30 September 2012.

Gearing ratio

As at 30 September 2012, the gearing ratio (being the ratio of total liabilities to total assets) of the Apperience Group was approximately 29.94% (2011: 6.34%). The increase was mainly due to the increase in current tax liabilities and the decrease in cash and cash equivalents as detailed in the paragraph headed "Liquidity and financial resources" above.

Employee information

As at 30 September 2012, the Apperience Group had 102 employees (2011: 69).

Contingent liabilities

As at 30 September 2012, the management did not consider the Apperience Group had any contingent liabilities (2011: nil).

Outlook

The management believes that the increasing popularity of the Internet will continue to drive demands for computer performance and security products. In addition, the upcoming wave of cloud services will increase the overall IT spending and lead to new demands.

With the success in meeting the plans of providing upgrades and updates to the Apperience's existing products and introducing new products for mobile application and cloud platform, the Apperience Group will continue to focus on its research and development works on its extended product lines in order to respond timely to new security threads and trends and improve its competitiveness. Apperience will also plan to develop and launch new products, including online games in the future. To cope with the development plan, Apperience plans to recruit additional research and development staff with technical trainings provided from time to time where necessary.

For the period from 7 March 2011 (date of incorporation) to 30 September 2011

Business review

Apperience was incorporated in the Cayman Islands on 7 March 2011 as an exempted company with limited liability. Prior to the incorporation of Apperience, the business of Apperience was carried on by another entity. In April 2011, a corporate restructuring was undertaken pursuant to which Apperience has been formed to act as the principal operating subsidiary amongst the Apperience Group. Its major products include Advanced SystemCare, Smart Defrag and IObit, of which Advanced SystemCare is the flagship product 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. Since then, the Apperience Group has been 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.

Financial review

Turnover

The turnover of the Group was approximately US$4,775,000 (equivalent to approximately HK$37,078,000) for the period ended 30 September 2011. Approximately 82.4% of the turnover was from development and sales of software and approximately 17.6% was from commission income from toolbar and advertisement.

Profit for the period

The profit of the Apperience Group attributable to the owners of Apperience for the period was US$2,308,000 (equivalent to approximately HK$17,923,000).

Liquidity and financial resources

The Apperience Group had total liabilities of approximately US$835,000 (equivalent to approximately HK$6,483,000) and cash and cash equivalents of approximately US$11,583,000 (equivalent to approximately HK$89,944,000) as at 30 September 2011. The source of fund was mainly the US$10,000,000 (equivalent to approximately HK$77,650,000) contributed by its shareholders from the proceeds of issue of shares by Apperience.

Dividend

The board of Apperience did not recommend the payment of any dividend for the period ended 30 September 2011.

Pledge of assets

As at 30 September 2011, the Apperience Group did not have any pledge of assets.

Capital structure

Apperience was incorporated on 7 March 2011 with authorised share capital of US$50,000 divided into 50,000,000 shares of US$0.001 each. Apperience issued 2 subscriber shares and further allotted and issued 9,998 ordinary shares of US$0.001 each to the shareholders at par.

By an unanimous written consent of the shareholders on 15 April 2011, the authorised share capital was redesignated and reclassified into 44,000,000 common shares of a par value of US$0.001 each and 6,000,000 series A preferred shares of a par value of US$0.001 each and the existing issued shares be deemed as common shares.

On the same day, Apperience allotted and issued 11,990,000 common shares to the then existed shareholders. Apperience further allotted and issued 6,000,000 series A preferred shares at a price of US$1.667 per share, for an aggregate price of US$10,000,000.

As at 30 September 2011, the total number of issued common shares and series A preferred shares of Apperience were 12,000,000 and 6,000,000, respectively.

Foreign exchange exposure

During the period ended 30 September 2011, the business activities of the Apperience Group were mainly denominated in US dollars. The Apperience Group did not adopt any foreign exchange hedging policy. However, the management monitored its foreign exchange risks and would take protective approaches when necessary.

Significant investments

The Apperience Group had no significant investments during the period ended 30 September 2011.

Material acquisitions and disposals

The Apperience Group had no material acquisition or disposal during the period ended 30 September 2011.

Gearing ratio

As at 30 September 2011, the gearing ratio (being the ratio of total liabilities to total assets) of the Apperience Group was 6.34%.

Employee information

As at 30 September 2011, the Apperience Group had about 69 employees.

Contingent liabilities

As at 30 September 2011 the management did not consider the Group had any contingent liabilities.

Outlook

During the period under review, the Apperience Group has successfully attracted some renowned players in the IT industry, namely IDG-Accel investment funds and Tencent, to invest in the businesses. It is encouraging to the management and is a milestone to the development of Apperience Group. With the new shareholder base and a reorganized corporate structure, the management believes that the Apperience Group is now in a better position to improve its existing products and to develop new ones.

Apperience Group will continue its research and development works on its major products, including Advanced SystemCare, Smart Defrag and IObit, of which Advanced SystemCare is the flagship product, 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. In addition to providing updates for the existing products, Apperience will also attempt to develop new products and applications for the mobile and cloud platforms in order to attract more users for Apperience's products.

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the Company's reporting accountants, RSM Nelson Wheeler.

A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of the proposed acquisition of 50.5% of the issued capital of Apperience Corporation and its subsidiaries (hereinafter collectively referred to as the "**Apperience Group**") (the "**Proposed Acquisition**") might have affected the financial information of the Group.

The unaudited pro forma consolidated income statement and consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2011 are prepared based on the audited consolidated income statement and consolidated statement of cash flows of the Group for the year ended 31 December 2011 as extracted from the annual report of the Company for the year ended 31 December 2011 and the audited consolidated statement of comprehensive income and consolidated statement of cash flows of the Apperience Group for the year ended 30 September 2012 as extracted from the accountants' report set out in Appendix II to this circular as if the Proposed Acquisition had been completed on 1 January 2011.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2012 is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2012 as extracted from the interim report of the Company for the six months ended 30 June 2012 and the audited consolidated statement of financial position of the Apperience Group as at 30 September 2012 as extracted from the accountants' report set out in Appendix II to this circular as if the Proposed Acquisition had been completed on 30 June 2012.

The unaudited pro forma financial information of the Enlarged Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Enlarged Group, it may not give a true picture of the actual financial position, results of operation or cash flows of the Enlarged Group that would have been attained had the Proposed Acquisition actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position, results of operation or cash flows.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in Appendix I, the financial information of the Apperience Group as set out in Appendix II and other financial information included elsewhere in this circular.

B. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED GROUP FOR THE YEAR ENDED 31 DECEMBER 2011

	The Group	The Apperience Group	Sub-total	Pro forma adjustments	Notes	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Turnover	3,636	84,726	88,362			88,362
Cost of sales	(264)	(14,315)	(14,579)			(14,579)
Gross profit	3,372	70,411	73,783			73,783
Other revenue	1,660	777	2,437			2,437
Other gains and losses	614	—	614			614
Selling and administrative expenses	(11,455)	(10,650)	(22,105)	(4,700)	*1*	(33,080)
				(6,275)	*8*	
(Loss)/profit from operations	(5,809)	60,538	54,729			43,754
Finance costs	(120)	—	(120)	(24,313)	*7*	(24,433)
(Loss)/profit before tax	(5,929)	60,538	54,609			19,321
Income tax expense	(217)	(15,405)	(15,622)			(15,622)
(Loss)/profit for the year	(6,146)	45,133	38,987			3,699
Attributable to:						
Equity holders of the Company	(6,146)	45,133	38,987	(4,700)	*1*	(15,536)
				(6,275)	*8*	
				(24,313)	*7*	
				(19,235)	*2*	
Non-controlling interests	—	—	—	19,235	*2*	19,235
	(6,146)	45,133	38,987			3,699

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 30 JUNE 2012

	The Group *HK$'000*	The Apperience Group *HK$'000*	Sub-total *HK$'000*	Pro forma adjustments *HK$'000*	*Notes*	The Enlarged Group *HK$'000*
ASSETS						
Non-current assets						
Fixed assets	7,075	—	7,075			7,075
Intangible assets	2,550	15,046	17,596	36,471	*3*	54,067
Goodwill	23,239	—	23,239	555,951	*3*	579,190
	32,864	15,046	47,910			640,332
Current assets						
Trade and other receivables	1,831	9,956	11,787	132	*10*	11,919
Loan receivables, unsecured	3,000	—	3,000			3,000
Amount due from a director	—	39	39	(39)	*10*	—
Amounts due from shareholders	—	93	93	(93)	*10*	—
Cash and cash equivalents	125,683	47,332	173,015	(4,700)	*1*	168,315
	130,514	57,420	187,934			183,234
Current liabilities						
Trade and other payables	2,782	420	3,202			3,202
Amount due to a director	401	—	401			401
Bank loan, secured	217	—	217			217
Current tax liabilities	285	21,321	21,606			21,606
	3,685	21,741	25,426			25,426
Net current assets	126,829	35,679	162,508			157,808
Total assets less current liabilities	159,693	50,725	210,418			798,140
Non-current liabilities						
Bank loan, secured	2,976	—	2,976			2,976
Convertible notes	—	—	—	281,540	*4*	281,540
Deferred tax liabilities	—	—	—	9,118	*3*	9,118
Performance shares	—	—	—	95,030	*6*	95,030
	2,976	—	2,976			388,664
NET ASSETS	156,717	50,725	207,442			409,476
CAPITAL AND RESERVES						
Share capital	124,889	145	125,034	(145)	*5*	124,889
Reserves	31,828	50,580	82,408	218,810	*4*	245,938
				(50,580)	*5*	
				(4,700)	*1*	
	156,717	50,725	207,442			370,827
Non-controlling interests	—	—	—	38,649	*3*	38,649
TOTAL EQUITY	156,717	50,725	207,442			409,476

D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP FOR THE YEAR ENDED 31 DECEMBER 2011

	The Group HK$'000	The Apperience Group HK$'000	Sub-total HK$'000	Pro forma adjustments HK$'000	Notes	The Enlarged Group HK$'000
Operating activities						
(Loss)/profit before tax	(5,929)	60,538	54,609	(4,700) (6,275) (24,313)	*1* *8* *7*	19,321
Adjustments for:						
Bank interest income	(1,376)	—	(1,376)			(1,376)
Depreciation	238	—	238			238
Amortisation of intangible assets	—	1,583	1,583	6,275	*8*	7,858
Equity settled share-based payment	310	—	310			310
Finance costs	120	—	120	24,313	*7*	24,433
Foreign exchange gain	(24)	—	(24)			(24)
Gain on disposal of subsidiaries	(1,278)	—	(1,278)			(1,278)
Loan interest income	(44)	—	(44)			(44)
Loss on disposal of fixed assets	118	—	118			118
Write-down of inventories	1,328	—	1,328			1,328
Operating (loss)/profit before changes in working capital	(6,537)	62,121	55,584			50,884
Decrease/(increase) in trade and other receivables	1,114	(1,053)	61	(39)	*10*	22
Increase/(decrease) in trade and other payables	1,476	(74)	1,402			1,402
Increase in amount due to a director	190	—	190			190
Cash (used in)/generated from operating activities	(3,757)	60,994	57,237			52,498
Income tax paid	(67)	(74)	(141)			(141)
Net cash (used in)/generated from operating activities	(3,824)	60,920	57,096			52,357
Investing activities						
Bank interest income	1,285	—	1,285			1,285
Expenditure on development projects	(1,647)	—	(1,647)			(1,647)
Payments to acquire intangible assets	—	(13,420)	(13,420)			(13,420)
Increase in amount due from a director	—	(39)	(39)	39	*10*	—
Loans advanced	(5,019)	—	(5,019)			(5,019)
Loan interest income	44	—	44			44
Net cash inflow from disposal of subsidiaries	546	—	546			546
Deposit paid for purchase of investment	(10,000)	—	(10,000)			(10,000)
Payment for purchase of fixed assets (including deposits paid)	(2,420)	—	(2,420)			(2,420)
Proceeds from disposal of fixed assets	1,416	—	1,416			1,416
Acquisition of subsidiaries	—	—	—	89,323	*9*	89,323

	The Group HK$'000	The Apperience Group HK$'000	Sub-total HK$'000	Pro forma adjustments HK$'000	Notes	The Enlarged Group HK$'000
Net cash (used in)/generated from investing activities	(15,795)	(13,459)	(29,254)			60,108
Financing activities						
Finance charges on obligations under finance leases	(107)	—	(107)			(107)
Interest paid	(13)	—	(13)			(13)
Proceeds from issue of shares upon open offer	101,178	—	101,178			101,178
Proceeds from placement of shares	25,197	—	25,197			25,197
Proceeds from issue of shares	—	15,530	15,530			15,530
Dividends paid	—	(105,604)	(105,604)			(105,604)
Repayment of obligations under finance leases	(1,574)	—	(1,574)			(1,574)
Net cash generated from/(used in) financing activities	124,681	(90,074)	34,607			34,607
Net increase/(decrease) in cash and cash equivalents	105,062	(42,613)	62,449			147,072
Cash and cash equivalents at beginning of the year	12,878	89,323	102,201	(89,323)	*9*	12,878
Effect of foreign exchange rate changes	165	—	165			165
Cash and cash equivalents at end of the year	118,105	46,710	164,815			160,115
ANALYSIS OF CASH AND CASH EQUIVALENTS						
Bank and cash balances	118,105	47,332	165,437	(4,700)	*1*	160,737
Less: Time deposits with maturity of over three months	—	(622)	(622)			(622)
	118,105	46,710	164,815			160,115

E. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The adjustment represents the estimated legal and professional fees and other direct expenses in relation to the Proposed Acquisition of approximately HK$4,700,000. This adjustment will have no continuing effect on the Enlarged Group in the subsequent years.

2. The adjustments represent the share of profit to the non-controlling shareholders as if the Proposed Acquisition had taken place on 1 January 2011. The share of profit or loss to the non-controlling Shareholders will have a continuing effect on the Enlarged Group in the subsequent years.

3. In accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" ("**HKFRS 3 (Revised)**"), the Group will apply the acquisition method to account for the acquisition of the issued capital of the Apperience Group. In applying the acquisition method, the identifiable assets and liabilities of the Apperience Group will be recorded on the consolidated statement of financial position of the Group at their fair values at the date of acquisition. The fair values of the identifiable assets and liabilities of the Apperience Group will be re-assessed at the Completion date of the Proposed Acquisition.

   The adjustment represents:

   (i) the fair value adjustment of the assets and liabilities of the Apperience Group over their carrying value as at 30 September 2012 and the corresponding deferred tax liabilities. The values of the intangible assets are increased by HK$36,471,000. Deferred tax liabilities on the fair value adjustment is calculated at the PRC enterprise income tax rate of 25% amounted to HK$9,118,000.

(ii) the arising of goodwill of HK$555,951 from the Proposed Acquisition. The goodwill represents the excess of the consideration for the Proposed Acquisition over the Group's share of the fair value of the identifiable net assets of the Apperience Group. The calculation of goodwill is as follows:

	HK$'000
Carrying amount of identifiable net assets	50,725
Fair value adjustment on intangible assets	36,471
Deferred tax liabilities arising from the fair value adjustment	(9,118)
	78,078
Less: Non-controlling interests of 49.5% equity interest in the Apperience Group	(38,649)
Fair value of identifiable net assets of the Apperience Group acquired	39,429
Goodwill	555,951
Purchase consideration	595,380
Fair value of the purchase consideration:	
— issue of convertible notes *(note 4)*	500,350
— issue of performance shares *(note 6)*	95,030
	595,380

The valuation of the fair value of the intangible assets was carried out by Ascent Partners Transaction Services Limited ("**Ascent Partners**"), an independent firm of valuers. The Relief from Royalty Method is employed to estimate the fair value of the intangible assets, which includes the software copyrights of:

- Advanced System Care,
- Protected Folder,
- IMF,
- Jetboost & Jetclean,
- Aircover, and
- Advanced Mobile Care

and the internet platforms IObit and FreeNew.

The royalty rates of 7.5% and 5.0% applied to the net sales contributed by the corresponding software and internet platforms respectively are adopted from the book "Royalty Rates for Licensing Intellectual Property" by Russell Parr. The author studied the financial data of companies across 15 industries including, software and internet, and worked out the median royalty rates of these industries. Considering the fast-evolving characteristic of the IT industry, the useful life of the software and internet platforms adopted is 5 years. The valuation is used as a reference for the purpose of this pro forma financial information only.

The fair value of the identifiable net assets of the Apperience Group, and consequently deferred tax liabilities and goodwill, will be re-assessed at the completion date of the Proposed Acquisition and may be different from the estimated amounts as presented above.

The Directors have reviewed the carrying value of goodwill of the Apperience Group in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets". An impairment test involves the determination of the recoverable amount of the cash-generating unit to which the goodwill has been allocated. The recoverable amount of the cash-generating unit to which the goodwill has been allocated is determined based on fair value less costs to sell by reference to the report issued by Ascent Partners. The Directors concluded that there is no impairment in respect of the goodwill as at 30 September 2012.

The Directors will adopt consistent accounting policies and principal assumptions (as used in the unaudited pro forma financial information) to assess the impairment of goodwill in future.

4. The adjustments represent the issuance of Convertible Notes by the Company to the Vendors. The fair values of the liability component and equity component of HK$281,540,000 and HK$218,810,000 were valued by Ascent Partners in accordance with HKFRS 3 (Revised) respectively, as if the Proposed Acquisition had taken place on 30 June 2012. According to the Hong Kong Accounting Standards, the fair value of the Convertible Notes is decomposed into the debt and equity components. The debt portion is equal to the fair value of an identical instrument, except with no conversion feature, as if issued by the same issuer. The equity component is the difference between the fair value of the whole Convertible Notes and its debt portion. The market value of the debt component of the convertible notes is estimated by computing the sum of the present values of all expected future cash flows, each discounted by their prevailing market rates of interest for a similar instrument with a similar credit rating respectively. The binomial model introduced by Cox, Ross and Rubinstein in 1979 has been employed. A binomial tree of stock prices is constructed to represent different possible paths that might be followed by the stock price. From the interest rate term structure, the future prices of the plain vanilla bond could be determined. At each node of the binomial tree, the value of the Convertible Notes depends on whether conversion is possible and optimal. Thus the value of the Convertible Notes at a particular node

the maximum of Rollback value at that node and Number of shares convertible x Share price at that node, if conversion is allowed; and the rollback value at that node, if conversion is not allowed. The value of the Convertible Notes at each node is then calculated by backward induction from the maturity date.

In the valuation of Convertible Notes, the following parameters have been adopted:

Interest Rate Term Structure	
1.0000 Years	0.2400%
2.0000 Years	0.2600%
3.0000 Years	0.2510%
4.0000 Years	0.2600%
Total Yield Spread	8.3762%
Share Price[1]	HK$0.0900
Expected Dividend Rate[2]	0.0000%
Risk-free Rate[3]	0.2600%
Expected Volatility[4]	93.4190%
Conversion Price	HK$0.1080

Notes:

1 This is the share price of the issuer of the Convertible Notes as of the Valuation Date.

2 According to Bloomberg database, no dividends were declared by the Company for the previous years.

3 This is the yield of Hong Kong Exchange Fund Notes with maturity matching that of the Convertible Notes as of the Valuation Date as obtained from Bloomberg by means of linear interpolation.

4 The expected volatility is the historical volatility of the issuer of the Convertible Notes over the most recent period commensurate with that of the Convertible Notes and reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Upon the Completion, the fair value of the Convertible Notes will be re-assessed and may be different from the estimated amounts as presented above.

5. The adjustments represent the elimination of owners' equity of the Apperience Group as if the Proposed Acquisition had taken place on 30 June 2012.

6. The adjustments represent the fair value of the Performance Shares of the Company to be issued to the Vendors. The fair value of the Performance Shares was valued by Ascent Partners in accordance with HKFRS 3 (Revised), as if the Proposed Acquisition had taken place on 30 June 2012. For the purpose of compiling this unaudited pro forma financial information, it is assumed that the fair values of the Performance Shares are the same as at 1 January 2011 and 30 June 2012. Since the

number of performance shares to be issued depends on the net income of Apperience for the fiscal years 2013 and 2014, Monte Carlo simulation has been employed to estimate the net income of Apperience at the end of each of the fiscal years 2013 and 2014. In this approach, it has been assumed that the probability distribution of net income in each of the fiscal years 2013 and 2014 is normal distribution, with the mean of US$10,000,000 and volatility of 87.23%, which is the average normalized historical volatility of the annual net income of listed guideline companies in similar industries as Apperience. Each of the simulated net income is applied to calculate the number of consideration shares to be issued according to the stipulations of the Agreement for the sale and purchase of an aggregate of 50.5% of the issued share capital of Apperience Corporation. The fair value of the Performance Shares is then the product of the share price of the Company as of the Valuation Date and the total average number consideration shares expected to be issued. Upon the Completion, the fair value of the Performance Shares will be re-assessed and may be different from the estimated amounts as presented above.

The issuance of Performance Shares is subject to the Target Profit I and Target Profit II of the Apperience Group as referred to in the Letter from the Board in this circular. For the purpose of compiling this unaudited pro forma financial information, it is assumed that, after considering all pertinent factors in determining whether information obtained after the date of acquisition should result in an adjustment to the consideration, the directors determine that any adjustments to the consideration would be minimal.

7. The adjustment represents the imputed interest expenses on the Convertible Notes based on effective interest rate of 8.46% per annum. The effective interest rate is the yield-to-maturity of its debt portion, which is the discount rate such that the sum of present values of all expected future cash flows of the debt portion, when discounted by this rate, equals the fair value of the debt portion. The debt portion of this Convertible Notes is estimated to be HK$281,540,000. For a term of 4 years and with no coupon to be paid, the yield-to-maturity is estimated to be 8.46%. The interest expense will have a continuing effect on the Enlarged Group in the subsequent years.

8. The adjustment represents the additional amortisation of the intangible assets after fair value adjustments. Amortisation is calculated on a straight-line basis over their estimated useful life of 2 to 6 years. The amortisation will have a continuing effect on the Enlarged Group in the subsequent years.

9. The adjustment represents the bank balances of Apperience Group being acquired as if the Proposed Acquisition had taken place on 1 January 2011. This adjustment will have no continuing effect on the Enlarged Group in the subsequent years.

10. The adjustments represent the reallocation of current accounts with a director and shareholders of Apperience Group. The adjustments are to conform with the presentation of The Group. These adjustments will have continuing effect on the Enlarged Group in the subsequent years.

11. For the purposes of the preparation of the unaudited pro forma financial information of the Enlarged Group, the fair values of intangible assets, convertible notes and performance shares adopted in the above adjustments were determined as at 30 September 2012 by Ascent Partners.

F. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, RSM Nelson Wheeler, Certified Public Accountants, Hong Kong.

RSM
Audit • Tax • Advisory

29th Floor
Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

23 February 2013

The Board of Directors
M Dream Inworld Limited

Dear Sirs,

We report on the unaudited pro forma financial information of M Dream Inworld Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**"), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed acquisition of 50.5% of the issued capital of Apperience Corporation might have affected the financial information of the Group presented, for inclusion in Appendix III to the circular of the Company dated 23 February 2013 (the "**Circular**"). The basis of preparation of the unaudited pro forma financial information is set out on page 112 to 122 to the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibilities solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 June 2012 or any future date; or
- the results and cash flows of the Group for the year ended 31 December 2011 or any future periods.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for the purpose of inclusion in this circular received from Ascent Partners Valuation Service Limited, an independent valuer in connection with its valuation of Apperience as at 30 September 2012.

ASCENT PARTNERS
Together We Flourish

Date: 23 February 2013

M Dream Inworld Limited
Unit 901, 9/F Wings Building,
110–116 Queen's Road Central, Central,
Hong Kong.

Attn: Board of Directors

Dear Sir/Madam,

RE: Valuation of Equity Value of Apperience Corporation

In accordance with the instruction of **M Dream Inworld Limited** (hereinafter referred as the "**Company**") we have undertaken a valuation task to determine the fair value of Apperience Corporation (hereinafter referred as "**Apperience**").

As instructed by the Company the valuation date is **30 September 2012** (hereinafter referred as the "**Valuation Date**").

This report outlines the purpose and basis of valuation, scope of work, industry overview, valuation methodology, limiting conditions, basis and assumptions employed in formulating our conclusions, and our opinion of value.

Ascent Partners Valuation Service Limited (hereinafter referred as "**Ascent Partners**") is an independent firm providing full range of valuation and advisory services. This report has been prepared independently in accordance with the International Valuation Standards. Neither Ascent Partners nor any authors of this report hold any interest in the Company, Apperience or their related parties. The fee for providing this report is based on Ascent Partners' normal professional rates, whilst expenses (if incurred) are being reimbursed at cost. Payment of fees and reimbursements are not contingent upon the conclusions drawn in this report.

Yours faithfully
For and on behalf of
Ascent Partners Valuation Service Limited

William SW Yuen	**Paul Wu**
Director	*Principal*
CFA, FRM	*MSc*

1. PURPOSE OF VALUATION

The purpose of this valuation is to express an independent opinion on the fair value of Apperience as at the Valuation Date. This report outlines our latest findings and valuation conclusion, which is prepared for internal reference purpose.

2. SCOPE OF WORK

In conducting this valuation exercise, we have

- Gathered all relevant information, including historical and forecast financial data;
- Discussed with the management of the Company and Apperience;
- Carried out a research in the sector concerned and collected market data from reliable sources;
- Investigated into the information, and considered the basis and assumptions of our conclusion of value;
- Analysed the financial information of companies in a similar industry; and
- Designed an appropriate valuation model to analyse the market data and derive the estimated fair value of Apperience.

3. ECONOMIC AND INDUSTRY OVERVIEW

Owing to the fact that Apperience generates most of its revenue from the US market and its products are sold globally through the internet, this valuation would shed light on the overview of the US economy and the global computer security software market.

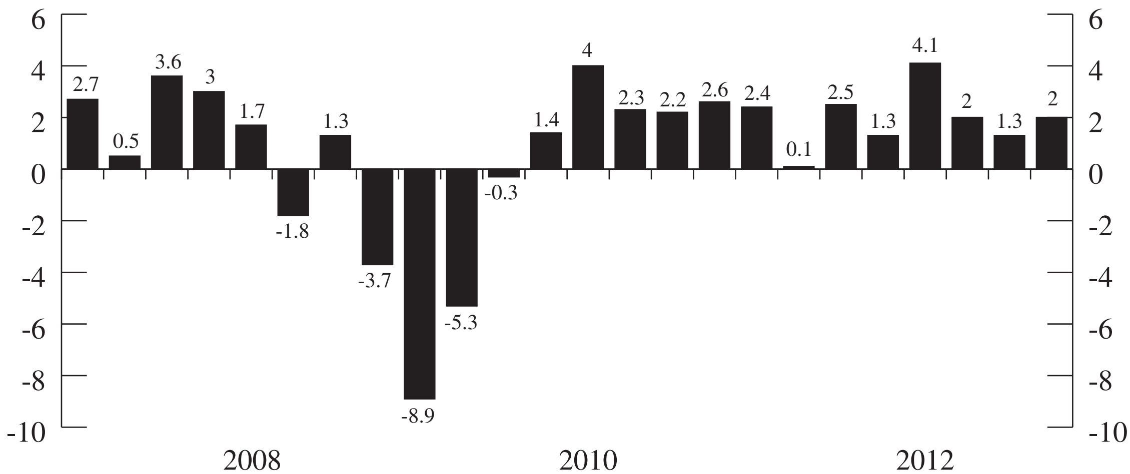
3.1. Economy of the United States

The United States has the largest national economy in the world and as of 2012, it remains the largest manufacturer, representing a fifth of the global manufacturing output. The US economy has maintained a steady positive growth rate within 4% in the last decade, until the 2008 financial crisis, which caused a continuous GDP decline rate as high as 8.9% from the spring of 2008 to the spring of 2009[1]. The crisis rapidly developed and spread into a global economic shock, resulting in a number of bank failures in the US and later in Europe, declines in various stock indexes, and large reductions in the market value of equities[2] and commodities. According to the US National Bureau of Economic Research, the US economy seems to have stabilized by late 2009. However there are still lingering effects from the crisis such as a long standing high unemployment rate within the country.

[1] Bureau of Economic Analysis, 2012, www.tradingeconomics.com

[2] Evans-Pritchard, Ambrose (July 25, 2007). "Dollar tumbles as huge credit crunch looms". *The Daily Telegraph* (London: Telegraph Media Group Limited)

UNITED STATES GDP GROWTH RATE
Percent Change in Gross Domestic Product



Source: www.tradingeconomics.com, Bureau of Economic Analysis

3.2. Computer Security Software Industry Overview

The global network security market, described as hardware and software with functionality that includes firewalls, VPNs, intrusion prevention and detection, and multi-purpose security known as unified threat management, is expected to show revenues of \$8.16 billion in 2011. That's 8.1% more than 2010 revenues, which are reckoned at about \$7.54 billion, according to November forecasts by IDC. While final numbers related to 2010 are still being compiled, 2010 is regarded as a year of revenue stabilization for the network security industry after the painful year of 2009, which saw revenues drop almost 1% from the year before to about \$7.16 billion.

3.3. Industry Analysis — Market Size and Vendor Market Share in the US and Worldwide

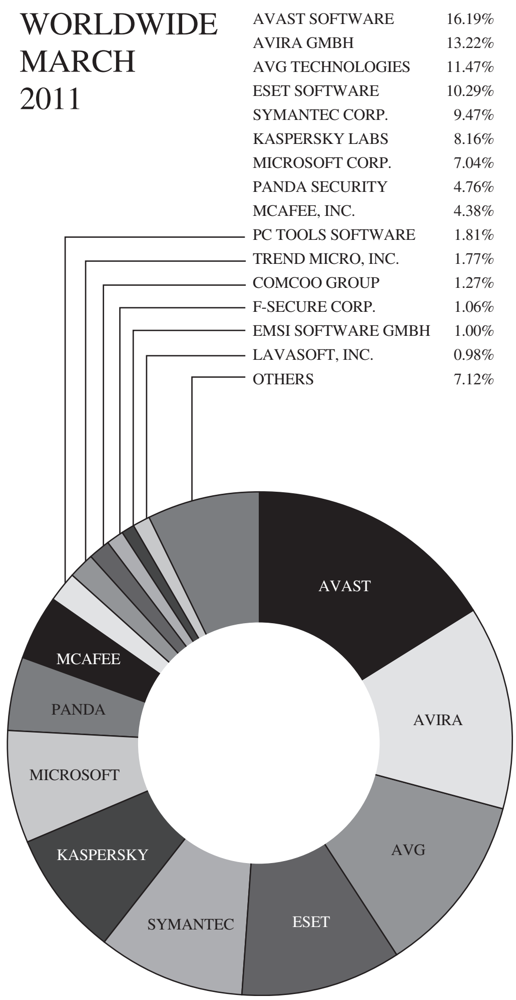
With the proliferation of broadband internet usage, more and more computers are networked together and a vast amount of data is exchanged, which significantly increase the threat of computer virus attacks. As such, numerous computer software companies are now tapped into the lucrative market of anti-virus software as they see the growth potential of this sector. Industry analysts expect the consumer endpoint security market will size at about US\$5 billion by 2012 and eventually grow to \$6.1 billion by 2015 at a CAGR of 7.5% from 2011. (Source: JP Morgan "AVG Technologies-Risk Priced In but Not Opportunities: Initiating Coverage with Overweight and \$20 Price Target").

Worldwide Corporate and Consumer Endpoint Security Revenue 2008–2015 (IDC)

$ in millions	**2008**	**2009**	**2010**	**2011E**	**2012E**	**2013E**	**2014E**	**2015E**	**2011–2015 CAGR (%)**
Corporate Endpoint Security	2,874	2,874	3,014	3,214	3,470	3,799	4,159	4,503	8.8%
Year-on-Year Growth		0.0%	4.9%	6.6%	8.0%	9.5%	9.5%	8.3%	
% of total market	45.0%	42.1%	41.8%	41.2%	41.0%	41.3%	41.9%	42.3%	
Consumer Endpoint Security	3,511	3,960	4,202	4,597	5,003	5,399	5,774	6,135	7.5%
Year-on-Year Growth		12.8%	6.1%	9.4%	8.8%	7.9%	6.9%	6.2%	
% of total market	55.0%	57.9%	58.2%	58.9%	59.0%	58.7%	58.1%	57.7%	
Total Endpoint Security	6,385	6,834	7,216	7,811	8,473	9,199	9,933	10,638	8.0%
Year-on-Year Growth		7.0%	5.6%	8.2%	8.5%	8.6%	8.0%	7.1%	

Source: IDC, 2011

Symantec has continually held the largest share of the North American antivirus market over the past six months. However, with 16.24% market share for March 2011, they continue a slightly downward trend from September 2010. This quarter shows a strong gain by AVG, reaching 14.41% market share to become the second leading vendor behind Symantec. Avira also shows a slight increase in North American market share, as do Trend Micro, Inc., Webroot Software and Comodo Group (OPSWAT 2011).



In the global market, the dominant internet security software providers are Symantec, McAfee, Trend Micro, Kaspersky Lab, AVG Technologies and ESET Software. According to a research report published by OPSWAT, as of March 2012, the three largest antivirus vendors in terms of market shares are: AVAST Software (16.26%), AVIRA GMBH (11.65%) and AVG Technologies (10.96%). The top 10 vendors account for 87.46% of the market share. (OPSWAT, 2011)

Free versions of computer security software tend to be popular, as shown in the individual product market share. Vendors who offer the top free solutions are able to occupy the top of the market by vendor as well. Symantec maintains a strong hold over the North American market, despite having only paid products in the top 15, with Norton 360 only ranking eighth.

4. BACKGROUND OF APPERIENCE CORPORATION

Apperience was incorporated in the Cayman Islands with limited liability on 7 March 2011. The principal activities of Apperience are the research, development and distribution of packaged software.

Apperience has three wholly-owned subsidiaries, namely Imidea Limited, IObit Limited and Bluesprign Incorporated. The principal activities of Imidea Limited are online software development and retail business. The principal activities of IObit Limited and Bluesprign Incorporated are investment holdings.

Currently Apperience has two business streams: PC utility software products and mobile security software products. Advanced SystemCare, the flagship product created by Apperience, is a system utility software which helps users to protect their personal computers (PCs) from spyware and virus, detect and solve issues regarding computer security and performance. Apperience also has a free version anti-virus software for PCs known as IObit Malware Fighter.

Freeware users could pay for additional features if they would like to have a more comprehensive user experience.

With an emphasis on R&D, Apperience is continuously extending its product family with award-winning software that addresses the needs of users. Some of the most recent products include IObit Uninstaller, and IObit Toolbox.

IObit has experienced significant growth in the last few years, becoming one of the largest providers of system utility software. According to the audited financial statements for the period ended 30 September 2012, Apperience had a net profit of about US$5.8 million for the period from 1 October 2011 to 30 September 2012.

In the future, Apperience would pay more efforts on the development of the mobile security software. In February 2012, Apperience developed Aircover, which provides location tracker and emergency alert services for families.

Furthermore, Apperience has established a website known as Freenew, which provides a platform for PC and mobile users to purchase applications online. The website also serves as a platform for companies to place their advertisements to gain publicity.

5. BASIS OF VALUATION

Our valuation was carried out on a fair value basis. Fair value is defined as "*the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction*".

6. BASIS OF OPINION

We have conducted our valuation in accordance with International Valuation Standards issued by International Valuation Standards Committee[3]. The valuation procedure includes review of the financial and economic conditions of the subject business, an assessment of key assumptions, estimates, and representations made by Apperience. All matters essential to the proper understanding of the valuation are disclosed in the valuation report. Opinions of value included in the valuation report are impartial, independent, and unbiased.

The following factors also form a considerable part of our basis of opinion:

- Assumptions on the market and on the subject business that are considered to be fair and reasonable;
- Financial performance that shows a consistent trend of the operation of the subject business;
- Consideration and analysis on the micro- and marco-economic factors; and
- Analytical review of the subject business.

We have planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that our valuation provides a reasonable basis for our opinion.

7. SOURCES OF INFORMATION

In conducting our valuation of the subject asset, we have considered, reviewed and relied upon the following key information provided by the instructing party and the public.

- Overview of the business nature of Apperience;
- Discussions with the management of Apperience;
- Historical financial reports of Apperience;
- Publications and research reports regarding the related industry; and
- Bloomberg Database, Hong Kong Stock Exchange and other reliable sources of market data.

[3] The IVSC has been in existence for more than 25 years. Its origins were in the need identified by a number of professional bodies from around the world for uniformity in the valuation approaches used in real estate markets. Over the past decade it has evolved and expanded and now produces standards for many types of assets, including plant and equipment, intangible assets and businesses. The International Valuation Standards are already recognised and accepted by a wide range of organisations including the UK Financial Services Authority, the Hong Kong Securities and Futures Commission, the Securities and Exchange Board of India and the European Public Real Estate Association amongst others. IVSC has also worked in liaison with the International Accounting Standards Board (IASB) in producing guidance on valuations required under IFRS, an increasingly important need as IFRS is adopted in more a states.

In arriving at our opinion, we have assumed and relied upon the accuracy and completeness of the information reviewed by us for the purpose of this valuation. In addition, we have relied upon the statements, information, opinion and representations provided to us by Apperience.

We also conducted research using various sources including government statistical releases and other publications to verify the reasonableness and fairness of information provided and we believe that the information is reasonable and reliable.

Our opinion is based upon economic, market, financial and other conditions as they exist and can be evaluated on the date of this report and we assume no responsibility to update or revise our opinion based on events or circumstances occurring after the date of this report. In reaching our opinion, we have made assumptions with respect to such economic, market, financial and other conditions and other matters, many of which are beyond our control or the control of any party involved in this valuation exercise.

8. VALUATION APPROACH AND METHODOLOGY

In carrying out this valuation exercise, we have considered the following approaches and methodologies:

Income Approach

The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to an aggregation of assets that consists of all assets of a business enterprise including working capital and tangible and intangible assets. The value of the asset to be valued is developed through the application of the income approach technique known as discounted cash flow method to devolve the values of future income generated by the asset into a present market value. This approach has not been adopted because much more assumptions are involved and that uncertainties in the future performance of Apperience will have significant impacts on its value.

Cost Approach

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history.

Unlike market and income approaches which either incorporate market sentiments or future earnings capacity of an asset as a function to determine its current value, cost approach considers the fundamental cost it takes to form the asset. In our opinion this method is inapplicable to the current analysis as there is no convincing association of the market value of the subject asset with its cost.

Market Approach

The market approach to valuation uses data from comparable guideline companies to develop a measure of value for a particular subject company. Market approach is commonly adopted for business valuation and is also consist with normal market practice. There are two methods to implement the market approach.

The first method of the market approach is to use transaction data for private and public companies to compute the value. In this method, a database of bought and sold companies is used to base transaction prices and financial fundamentals on companies similar to the subject company. Assets for which there is an established market may be appraised by this approach. However, this method has not been adopted because insufficient market transaction data are available from listed companies engaged in the same business.

The second method of the market approach is to use the valuation multiples derived from the market prices and financial data of listed companies in a similar business and with a similar business model as those of the company being valued. Since there are sufficient public companies in a similar business and with a similar business model as those of the company being valued with shares being traded freely and actively on the markets, their market values are good indicators of the industry. Hence, this method has been adopted in this valuation.

9. VALIDATION OF ASSUMPTIONS AND NOTES TO VALUATION

The assumptions considered having significant sensitivity effects in this valuation have been evaluated and validated in arriving at our assessed values.

General Assumptions

1. We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of Apperience.

2. Based on the International Valuation Standards assumptions are suppositions taken to be true. Assumptions involve facts, conditions, or situations affecting the subject of, or approach to, a valuation but which may not be capable or worthy of verification. They are matters that, once declared, are to be accepted in understanding the valuation. All valuations are dependent to some degree on the adoption of assumptions. In particular, the definition of market value incorporates assumptions to ensure consistency of approach and the valuer may need to make further assumptions in respect of facts which cannot be known or facts which could be determined.

Other Assumptions and Notes

1. The Bloomberg database is exhausted for all listed companies in the Software Sector (according to ICB-Industry Classification Benchmark) with business related to anti-virus and security software. A short-list consisting of 105 companies is resulted from the exhaustive search. The business model and product profiles of short-listed companies are examined in further screening, with information from the companies' web-sites and other sources, if needed. Companies satisfying the following criteria, pertinent to the business operations of Apperience, are adopted as guideline public companies for the valuation:

    a. Significant part of revenue derived from selling computer software, in particular computer utilities including security solutions, and on-line advertisements;

    b. Diverse geographical distribution of revenue; and

    c. Selling through on-line subscriptions.

2. Based on the methodology we described in 1. above, the following guideline companies are obtained after the final screening.

    Comparable 1: AVG Technologies (AVG US)

    Founded in 1991, AVG has set the goal to protect computer users from Internet Security threats. AVG gained success quickly and is now recognized as one of the biggest players in the security software market. AVG now has office all over the globe, from the Americas, to Europe, Middle East, Africa and Asia Pacific.

    AVG is uniquely positioned to spearhead innovation in the industry thanks to its employment of some of the world's leading experts in software development, threat detection, threat prevention and risk analysis. AVG continues to invest in R&D, teaming with leading universities to maintain its technological edge.

    AVG has experienced significant growth in the last few years and continues to expand to address the needs of the global market through improved technology and broader language and platform support. Currently AVG takes up to 11% of the global market shares and is deriving 64.49% of its revenue from online subscription.

    Comparable 2: F-Secure Oyj (FSC1V FH)

    F-Secure Corporation operates as an information technology (IT) security provider. The company offers software protection and Internet security products for consumers and businesses from computer security threats coming through Internet and mobile network.

    It also provides mobile security products that protect against mobile malware and spy tools; and online backup services, which prevents loss of content and enables sharing of important files. The company offers its products and services through Internet service providers and mobile operator partners, as well as through value added resellers, IT service providers, managed security service providers, e-store, and retail channels. F-Secure Corporation markets its products primarily in Nordic European countries, the rest of Europe, and North America. The company was founded in 1988 and is headquartered in Helsinki, Finland. Currently, F-Secure has most of its revenue generated from Europe and 100% of revenue derived from Antivirus and Security Software.

Comparable 3: Symantec Corp (SYMC US)

Symantec Corp is a global leader in providing security, storage and systems management solutions to help our customers — from consumers and small businesses to the largest global organizations — secure and manage their information and identities independent of device. Symantec does this by bringing together leading software and cloud solutions that work seamlessly across multiple platforms, giving customers the freedom to use the devices of their choice and to access, store and transmit information anytime, anywhere. Symantec Corp has 9.47% of the worldwide antivirus market shares, ranking only fifth, but has 16.24% of North America's, ranking first in the region.

Comparable 4: Trend Micro Inc. (4704 JP)

Trend Micro Enterprise Security is a tightly integrated offering of content security products, services, and solutions powered by the innovative, in-the-cloud Trend Micro Smart Protection Network. Optimized to deliver immediate protection, Trend Micro Enterprise Security also dramatically reduces the cost and complexity of security management.

In 1992, Trend Micro took over a Japanese software firm to form Trend Micro Devices and established headquarters in Japan. It then made an agreement with CPU maker Intel under which it produced an anti-virus product for local area networks (LANs) for sale under Intel's name. Intel paid royalties to Trend for sales of LANDesk Virus Protect in the United States and Europe, while Trend paid royalties to Intel for sales in Asia. Trend Micro has its major centers of operation in Asia Pacific and generates revenue solely from computer security software.

Comparable 5: Check Point Software Tech. (CHKP US)

Check Point Software Technologies Ltd. develops, markets, and supports a range of software, and combined hardware and software products and services for information technology (IT) security worldwide. It offers network and gateway security solutions that enable its customers to implement their security policies on network traffic between internal networks and the Internet, as well as between internal networks and provide a networks that are shared with partners; endpoint security solutions that provide security solution to corporations.

The company sells its products and services through a network of channel partners, including distributors, resellers, value-added resellers, system integrators, and managed services providers to enterprises, service providers, small and medium sized businesses, and consumers. Check Point Software Technologies Ltd. was founded in 1993 and is headquartered in Tel Aviv, Israel. The company has 59.62% of revenue coming from software subscription.

Comparable 6: Qihoo 360 Technology Co. Ltd. (QIHU US)

Qihoo 360 Technology Co. Ltd. (NYSE: QIHU, 奇虎) or Qihoo 360, is a Chinese software company known for its antivirus software (360 Safeguard) and web browser (360 Browsers). It was founded in August 2006. As of March 2012, Qihoo has monthly active users of 411 million for its security products and 273 million for the 360 Browsers at the end of the first quarter of 2012. The company is active mostly in China.

After being founded, Qihoo relied on selling third party antivirus and security software online, but later changed its business model from selling software to distributing their own security software for free to attract and bind users to their portal 360.hao.cn. Qihoo is now mostly relying on advertising revenues from that site. Qihoo now offers its own security software suite, including 360 Safe Guard (clouded-based anti-malware and quick PC health check), 360 Anti Virus and 360 Mobile Safe (mobile device security).

Currently Qihoo only operates in China and generates most of its revenue from online advertisement and antivirus software.

Comparable 7: NQ Mobile Inc (NQ US)

NQ Mobile Inc. is a leading global provider of mobile Internet services focusing on security, privacy and productivity. NQ Mobile's headquarter is located in Beijing and operates both in China and Overseas. It aims to provide solutions to the growing security threats targeting smartphone users and is now an award-winning provider of antivirus online subscription services with approximately 204 million registered user accounts in over 150 countries. NQ Mobile's proprietary, cloud-based security solution has been recognized by third-party testing facilities around the world as the most effective solution for detecting and combating mobile threats. NQ Mobile was bestowed the 2011 Technology Pioneer Award by the World Economic Forum for its technology leadership and innovation in the field of mobile device security.

Comparable 8: Websense, Inc (WBSN US)

Websense, Inc. (NASDAQ: WBSN), a global leader in unified Web, data, and email content security, delivers the best security for modern threats to tens of thousands of enterprise, mid-market, and small organizations around the world. Distributed through a global network of channel partners and delivered as software, appliances, and Security-as-a-Service (SaaS), Websense unified content security helps organizations take advantage of powerful new communication, and collaboration while protecting from advanced persistent threats, preventing the loss of confidential information, and enforcing Internet use and security policies. Websense is headquartered in San Diego, California, with offices around the world, generating revenue from the United States (50.09%), Europe, Middle East and Africa (32.39%), Canada and Latin America (8.76%) and Asia/Pacific (8.76%).

3. The market capitalizations of these adopted guideline public companies, as at the Valuation Date, are obtained from Bloomberg. The most recent 12 months financial figures of Earnings and EBIT are extracted from these companies' financial statements (Annual, Interim or Quarterly) to derive the valuation multiples.

   The financial ratios and valuation multiples of the adopted guideline public companies and the financial ratios of the target company, as at the Valuation Date, are highlighted below:

Tickers	Short Name	EBIT Margin	Net Margin	Debt/ Equity Ratio	P/E	EV/ EBIT
	Apperience Corporation	74.09%	55.24%	0.00%		
AVG.US	AVG TECHNOLOGIES	23.01%	9.39%	-443.68%	16.59	7.63
NQ.US	NQ MOBILE INC-ADR	10.59%	19.59%	0.42%	32.33	55.13
QIHU.US	QIHOO 360 TE-ADR	19.83%	18.27%	0.00%	57.20	45.53
SYMC.US	SYMANTEC CORP	18.20%	19.89%	59.98%	10.83	10.97
4704.JP	TREND MICRO INC	25.41%	17.04%	0.00%	19.14	9.91
CHKP.US	CHECK POINT SOFTWARE TECH	54.75%	45.52%	0.00%	16.37	13.15
FSC1V.FH	F-SECURE OYJ	18.27%	12.14%	0.00%	14.32	9.99
WBSN US	WEBSENSE INC	13.62%	6.87%	78.24%	22.83	11.74
Average					23.70	20.51

4. In this valuation task following ratios have been considered:

   - Price to Earnings
   - Price to Revenue
   - Price to Book Value
   - Price to EBITDA
   - Price to EBIT
   - Enterprise Value to EBITDA
   - Enterprise Value to EBIT

5. Price/Book ratio is considered not appropriate for this valuation because book value captures only the tangible assets of a company which, if a company creates any market value added (as reflected by a price to book ratio of larger than 1), should have its own competencies and advantages. These intangible company-specific competencies and advantages are not captured in the price to book ratio and so it is

not a good measurement of the market value of a company. As per Pablo Fernandez, PricewaterhouseCoopers Professor of Corporate Finance, IESE Business School, book value bears little relationship to market value, only if the company adds no value.

6. The Price/Revenue ratio is considered not appropriate since revenue does not consider the cost structure and hence profitability of a company, which affects its value.

7. We have also considered that Price/EBIT and Price/EBITDA ratio not appropriate for this valuation since these ratios are less commonly used and that they are not capital structure neutral.

8. The valuation multiples considered appropriate and adopted in this valuation are:

   - Price/Earnings — This is one the most commonly employed valuation multiples. It relates the market value of a company's equity to its earnings, an important driver of shareholder value. This multiple is derived by dividing the market capitalization of the underlying company as of the valuation date to its latest announced 12 months trailing earnings.

   - EV/EBIT — This is the ratio of the enterprise value of the underlying company as of the Valuation Date to its latest announced 12 months trailing EBIT (earnings before interest, and taxes). Enterprise value is calculated by the following formula: EV = Market Capitalization + Total Debt + Minority Interests + Preferred Shares – Cash and Equivalents.

9. The average value multiples of the guideline companies are then applied to the actual audited financial results of Apperience for the trailing 12 months ended 30 September 2012 to derive the value of its 100% equity interest.

10. The average of the equity values derived by each ratio is concluded as the fair value of 100% equity interest in Apperience, after accounting for 25% of control premium according to papers "Value of Corporate Control: Some International Evidence" by Paul Hanouna, Atulya Sarin & Alan C. Shapiro and 30% of Non-marketability discount according to paper "Marketability and Value: Measuring the Illiquidity Discount" by Aswath Damodaran.

footnotes of point 10

According to the paper "Value of Corporate Control: Some International Evidence", the control premium reflects the fact that some investors or shareholders have the power to exercise control over important corporate decisions that is disproportionate to their shareholdings. In addition to value adding activities, the controlling shareholders would be able to generate private benefits at the expense of the minority shareholders. Therefore, a control premium should be applied when valuing the value of private enterprises. In this paper, the author studied a set of 9,566 acquisitions of U.S. and non-U.S. public companies and found that there exists a premium of around 20-30% for control, and this premium is fairly consistent across time and for different sizes of the target companies. A 25% control premium, which is the median and mean of the two extremes of the above-mentioned range, is adopted for the purpose of this valuation.

According to the study "Marketability and Value: Measuring the Illiquidity Discount", relatively more liquid assets are valued higher than relatively illiquid assets. A non-marketability discount (illiquidity discount) should therefore be applied in order to compensate the effect of illiquidity on the company value. The studies found that restricted (and hence illiquid) stocks traded at discounts of 25-35%, relative to their unrestricted counterparts. According to this paper, the illiquidity discounts adopted in a number of tax court cases are in the same range. A non-marketability (illiquidity) discount of 30%, which is the median and mean of the two extremes of the above-mentioned range, is adopted for the purpose of this valuation.

Dr. Paul Hanouna is Associate Professor of Finance at Villanova University and Resident Research Fellow at the Center for Financial Research at the Federal Deposit Insurance Corporation.

Atulya Sarin is a Professor of Finance at Santa Clara University. He has taught a variety of graduate and undergraduate courses including Corporate Finance, Mergers and Acquisition, International Finance, Managing to IPO etc. He has published over 20 articles that have appeared in leading finance, economics and management Journals such as the Journal of Finance, Journal of Financial Economics, and Academy of Management Journal. He served on the Editorial Board of the Journal of Financial Research and is a frequent presenter in conferences in the US and Europe.

Alan C. Shapiro is the Ivadelle and Theodore Johnson Professor of Banking and Finance and past chairman of the Department of Finance and Business Economics, Marshall School of Business, University of Southern California. His specialties are corporate and international financial management. His best-selling textbook Multinational Financial Management (Prentice-Hall, 6th ed., forthcoming) is in use in most of the leading MBA programs around the world. He has also written Modern Corporate Finance (Macmillan, 1990), cited by the Journal of Finance as potentially the "standard reference volume in corporate finance," Foundations of Multinational Financial Management (Prentice-Hall, 3rd ed., 1998), International Corporate Finance (Ballinger, 1989), and Corporate Finance: A Strategic Perspective (Prentice-Hall, forthcoming, co-authored with Sheldon Balbirer).

Aswath Damodaran is a Professor of Finance at Stern School of Business at New York University. He teaches corporate finance and valuation courses in the MBA program. He has publications in the Journal of Financial and Quantitative Analysis, the Journal of Finance, the Journal of Financial Economics and the Review of Financial Studies. He is the author of four books on equity valuation, namely Damodaran on Valuation, Investment Valuation, The Dark Side of Valuation, The Little Book of Valuation; and two books on corporate finance, titled Corporate Finance: Theory and Practice, Applied Corporate Finance: A User's Manual.

10. VALUATION COMMENTS

As part of our analysis, we have reviewed the financial and business information and other pertinent data concerning Apperience as has been made available to us. Such information has been provided by Apperience. We have assumed the accuracy of, and have relied on, such information to a considerable extent in arriving at our opinion of value.

We confirm that we have made relevant searches and enquiries and obtained such further information as is considered necessary for the purposes of this valuation exercise.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are regarded by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, Apperience, and Ascent Partners.

11. OPINION OF VALUE

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the fair value as at the prescribed Valuation Date, free from any encumbrances, of Apperience is as below:

As of 30 September 2012, the fair value of Apperience is **USD 144,200,000 (US DOLLAR ONE HUNDRED FORTY FOUR MILLION AND TWO HUNDRED THOUSAND ONLY)**.

Yours faithfully
For and on behalf of
Ascent Partners Valuation Service Limited

William SW Yuen	**Paul Wu**
Director	*Principal*
CFA, FRM	*MSc*

Notes:

1. Mr William SW Yuen is a Chartered Financial Analyst and Financial Risk Manager. He holds a Master degree of Science in Finance and has extensive experience in valuation of business entities, tangible and intangible assets and financial instruments for private and public companies in various industries.

2. Mr Paul Wu, holder of Master degree of Science, had worked as a senior management in world class technology companies. He has extensive experience in corporate valuation and advisory, as well as financial and statistical analysis and solutions.

3. This valuation report is co-authored by Miss Christina Zhao and Mr Jasper Chan.

Appendix I Limiting Conditions

1. As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, client representation, project documentation and other pertinent data concerning the project made available to us during the course of our valuation. We have assumed the accuracy of, and have relied on the information and client representations provided in arriving at our opinion of value.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial statements give a true and fair view and have been prepared in accordance with the relevant companies' ordinance.

3. Ascent Partners shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation and with reference to the project described herein unless prior arrangements have been made.

4. No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers.

5. Our conclusions assume continuation of prudent client policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

6. We assume that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the date of this report.

7. This valuation report has been prepared solely for the use of the designated party. The valuation report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent.

8. This report is confidential to the client for the specific purpose to which it refers. In accordance with our standard practice, we must state that this report and valuation is for the use only of the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

Appendix II Calculations

Valuation by the Market Approach

Company Name: Apperience Corporation
Valuation Date: 30 September 2012

	Guideline Company Ratios	Company Data		Equity Value of the Company
Price/Earnings	23.7	Earnings	USD 5,812,351	USD 137,762,738
EV/EBIT	20.5	EBIT	USD 7,796,305	USD 165,728,336
Market value:	USD 151,745,537		μ	USD 151,745,537
			σ	USD 19,774,664
			μ – 2 σ	USD 112,196,208
			μ + 2 σ	USD 191,294,866
Add:				
25.0% Control premium	USD 37,936,384			
Less:				
30.0% Non-marketability discount	(USD 45,523,661)			
Fair value of 100% equity	**USD 144,200,000**			

1. RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after the Completion are set out as follows:

As at the Latest Practicable Date

		HK$
Authorised:		
4,000,000,000	Shares *(Note 1)*	400,000,000

Note 1: 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.

Issued and fully paid, or credited as fully paid:		
1,248,894,324	Shares *(Note 2)*	124,889,432.4

Note 2: As at the Latest Practicable Date, there were outstanding share options entitling the holders thereof to subscribe for up to 6,200,000 Shares and convertible notes entitling the noteholder to convert up to 200,000,000 Shares (being the 2012 Sept Conversion Shares) upon exercise of the 2012 Sept Conversion Rights in full at the relevant initial Conversion Price.

Upon Completion

		HK$
Authorised:		
8,000,000,000	Shares *(Note 3)*	800,000,000

Note 3: Subject to the proposed increase of the authorised share capital of the Company from HK$400,000,000 to HK$800,000,000 being approved by the Shareholders by way of an ordinary resolution at the EGM.

Issued and fully paid, or credited as fully paid:

1,248,894,324	Shares *(Note 4)*	124,889,432.4

Note 4:

(a) 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; and

(b) the maximum number of the Performance Shares to be allotted and issued to the Vendors is 1,452,342,588.

3. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interest and short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

4. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, after reasonable enquires made by the Directors, the following persons (other than the Directors and chief executive of the Company) had, or were deemed to have interests or short positions in the Shares or underlying Shares which were required to be recorded in the register required to be kept under section 336 of the SFO:

Long positions in the underlying shares

Substantial shareholders	**Capacity in which the underlying shares are held**	**Number of shares or underlying shares**	**Approximate percentage of the Company's issued share capital** *Note (17)*	*Notes*
Wise Action Limited ("Wise Action")	Beneficial owner	200,000,000	16.01%	*(1), (2)*
Sino Network Group Limited ("Sino Network")	Interest of a controlled corporation	200,000,000	16.01%	*(1), (2)*
Modern Education Group Limited ("Modern Education Group")	Interest of a controlled corporation	200,000,000	16.01%	*(1), (2)*
Speedy Harvest Investments Limited ("Speedy Harvest")	Interest of a controlled corporation	200,000,000	16.01%	*(1), (2)*

Substantial shareholders	Capacity in which the underlying shares are held	Number of shares or underlying shares	Approximate percentage of the Company's issued share capital *Note (17)*	*Notes*
Mr. Ng Kam Lun Eric ("Mr. Ng")	Interest of a controlled corporation	200,000,000	16.01%	*(1), (2)*
Access Magic	Beneficial owner and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	407.01%	*(3)*
Dong Yuguo ("Mr. Dong")	Interest of a controlled corporation and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	407.01%	*(3), (4)*
Ace Source	Beneficial owner and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	407.01%	*(5)*
Xue Qiushi ("Mr. Xue")	Interest of a controlled corporation and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	407.01%	*(5), (6)*
Wealthy Hope	Beneficial owner and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	407.01%	*(7)*
Chen Liang ("Mr. Chen")	Interest of a controlled corporation and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	407.01%	*(7), (8)*
Well Peace	Beneficial owner and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	407.01%	*(9)*
Lian Ming ("Mr. Lian")	Interest of a controlled corporation and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	407.01%	*(9), (10)*
IDG-Accel	Beneficial owner and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	407.01%	*(11)*

Substantial shareholders	Capacity in which the underlying shares are held	Number of shares or underlying shares	Approximate percentage of the Company's issued share capital *Note (17)*	*Notes*
IDG-Accel Investors	Beneficial owner and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	407.01%	*(12)*
IDG-Accel China Growth Fund II Associates L.P. ("IDG-Accel II Associates")	Interest of a controlled corporation and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	407.01%	*(11), (14)*
IDG-Accel China Growth Fund GP II Associates Ltd. ("IDG-Accel GP II")	Interest of a controlled corporation and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	407.01%	*(11), (12), (13), (14)*
Zhou Quan ("Mr. Zhou")	Interest of a controlled corporation and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	407.01%	*(11), (12), (13), (14)*
Ho Chi Sing ("Mr. Ho")	Interest of a controlled corporation and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	407.01%	*(11), (12), (13), (14)*
THL	Beneficial owner and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	407.01%	*(15)*
Tencent Holdings Limited ("Tencent")	Interest of a controlled corporation	5,083,199,066	407.01%	*(15), (16)*
MIH TC Holdings Limited ("MIH TC Holdings")	Interest of a controlled corporation	5,083,199,066	407.01%	*(15), (16)*
MIH (Mauritius) Limited ("MIH Mauritius")	Interest of a controlled corporation	5,083,199,066	407.01%	*(15), (16)*
MIH Ming He Holdings Limited ("MIH Ming He")	Interest of a controlled corporation	5,083,199,066	407.01%	*(15), (16)*
MIH Holdings Limited ("MIH Holdings")	Interest of a controlled corporation	5,083,199,066	407.01%	*(15), (16)*
Naspers Limited ("Naspers")	Interest of a controlled corporation	5,083,199,066	407.01%	*(15), (16)*

Notes:

(1) Wise Action is wholly and beneficially owned by Sino Network. Sino Network is wholly owned by Modern Education Group. Modern Education Group is approximately 44.96% owned by Speedy Harvest and Speedy Harvest is wholly owned by Mr. Ng. As such, each of Mr. Ng, Speedy Harvest, Modern Education Group and Sino Network was deemed to be interested in all the Shares held by Wise Action pursuant to Part XV of the SFO.

(2) Assuming the allotment and issue of the 2012 Sept Conversion Shares pursuant to the exercise of the 2012 Sept Conversion Rights in full attaching to the convertible notes issued by the Company as disclosed in its announcements dated 28 September 2012 and 14 November 2012.

(3) As at the Latest Practicable Date, Access Magic was interested, in the capacity as the beneficial owner, in 1,003,067,671 Shares, being the maximum number of Conversion Shares to be allotted and issued upon the exercise of the Conversion Rights attaching to the Convertible Notes at the initial Conversion Price and Performance Shares to be allotted and issued to Access Magic.

As at the Latest Practicable Date, Access Magic was deemed to be interested in the 4,080,131,395 Shares of which other Vendors are interested pursuant to sections 317 and 318 of the SFO.

(4) Access Magic is wholly and beneficially owned by Mr. Dong. As such, Mr. Dong is deemed to be interested in all the Shares held by Access Magic pursuant to Part XV of the SFO.

(5) As at the Latest Practicable Date, Ace Source was interested, in the capacity as the beneficial owner, in 1,421,059,131 Shares, being the maximum number of Conversion Shares to be allotted and issued upon the exercise of the Conversion Rights attaching to the Convertible Notes at the initial Conversion Price and Performance Shares to be allotted and issued to Ace Source.

As at the Latest Practicable Date, Ace Source was deemed to be interested in the 3,662,139,935 Shares of which other Vendors are interested pursuant to sections 317 and 318 of the SFO.

(6) Ace Source is wholly and beneficially owned by Mr. Xue. As such, Mr. Xue is deemed to be interested in all the Shares held by Ace Source pursuant to Part XV of the SFO.

(7) As at the Latest Practicable Date, Wealthy Hope was interested, in the capacity as the beneficial owner, in 250,754,210 Shares, being the maximum number of Conversion Shares to be allotted and issued upon the exercise of the Conversion Rights attaching to the Convertible Notes at the initial Conversion Price and Performance Shares to be allotted and issued to Wealthy Hope.

As at the Latest Practicable Date, Wealthy Hope was deemed to be interested in the 4,832,444,856 Shares of which other Vendors are interested pursuant to sections 317 and 318 of the SFO.

(8) Wealthy Hope is wholly and beneficially owned by Mr. Chen. As such, Mr. Chen is deemed to be interested in all the Shares held by Wealthy Hope pursuant to Part XV of the SFO.

(9) As at the Latest Practicable Date, Well Peace was interested, in the capacity as the beneficial owner, in 250,754,210 Shares, being the maximum number of Conversion Shares to be allotted and issued upon the exercise of the Conversion Rights attaching to the Convertible Notes at the initial Conversion Price and Performance Shares to be allotted and issued to Well Peace.

As at the Latest Practicable Date, Well Peace was deemed to be interested in the 4,832,444,856 Shares of which other Vendors are interested pursuant to sections 317 and 318 of the SFO.

(10) Well Peace is wholly and beneficially owned by Mr. Lian. As such, Mr. Lian is deemed to be interested in all the Shares held by Well Peace pursuant to Part XV of the SFO.

(11) As at the Latest Practicable Date, IDG-Accel was interested, in the capacity as the beneficial owner, in 1,794,979,256 Shares, being the maximum number of Conversion Shares to be allotted and issued upon the exercise of the Conversion Rights attaching to the Convertible Notes at the initial Conversion Price and Performance Shares to be allotted and issued to IDG-Accel.

As at the Latest Practicable Date, IDG-Accel was deemed to be interested in the 3,288,219,810 Shares of which other Vendors are interested pursuant to sections 317 and 318 of the SFO.

(12) As at the Latest Practicable Date, IDG-Accel Investors was interested, in the capacity as the beneficial owner, in 146,802,789 Shares, being the maximum number of Conversion Shares to be allotted and issued upon the exercise of the Conversion Rights attaching to the Convertible Notes at the initial Conversion Price and Performance Shares to be allotted and issued to IDG-Accel Investors.

As at the Latest Practicable Date, IDG-Accel Investors was deemed to be interested in the 4,936,396,277 Shares of which other Vendors are interested pursuant to sections 317 and 318 of the SFO.

(13) By virtue of the relationships as described in note 14 below, as at the Latest Practicable Date, IDG-Accel GP II was interested, through its controlled corporations, in 1,941,782,045 Shares and was deemed to be interested in the 3,141,417,021 Shares of which the Vendors (other than IDG-Accel and IDG-Accel Investors) are interested pursuant to sections 317 and 318 of the SFO.

(14) IDG-Accel GP II owns the entire equity interest in each of IDG-Accel II Associates and IDG-Accel Investors. IDG-Accel GP II is 50% owned by Mr. Ho and 50% owned by Mr. Zhou. As such, each of Mr. Ho, Mr. Zhou and IDG-Accel GP II was deemed to be interested in all the Shares held by IDG-Accel and IDG-Accel Investors.

IDG-Accel is wholly owned by IDG-Accel II Associates. As such, IDG-Accel II Associates was deemed to be interested in all the Shares held by IDG-Accel pursuant to Part XV of the SFO.

(15) As at the Latest Practicable Date, THL was interested, in the capacity as the beneficial owner, in 215,781,799 Shares, being the maximum number of Conversion Shares to be allotted and issued to it upon the exercise of the Conversion Rights attaching to the Convertible Notes at the initial Conversion Price and Performance Shares to be allotted and issued to THL.

As at the Latest Practicable Date, THL was deemed to be interested in the 4,867,417,267 Shares of which other Vendors are interested pursuant to sections 317 and 318 of the SFO.

(16) THL is wholly owned by Tencent. Tencent is 33.99% owned by MIH TC Holdings. MIH TC Holdings is 90% owned by MIH Mauritius. MIH Mauritius is wholly owned by MIH Ming He, a wholly owned subsidiary of MIH Holdings. MIH Holdings is wholly owned by Naspers. As such, each of Naspers, MIH Holdings, MIH Ming He, MIH Mauritius, MIH TC Holdings and Tencent was deemed to be interested in all the Shares in which THL was interested pursuant to Part XV of the SFO.

(17) The total number of the issued Shares as at the Latest Practicable Date (that is, 1,248,894,324 Shares) has been used for the calculation of the approximate percentage.

Save as disclosed above, so far as is known to the Directors, there is no other person who had, or were deemed to have interests or short positions in the Shares or underlying Shares which were required to be recorded in the register required to be kept under section 336 of the SFO.

As at the Latest Practicable Date, none of the Directors is also a director of a company which has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

5. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Enlarged Group) have been entered into by members of the Enlarged Group within two years immediately preceding the Latest Practicable Date which are or may be material:

(a) the sale and purchase agreement dated 3 June 2011 ("**S&P Agreement**") entered into between Lucky Famous Limited (a wholly-owned subsidiary of the Company) ("**Lucky Famous**"), Morning Sky International Ltd. ("**Morning Sky**") and Mr. Wong Kui Shing, Danny pursuant to which (i) Morning Sky conditionally agreed to sell and Lucky Famous conditionally agreed to purchase 10% of the total issued share capital of Green Global Bioenergy Limited ("**Green Global**") at a consideration of HK$30,000,000 and (ii) Morning Sky has granted an option to Lucky Famous (which option is exercisable by Lucky Famous within 24 months after completion of the sale and purchase of the said 10% interest) to acquire the remaining 90% interest in Green Global at a consideration which would be made reference to valuation, further details of which are set out in the announcement of the Company dated 3 June 2011;

(b) the placing agreement dated 10 June 2011 ("**Placing Agreement**") entered into between Kingston Securities Limited and the Company pursuant to which the Company has conditionally agreed to place, through Kingston Securities Limited on a best effort basis, a maximum of 400,000,000 new ordinary share(s) of HK$0.05 each in the share capital of the Company at HK$0.065 per placing share to not fewer than six placees who and whose ultimate beneficial owners are Independent Third Parties, further details of which are set out in the announcement of the Company dated 10 June 2011. The placing was completed on 21 June 2011. An aggregate of 400,000,000 placing shares were placed and the net proceeds from the placing amounted to approximately HK$25.2 million, further details of which are set out in the announcement of the Company dated 21 June 2011;

(c) the supplemental agreement to the Placing Agreement dated 15 June 2011 entered into between the Company and Kingston Securities Limited pursuant to which the parties agreed to change the long stop date for the fulfillment of the conditions precedent set out in the Placing Agreement from 30 September 2011 to 30 June 2011, further details of which are set out in the announcement of the Company dated 15 June 2011;

(d) the facility agreement dated 23 June 2011 entered into between Keisuke Kintoshita as borrower and the Company as lender pursuant to which Keisuke Kintoshita agreed to borrow and the Company agreed to lend HK$3,000,000 for a period commencing on 23 June 2011 and ending on 22 December 2011 or the date on which such facility is terminated (whenever is earlier) at an interest rate of 2% per annum and the agreement to extend loan and interest payment dated 23 December 2011 entered into between the same parties to extend the maturity date to 22 June 2012 and the agreement to extend loan and interest payment dated 23 June 2012 entered into between the same parties to further extend the maturity date to 22 December 2012. Such loan and related interest has been repaid in full as at the Latest Practicable Date;

(e) the consulting and market study agreement dated 1 July 2011 entered into between Allright Project Limited and the Company pursuant to which Allright Project Limited agreed to provide consulting, market study and media relationship support services to the Company at a consideration of HK$1,200,000 for a period of six months from 1 July 2011;

(f) the deed of assignment dated 13 February 2012 executed by Koffman Corporate Service Limited as vendor and Elipva (Greater China) Holdings Limited (a subsidiary of the Company) as purchaser pursuant to which Koffman Corporate Service Limited agreed to assign the 7th Floor of Fu Yuen Industrial Building to Elipva (Greater China) Holdings Limited at a consideration of HK6,500,000;

(g) the termination agreement dated 21 March 2012 ("**Termination Agreement**") entered into between Lucky Famous, Morning Sky and Mr. Wong Kui Shing, Danny pursuant to which the S&P Agreement was terminated with effect from the date of the Termination Agreement, further details of which are set out in the announcement of the Company dated 21 March 2012;

(h) the subscription agreement dated 28 September 2012 entered into between the Company as issuer and Wise Action Limited as subscriber in respect of the issue of the 2% coupon unsecured convertible notes due in the year 2013 in an aggregate principal amount of HK$20,000,000, further details of which are set out in the announcement of the Company dated 28 September 2012. The issuance of the convertible notes was completed on 14 November 2012, further details of which are set out in the announcement of the Company dated 14 November 2012;

(i) the IP Transfer Agreement;

(j) the IP Licence Agreement;

(k) the shareholders' agreement dated 15 April 2011 entered into by and among Apperience, IDG-Accel, IDG-Accel Investors, the Warrantors, the Ordinary Vendors and the PRC Company governing the rights granted to the then shareholders of Apperience including but not limited to the rights to receipt of financial statements of the Apperience Group and inspection, the right to offer or sale of the shares in Apperience and right to nominate directors of Apperience. No monetary consideration is specified in such shareholders' agreement;

(l) the series A preferred share purchase agreement dated 15 April 2011 entered into by and among Apperience, IDG-Accel, IDG-Accel Investors, the Warrantors, the Ordinary Vendors and the PRC Company pursuant to which IDG-Accel and IDG-Accel Investors agreed to purchase and Apperience agreed to sell and issue to IDG-

Accel and IDG-Accel Investors 5,546,400 series A preferred shares and 453,600 series A preferred shares in Apperience at a consideration of US$9,244,000 and US$756,000 respectively;

(m) the letter agreement dated 15 April 2011 entered into between IDG-Accel and Apperience in relation to the entitlement of certain management rights in Apperience by IDG-Accel. No monetary consideration is specified in such letter agreement;

(n) the indemnification agreement dated 15 April 2011 entered into by and among Apperience, Zhang Zhen, IDG-Accel and IDG-Accel Investors pursuant to which Apperience shall provide, among others, indemnities to Zhang Zhen, IDG-Accel and IDG-Accel Investors against certain third parties claims made against each of them. No monetary consideration is specified in such indemnification agreement;

(o) the share restriction agreement dated 15 April 2011 entered into by and among Apperience, Dong Yuguo, Access Magic, IDG-Accel and IDG-Accel Investors which governs, among others, the repurchase by Apperience of its shares held by Access Magic. No monetary consideration is specified in such share restriction agreement;

(p) the share restriction agreement dated 15 April 2011 entered into by and among Apperience, Xue Qiushi, Ace Source, IDG-Accel and IDG-Accel Investors which governs, among others, the repurchase by Apperience of its shares held by Ace Source. No monetary consideration is specified in such share restriction agreement;

(q) the share restriction agreement dated 15 April 2011 entered into by and among Apperience, Lian Ming, Well Peace, IDG-Accel and IDG-Accel Investors which governs, among others, the repurchase by Apperience of its shares held by Well Peace. No monetary consideration is specified in such share restriction agreement;

(r) the share restriction agreement dated 15 April 2011 entered into by and among Apperience, Chen Liang, Wealthy Hope, IDG-Accel and IDG-Accel Investors which governs, among others, the repurchase by Apperience of its shares held by Wealthy Hope. No monetary consideration is specified in such share restriction agreement;

(s) the deed of assignment dated 30 August 2011 entered into between the PRC Company as assignor and Apperience as assignee pursuant to which certain US trademark applications have been assigned to Apperience. No monetary consideration is specified in such deed of assignment;

(t) the common stock purchase agreement dated 24 October 2011 entered into between Bluesprig, Inc. and Apperience pursuant to which Apperience agreed to purchase and Bluesprig, Inc. agreed to sell and issue to Apperience 1,000 common stock in Bluesprig, Inc. at a purchase price of US$10;

(u) the indemnity agreement dated 24 October 2011 entered into between Bluesprig, Inc (a subsidiary of Apperience) and Dong Yuguo pursuant to which Bluesprig, Inc shall indemnify Dong Yuguo as its officer against, among others, certain third parties claims made against him. No monetary consideration is specified in such indemnity agreement;

(v) the indemnity agreement dated 24 October 2011 entered into between Bluesprig, Inc (a subsidiary of Apperience) and Jason Johnson pursuant to which Bluesprig, Inc shall indemnify Jason Johnson as its officer against, among others, certain third parties claims made against him. No monetary consideration is specified in such indemnity agreement;

(w) the deed of assignment dated 15 April 2012 entered into between the PRC Company as assignor and Apperience as assignee pursuant to which a US trademark application has been assigned to Apperience. No monetary consideration is specified in such deed of assignment;

(x) the intellectual property assignment and transfer agreement dated 7 September 2012 entered into between Apperience as assignor and Experience Corporation as assignee pursuant to which Apperience shall assign, convey and transfer to Experience Corporation the right, title and interest in, among others, Game Booster software and Game Booster Premium software at a consideration of US$100,000;

(y) the amended and restated shareholders' agreement dated 10 September 2012 entered into by and among Apperience, IDG-Accel, IDG-Accel Investors, THL, the Warrantors, the Ordinary Vendors, the PRC Company, Bluesprig Limited, Imidea Limited and IObit Limited governing the rights granted to the then shareholders of Apperience including but not limited to the rights to receipt of financial statements of the Apperience Group and inspection, the right to offer or sale of the shares in Apperience and right to nominate directors of Apperience. No monetary consideration is specified in such shareholders' agreement;

(z) the series A-1 preferred share purchase agreement dated 10 September 2012 entered into by and among Apperience, THL, the Warrantors, the Ordinary Vendors, the PRC Company, Bluesprig Limited, Imidea Limited and IObit Limited pursuant to which THL agreed to purchase and Apperience agreed to sell and issue to THL 666,667 series A-1 preferred shares in Apperience at a consideration of US$2,000,000;

(aa) the option termination and release agreement dated 10 November 2012 entered into between Apperience and Zhang Jing pursuant to which the parties have agreed to cancel the option granted to Zhang Jing to purchase 100,000 common shares of Apperience;

(ab) the Copyright Licence Agreement;

(ac) the Acquisition Agreement; and

(ad) the Supplemental Agreement.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

7. EXPERTS AND CONSENTS

The following is the qualifications of the experts who have been named in this circular or have given opinions, letter or advice contained in this circular:

Name	Qualification
RSM Nelson Wheeler	Certified Public Accountants
Ascent Partners Valuation Service Limited	Independent professional valuer

Each of RSM Nelson Wheeler and Ascent Partners Valuation Service Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and/or reference to its name, in the form and context in which they appear.

As at the Latest Practicable Date, each of RSM Nelson Wheeler and Ascent Partners Valuation Service Limited was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any members of the Enlarged Group since 31 December 2011, being the date to which the latest published audited consolidated of the Group were made up.

8. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

9. DIRECTORS' COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or their respective associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under rule 11.04 of the GEM Listing Rules, as if the Directors were controlling Shareholders.

10. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group, nor had any Director had any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Enlarged Group since 31 December 2011, being the date to which the latest published audited consolidated financial statements of the Group were made up.

11. AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The Audit Committee members as at the date of this report are Mr. Billy B Ray Tam, Mr. Yu Pak Yan, Peter and Ms. Chan Hoi Ling. They are the Independent Non-executive Directors of the Company. The Audit Committee's principal duties are to review and supervise the financial reporting process and internal control procedures of the Group.

Biographical information of each member of the Audit Committee is set out below:

Mr. Billy B Ray Tam, aged 44, joined the Company since June 2010. He has been a practising solicitor in Hong Kong for over fifteen years. He is currently a partner of Messrs. Ho & Tam, a firm of solicitors in Hong Kong. Mr. Tam holding a Bachelor Degree of Laws from the University of London, a Bachelor Degree in laws of the PRC from Tsinghua University; and a Master Degree of Laws from The University of Hong Kong. He is an independent non-executive director of China Fortune Financial Group Limited (stock code: 290), a company listed on the Main Board of the Stock Exchange and China AU Group Holdings Limited (stock code: 8176) and China Natural Investment Company Limited (stock code: 8250), both of which are listed on the GEM of the Stock Exchange. Mr. Tam is also a non-executive director of Larry Jewelry International Company Limited (stock code: 8351), a company listed on the GEM of the Stock Exchange and a non-executive director of Milan Station Holdings Limited (stock code: 1150), a company listed on Main Board of the Stock Exchange.

Mr. Yu Pak Yan, Peter, aged 62, joined the Company since July 2010. Mr. Yu has over 29 years of experience in real estate and financial services industries. He holds a Bachelor Degree in Management from Youngstown State University in Ohio, USA and a Master of Science Degree in Financial Services from American College in Pennsylvania, USA. Mr. Yu is a member of the Certified Commercial Investment Member Institute and was the first Chinese-American elected to the board of the San Francisco Association of Realtors. Mr. Yu worked in Pacific Union Real Estate Company in the US from 1980–1995 and held senior positions in MetLife and New York Life Insurance Company in managing Asian customers in North America. Mr. Yu is currently serving as an executive director of Kong Sun Holdings Limited (stock code: 295) and an independent non-executive director of Kingston Financial Group Limited (stock code: 1031), Noble Century Investment Holdings Limited (stock code: 2322) and China Sandi Holdings Limited (stock code: 910), the issued shares of which are listed on the Main Board of the Stock Exchange.

Ms. Chan Hoi Ling, aged 39, joined the Company since July 2010. Ms. Chan has extensive experience in auditing and financial management. She obtained a Bachelor Degree in Accountancy from the University of South Australia, a Master in Business Administration from The Hong Kong Polytechnic University and is an associate member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. She is the independent non-executive director of Morning Star Resources Limited (stock code: 542) which is listed on the Main Board of the Stock Exchange.

12. GENERAL

(a) The registered office of the Company is at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is at Unit 901, 9th Floor, Wings Building, 110–116 Queen's Road Central, Central, Hong Kong.

(c) The company secretary of the Company is Mr. Lam Wai Hung, who is a member of Association of Chartered Certified Accountants in the United Kingdom.

(d) The Company's branch share registrar and transfer office in Hong Kong is Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(e) The Company's compliance officer is Chi Chi Hung, Kenneth.

(f) The English text of this circular shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m. at the office of Messrs. Leung & Lau, Solicitors at 3rd Floor, Agricultural Bank of China Tower, 50 Connaught Road C., Central, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the two years ended 31 December 2011;

(c) the interim report of the Company for the six months ended 30 June 2012;

(d) the IT Consultancy Service Agreement;

(e) the 2013 IT Consultancy Service Agreement;

(f) copies of the written consents referred to in the section headed "Experts and consents" in this appendix;

(g) copies of the material contracts referred to in the section headed "Material contracts" in this appendix;

(h) the accountants' report prepared by RSM Nelson Wheeler in respect of the Apperience Group for the period from 7 March 2011 to 30 September 2011 and for the year ended 30 September 2012, the text of which is set out in Appendix II to this circular;

(i) the report on the unaudited pro forma financial information of the Enlarged Group issued by RSM Nelson Wheeler as set out in Appendix III to this circular; and

(j) the report on business valuation of Apperience as at 30 September 2012 prepared by Ascent Partners Valuation Service Limited as set out in Appendix IV to this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of M Dream Inworld Limited ("**Company**") will be held at 10:30 a.m. on 12 March 2013 at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong to consider and, if thought fit, pass the following resolutions, with or without amendments, as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(A) the conditional sale and purchase agreement dated 15 November 2012 (as supplemented and amended by the supplemental agreement dated 11 December 2012) and entered into by and among the Company as purchaser, Access Magic Limited, Ace Source International Limited, Well Peace Global Limited, Wealthy Hope Limited, IDG-Accel China Growth Fund II L.P., IDG-Accel China Investors II L.P. and THL A1 Limited as vendors and Dong Yuguo, Xue Qiushi, Lian Ming and Chen Liang as warrantors in relation to the acquisition ("**Acquisition**") of the Sale Shares (as defined in the circular of the Company dated 23 February 2013 ("**Circular**"), a copy of which is marked "**A**" and signed by the chairman of the meeting for identification purpose has been tabled at the meeting)(collectively, the "**Acquisition Agreement**")(a copy of the Acquisition Agreement is marked "**B**" and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) and the Acquisition be and are hereby approved, confirmed and ratified;

(B) subject to completion of the Acquisition, the directors of the Company ("**Directors**") be and are hereby specifically authorised to allot and issue, credited as fully paid, a maximum of 1,452,342,588 shares of HK$0.10 each in the share capital of the Company (each, a "**Performance Share**") in accordance with the terms and conditions of the Acquisition Agreement;

(C) subject to completion of the Acquisition, the creation and issue of the Convertible Notes (as defined in the Circular) on and subject to the terms and conditions of the Acquisition Agreement be and are hereby approved and the Directors be and are hereby specifically authorised to allot and issue, credited as fully paid, such number of shares of the Company (each, a "**Conversion Share**") in accordance with the

* *For identification purpose only*

instrument constituting the Convertible Notes ("**Instrument**", a draft of which marked "**C**" and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) upon the exercise of the conversion rights attaching to the Convertible Notes in accordance with the terms and conditions of the Instrument; and

(D) all other transactions contemplated under the Acquisition Agreement be and are hereby approved and the Directors or a duly authorised committee of the board of Directors be and are/is authorised to do all such acts and things, to sign and execute such documents or agreements or deed on behalf of the Company and to do such other things and to take all such actions as they consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Acquisition Agreement, the allotment and issue of the Performance Shares, the creation and issue of the Convertible Notes and the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Notes in accordance with terms and conditions of the Instrument, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided for in the Acquisition Agreement) as are, in the opinion of the Directors or a duly authorised committee, in the interest of the Company and its shareholders as a whole."

2. "**THAT**

(A) the authorised share capital of the Company be increased from HK$400,000,000 divided into 4,000,000,000 shares of HK$0.10 each to HK$800,000,000 divided into 8,000,000,000 shares of HK$0.10 each (the "**Increase in Authorised Share Capital**") by the creation of an additional 4,000,000,000 shares of the Company and such shares shall rank pari passu with all existing shares of the Company; and

(B) any one Director be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in and to give effect to the Increase in Authorised Share Capital."

On behalf of the Board
M Dream Inworld Limited
Chi Chi Hung, Kenneth
Chairman

Hong Kong, 23 February 2013

Registered office:
P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands
British West Indies

Head Office and Principal Place of Business in Hong Kong:
Unit 901, 9th Floor
Wings Building
110–116 Queen's Road Central
Central, Hong Kong

Notes:

(1) A member of the Company entitled to attend and vote at the extraordinary general meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the extraordinary general meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

(2) In order to be valid, the form of proxy must be deposited together with (if required by the board of Directors) a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's branch share registrar and transfer office in Hong Kong Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member of the Company from attending in person and voting at the extraordinary general meeting or any adjournment thereof should he so wish.

(3) Completion and return of an instrument appointing a proxy should not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

(4) As required under the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("**GEM Listing Rules**"), the above resolutions will be decided by way of poll.

As at the date hereof, the Board comprises (i) two executive Directors namely, Mr. Chi Chi Hung, Kenneth and Mr. Ng Kay Kwok; and (ii) three independent non-executive Directors namely, Mr. Billy B Ray Tam, Mr. Yu Pak Yan, Peter and Ms. Chan Hoi Ling.

This notice, 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 notice 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 notice misleading.

This notice will remain on the "Latest Company Announcements" page of the GEM website at http://www.hkgem.com for at least seven (7) days from the date of its publication and is available for reference on the website of the Company at http://www.mdreaminworld.com.hk.