



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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2013

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This announcement, for which the directors (the “Directors”) of M Dream Inworld Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purposes only

FINANCIAL HIGHLIGHTS
(unaudited)

- The turnover of the Group was approximately HK\$674,000 for the Period representing a decrease of approximately 23.8% as compared to the turnover for the corresponding period in 2012 of approximately HK\$884,000.
- The Group recorded a loss attributable to equity shareholders of the Company was approximately HK\$262,546,000 for the Period compared to the loss attributable to equity shareholders of the Company of approximately HK\$1,277,000 for the same period last year. The reason for the increase in loss was mainly due to the impairment loss on goodwill of approximately HK\$256,585,000.
- Loss per share for loss attributable to equity shareholders of the Company for the Period was HK20.76 cents.
- The Board does not recommend the payment of any dividend for the three months ended 31 March 2013.

The board of Directors (the “Board”) of M Dream Inworld Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2013 (the “Period”), together with the comparative unaudited figures for the corresponding period in 2012, as follows:

CONDENSED CONSOLIDATED STATEMENT OF INCOME — UNAUDITED

For the three months ended 31 March 2013

(Expressed in Hong Kong dollars)

		Three months ended 31 March	
		2013	2012
		HK\$'000	HK\$'000
	Notes		(Re-presented)
Continuing operations			
Turnover	3	674	884
Cost of sales		(190)	(65)
Gross profit		484	819
Other revenue and net (loss)/gain	4	(255,817)	539
Selling and administrative expenses		(5,524)	(2,383)
Loss from operations		(260,857)	(1,025)
Finance costs	5a	(1,689)	(8)
Loss before taxation	5	(262,546)	(1,033)
Income tax	7	—	(92)
Loss for the period from continuing operations		(262,546)	(1,125)
Discontinued operation			
Loss for the period from discontinued operation		—	(152)
Loss for the period		(262,546)	(1,277)
Loss for the period attributable to:			
Equity shareholders of the Company		(262,546)	(1,277)
Non-controlling interests		—	—
		(262,546)	(1,277)
Loss per share			
	8		
From continuing and discontinued operations			
Basic		(HK20.76 cents)	(HK0.10 cents)
Diluted		N/A	N/A
From continuing operations			
Basic		(HK20.76 cents)	(HK0.09 cents)
Diluted		N/A	N/A
From discontinued operation			
Basic		N/A	(HK0.01 cents)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
— UNAUDITED

For the three months ended 31 March 2013

(Expressed in Hong Kong dollars)

	Three months ended	
	31 March	
	2013	2012
	HK\$'000	HK\$'000
	(Re-presented)	
Loss for the period	(262,546)	(1,277)
Other comprehensive (expense)/income for the period		
Exchange differences on translation of financial statements of overseas subsidiaries	(11)	7
Total comprehensive expense for the period	(262,557)	(1,270)
Attributable to:		
Equity shareholders of the Company	(262,557)	(1,270)
Non-controlling interests	—	—
	(262,557)	(1,270)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

For the three months ended 31 March 2013

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company							Non- controlling interests	Total	
	Share capital	Share premium	Contributed surplus	Share option reserve	Convertible notes equity reserve	Exchange reserve	Accumulated losses			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 January 2012	124,889	206,661	6,426	310	-	294	(180,190)	158,390	-	158,390
Loss for the period	-	-	-	-	-	-	(1,277)	(1,277)	-	(1,277)
Other comprehensive income for the period	-	-	-	-	-	7	-	7	-	7
Total comprehensive income/ (expense) for the period	-	-	-	-	-	7	(1,277)	(1,270)	-	(1,270)
Balance at 31 March 2012 (Unaudited)	<u>124,889</u>	<u>206,661</u>	<u>6,426</u>	<u>310</u>	<u>-</u>	<u>301</u>	<u>(181,467)</u>	<u>157,120</u>	<u>-</u>	<u>157,120</u>
Balance at 1 January 2013	<u>124,889</u>	<u>206,661</u>	<u>6,426</u>	<u>310</u>	<u>6,605</u>	<u>5</u>	<u>(206,816)</u>	<u>138,080</u>	<u>-</u>	<u>138,080</u>
Loss for the Period	-	-	-	-	-	-	(262,546)	(262,546)	-	(262,546)
Other comprehensive expense for the Period	-	-	-	-	-	(11)	-	(11)	-	(11)
Total comprehensive expense for the Period	-	-	-	-	-	(11)	(262,546)	(262,557)	-	(262,557)
Acquisition of subsidiaries (note 13)	-	-	-	-	325,290	-	-	325,290	27,119	352,409
Shares issued on conversion of convertible notes (note 14b)	<u>20,000</u>	<u>2,170</u>	<u>-</u>	<u>-</u>	<u>(6,605)</u>	<u>-</u>	<u>-</u>	<u>15,565</u>	<u>-</u>	<u>15,565</u>
Balance at 31 March 2013 (Unaudited)	<u>144,889</u>	<u>208,831</u>	<u>6,426</u>	<u>310</u>	<u>325,290</u>	<u>(6)</u>	<u>(469,362)</u>	<u>216,378</u>	<u>27,119</u>	<u>243,497</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2013

(Expressed in Hong Kong dollars)

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is P.O. Box 309, Umland House, Grand Cayman, KY1-1104, Cayman Islands, British West Indies. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The Group's principal activities are mainly engaged in the provision of website development, electronic learning products and services during the Period.

On 31 March 2013, the Group completed the acquisition of 50.5% of the entire issued share capital of Apperience Corporation. Apperience Corporation and its subsidiaries ("Apperience Group") are principally engaged in research, development, and distribution of software for personal computers performance and security as well as mobile applications. The Apperience Group also derives income from toolbar advertisements. Upon the completion of the acquisition, the principal activities of the Apperience Group are also classified as the Group's principal activities.

This unaudited quarterly condensed consolidated financial information is presented in Hong Kong Dollars (HK\$), unless otherwise stated. This unaudited quarterly condensed consolidated financial information was approved for issue by the Board of Directors on 10 May 2013.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements of the Company have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") of the Stock Exchange.

The Group's 2013 first quarterly unaudited financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities which have been measured at fair values. The principal accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2012 except in relation to the new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA that are adopted for the first time for the current period's financial statements.

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

3. TURNOVER

Turnover represents the sales value of goods and services supplied to customers.

	Continuing operations		Discontinued operation		Total	
	Three months ended		Three months ended		Three months ended	
	31 March		31 March		31 March	
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations						
Provision of website development, electronic learning products and services	674	884	-	-	674	884
Discontinued operation						
Sales of optical display equipment, components and related technology	-	-	-	-	-	-
	<u>674</u>	<u>884</u>	<u>-</u>	<u>-</u>	<u>674</u>	<u>884</u>

4. OTHER REVENUE AND NET (LOSS)/GAIN

	Continuing operations		Discontinued operation		Total	
	Three months ended		Three months ended		Three months ended	
	31 March		31 March		31 March	
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other revenue						
Bank interest income	226	464	-	3	226	467
Income from provision of business centre services	60	60	-	-	60	60
Loan interest income	-	20	-	-	-	20
Other investment interest income	5	-	-	-	5	-
	<u>291</u>	<u>544</u>	<u>-</u>	<u>3</u>	<u>291</u>	<u>547</u>
Other gains and losses						
Fair value gains on financial assets at fair value through profit or loss (Note 12)	430	-	-	-	430	-
Net sundry income/(expenses)	10	(5)	-	-	10	(5)
Impairment loss on goodwill (Note 13)	(256,585)	-	-	-	(256,585)	-
Recovery from impaired trade receivables	37	-	-	-	37	-
	<u>(256,108)</u>	<u>(5)</u>	<u>-</u>	<u>-</u>	<u>(256,108)</u>	<u>(5)</u>
Other revenue and net (loss)/gain	<u>(255,817)</u>	<u>539</u>	<u>-</u>	<u>3</u>	<u>(255,817)</u>	<u>542</u>

5. LOSS BEFORE INCOME TAX EXPENSE

Loss before income tax expense from continuing operations and discontinued operation have been arrived at after charging:

	Continuing operations		Discontinued operation		Total	
	Three months ended		Three months ended		Three months ended	
	31 March		31 March		31 March	
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(a) Finance costs:						
Bank loan interest	25	8	-	-	25	8
Effective interest on convertible notes payable	1,664	-	-	-	1,664	-
	<u>1,689</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>1,689</u>	<u>8</u>
(b) Staff costs (including directors' remuneration):						
Salaries, wages and other benefits	1,876	1,002	-	23	1,876	1,025
Retirement scheme contributions	42	22	-	-	42	22
	<u>1,918</u>	<u>1,024</u>	<u>-</u>	<u>23</u>	<u>1,918</u>	<u>1,047</u>
(c) Other items:						
Amortisation of intangible assets	154	-	-	-	154	-
Auditor's remuneration	101	111	-	-	101	111
Depreciation	135	63	-	4	135	67
Impairment loss on goodwill (Note 13)	256,585	-	-	-	256,585	-
Legal and professional fees	1,582	74	-	5	1,582	79

6. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period's presentation.

7. INCOME TAX EXPENSES

Income tax expenses in the unaudited condensed consolidated income statement represents:

	Continuing operations		Discontinued operation		Total	
	Three months ended		Three months ended		Three months ended	
	31 March		31 March		31 March	
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax — Hong Kong Profits Tax						
Provision for the period (<i>Note</i>)	<u>-</u>	<u>92</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92</u>

Note:

No provision for Hong Kong Profits Tax is required since the Group has no estimated assessable profit for the Period. The amount provided for the three months period ended 31 March 2012 was calculated at 16.5% of the estimated assessable profits for that period.

Taxation for overseas subsidiaries is charged at appropriate current rates of taxation ruling in the relevant countries. No provision for overseas tax is required since the subsidiaries operating outside Hong Kong have no estimated assessable profit for the Period (2012: HK\$nil).

8. LOSS PER SHARE

(a) Basic loss per share

From continuing and discontinued operations

The calculation of basic loss per share from continuing and discontinued operations is based on the loss attributable to equity shareholders of the Company of HK\$262,546,000 (2012: HK\$1,277,000) and the weighted average of 1,264,449,880 (2012: 1,248,894,324) ordinary shares in issue during the Period.

From continuing operations

The calculation of basic loss per share from continuing operations is based on the loss from continuing operations of HK\$262,546,000 (2012: HK\$1,125,000) and the weighted average of 1,264,449,880 (2012: 1,248,894,324) ordinary shares in issue during the Period.

From discontinued operation

The calculation of basic loss per share from the discontinued operation is based on the loss from the discontinued operation of HK\$0 (2012: HK\$152,000) and the weighted average of 1,264,449,880 ordinary shares (2012: 1,248,894,324 ordinary shares) in issue during the Period.

(b) Diluted loss per share

Diluted loss per share for each of the three months periods ended 31 March 2013 and 2012 is not shown as the potential ordinary shares are anti-dilutive.

9. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments.

- Website development, electronic learning products and services (continuing operations)
- Optical display equipment, components and related technology (discontinued operation)

(a) Segment results

For the purpose of monitoring segment performance and allocating resources between segments:

- Segment profit/(loss) represented profit earned by/(loss from) each segment without allocation of central administration costs, finance costs and income tax expense.
- Segment revenue reported below represents revenue generated from external customers. There were no inter-segment sales in the Period. (2012: HK\$nil).

Information regarding the Group's reportable segments for the periods ended 31 March 2013 and 2012 is set out below.

	Three months ended 31 March							
	Continuing operations Website development, electronic learning products and services		Discontinued operation Optical display equipment, components and related technology		Unallocated		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover								
Revenue from external customers	<u>674</u>	<u>884</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>674</u>	<u>884</u>
Results								
Segment result	<u>(578)</u>	<u>561</u>	<u>-</u>	<u>(152)</u>	<u>-</u>	<u>-</u>	<u>(578)</u>	<u>409</u>
Interest income							230	484
Unallocated income							477	(5)
Unallocated expenses							<u>(260,986)</u>	<u>(2,065)</u>
Loss from operations							<u>(260,857)</u>	<u>(1,177)</u>
Finance costs							<u>(1,689)</u>	<u>(8)</u>
Loss before income tax							<u>(262,546)</u>	<u>(1,185)</u>
Income tax expense							<u>-</u>	<u>(92)</u>
Loss after taxation							<u>(262,546)</u>	<u>(1,277)</u>
Other segment information:								
Amortisation of intangible assets	(154)	-	-	-	-	-	(154)	-
Capital expenditure	(9)	(3)	-	-	(685)	(7,036)	(694)	(7,039)
Depreciation	(4)	(1)	-	(4)	(131)	(62)	(135)	(67)
Impairment loss on goodwill	-	-	-	-	(256,585)	-	(256,585)	-
Legal and professional fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5)</u>	<u>(1,582)</u>	<u>(74)</u>	<u>(1,582)</u>	<u>(79)</u>

(b) Geographical segments

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods delivered.

	Three months ended	
	31 March	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from external customers		
Hong Kong	<u>674</u>	<u>884</u>

10. RESERVES

The amounts of the Group's reserves and the movements therein for the Period and the same period of previous year are presented in the unaudited condensed consolidated statement of changes in equity in the financial statements.

11. DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the Period (2012: Nil).

12. INVESTMENT IN A CONVERTIBLE NOTE

The Group subscribed a convertible note in the principal amount of HK\$3,500,000 issued by Capital VC Limited (a company listed on the main board of the Stock Exchange (stock code: 2324)) during the Period. The convertible note is designated as at fair value through profit or loss as it contains embedded derivatives.

The movements of the convertible note are as follows:

	At 31 March
	2013
	HK\$'000
	(Unaudited)
Nominal value of convertible note	3,500
Fair value gains on financial assets at fair value through profit or loss (<i>Note</i>)	<u>430</u>
Fair value of convertible note	<u><u>3,930</u></u>

Note: Gain on fair value changes in convertible note was directly recognized in unaudited condensed consolidated statement of income during the Period.

The fair value of convertible note was revalued as at 31 March 2013 based on valuation by an independent valuer, Ascent Partners Valuation Service Limited, determined using the Binomial Model. The significant inputs to the model were as follows:

	At 31 March 2013
Share price of underlying shares (HK\$)	0.0760
Conversion price (HK\$)	0.10
Expected volatility (%)	64.4254
Expected life (years)	0.9889
Risk-free rate (%)	0.1387
Expected dividend yield (%)	0.00

13. ACQUISITION OF SUBSIDIARIES

On 31 March 2013, the Group completed the acquisition of 50.5% of the entire issued share capital of Apperience Corporation (“Acquisition”) at the maximum consideration (“Consideration”) payable by the Company to the vendors of the acquisition of HK\$548,985,500 (subject to adjustment). The Consideration of HK\$548,985,500 (subject to adjustment) had been satisfied partly by the creation and issue of convertible notes in the principal amount of HK\$392,132,500 and shall be satisfied partly by the allotment and issue of additional shares of the Company (“Performance Shares”) 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). The details of the Acquisition are set out in the Company’s announcements dated 5 December 2012 (“First Announcement”), 12 March 2013 and 1 April 2013 and the Company’s circular dated 23 February 2013 (“Circular”).

The estimated fair value of the identifiable net assets acquired and goodwill arising on Acquisition as at the date of completion is as follows:

	<i>HK\$’000</i> (Unaudited)	<i>HK\$’000</i> (Unaudited)
Carrying amount of identifiable net assets		30,948
Fair value adjustment on intangible assets		31,782
Deferred tax liabilities arising from the fair value adjustment		<u>(7,945)</u>
		54,785
Less: Non-controlling interests of 49.5% equity interest in the Apperience Group		<u>(27,119)</u>
Fair value of identifiable net assets of the Apperience Group acquired		27,666
Goodwill		<u>756,970</u>
Fair value of purchase consideration		<u><u>784,636</u></u>
Fair value of the purchase consideration:		
— issue of convertible notes		
Debt component	282,160	
Equity component	<u>325,290</u>	607,450
— issue of performance shares		<u>177,186</u>
		<u><u>784,636</u></u>

The above estimated figures in relation to the acquisition of Apperience Group are based on the Company's preliminary estimates, which have not been audited.

Goodwill

	<i>HK\$'000</i> (Unaudited)
Cost:	
Arising on acquisition of subsidiaries and at 31 March 2013	<u>756,970</u>
Impairment losses:	
Impairment loss recognized for the Period and at 31 March 2013	<u>256,585</u>
Carrying value	
At 31 March 2013	<u><u>500,385</u></u>

Goodwill acquired in business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the business of the CGUs operates. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets for the next five years with the residual period using the growth rate of 2%. This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast flows is 18.74%

At 31 March 2013, before impairment testing, goodwill of approximately HK\$756,970,000 were allocated to the Apperience Group. As disclosed in the Circular, the fair value of the Consideration (which will be settled by securities and convertible securities of the Company) as at the valuation date of 30 September 2012 was approximately HK\$595,380,000. The market price of shares of the Company has increased since the First Announcement and up to 31 March 2013 (being the date of completion of the Acquisition ("Completion Date")). Based on draft valuation reports, the estimated fair value of the Consideration of approximately HK\$784,636,000 at the Completion Date has increased as a result of such increase in the market price of Shares of the Company, which in turn has resulted in a substantial amount of goodwill in connection with the Acquisition. The impairments of goodwill in relation to the Acquisition are largely due to the increase in the fair value of the Consideration mentioned above. The goodwill allocated to the Apperience Group have therefore been reduced to its estimated recoverable amount through recognition of an impairment loss against goodwill of approximately HK\$256,585,000 during the Period. The impairments of goodwill are non-cash adjustments and will not affect the working capital sufficiency of the Group.

14. SHARE CAPITAL

	Nominal value per share HK\$	Number of shares	HK\$
Authorised:			
At 1 January 2013	0.10	4,000,000,000	400,000,000
Increase in authorised capital (a)	0.10	<u>4,000,000,000</u>	<u>400,000,000</u>
At 31 March 2013		<u>8,000,000,000</u>	<u>800,000,000</u>
Issued and fully paid:			
At 1 January 2013	0.10	1,248,894,324	124,889,432
Shares issued on conversion of convertible notes (b)	0.10	<u>200,000,000</u>	<u>20,000,000</u>
At 31 March 2013		<u>1,448,894,324</u>	<u>144,889,432</u>

(a) By an ordinary resolution of the shareholders passed at an extraordinary general meeting of the Company held on 12 March 2013, the authorised share capital of the Company was 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 by the creation of an additional 4,000,000,000 shares of the Company. The details of increase in authorized share capital of the Company are contained in the Company's circular dated 23 February 2013 and Company's announcement dated 12 March 2013.

(b) On 14 November 2012, the Company issued convertible notes with principal amount of HK\$20,000,000. The noteholder has the right to convert the convertible notes into ordinary shares of the Company at an initial conversion price of HK\$0.10 per ordinary share (subject to adjustment). On 25 March 2013, the Company issued a total of 200,000,000 conversion shares to the noteholder at the conversion price of HK\$0.10 per conversion share pursuant to the exercise of the conversion right attached to the convertible notes by the noteholder. The details of the conversion shares are contained in the Company's announcements dated 28 September 2012, 14 November 2012 and 19 March 2013.

15. RELATED PARTY TRANSACTIONS

During the Period, the Group entered into the following transactions with related party:

Name of related party	Nature of transactions	Three months ended 31 March	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
KanHan Technologies	Sales of website development, electronic leaning products and services	—	253
KanHan Technologies	Income from provision of business centre services	60	60

Note:

The above transactions were entered into with KanHan Technologies Limited (“KanHan Technologies”), a Hong Kong company which was previously the shareholder of the entire equity interests of KanHan Educational Services Limited (“KanHan EDU”). Mr. Mo Wai Ming, Lawrence is also a common director for both KanHan Technologies and KanHan EDU.

The Group’s wholly owned subsidiary, KanHan EDU, entered into a supply agreement and a business centre service agreement with KanHan Technologies on 19 November 2010 for the sales of website development, electronic learning products and services, and provide business centre services respectively for the term of 3 years. The annual sales cap and service charge during the term of the supply agreement and business centre service agreement shall not exceed HK\$1,000,000 and HK\$300,000 respectively. Details of the transaction are set out in the Company’s announcement dated 19 November 2010.

16. EVENTS AFTER THE REPORTING PERIOD

Conversion of convertible notes

On 15 November 2012, the Company entered into a conditional sale and purchase agreement to purchase 50.5% of the entire issued share capital of Apperience Corporation. On 11 December 2012, the Company entered into a supplemental agreement in relation thereto. The maximum aggregate amount of the consideration payable by the Company is HK\$548,985,500 (subject to adjustment) which would be satisfied partly by the creation and issue of Convertible Notes and (where applicable) partly by the allotment and issue of the Performance Shares by the Company. Completion of the Acquisition took place on 31 March 2013. The convertible notes in the aggregate principal amount of HK\$392,132,500 were issued to the vendors of the acquisition. On 10 April 2013, the Company issued a total of 592,592,591 conversion shares to converting noteholders at a conversion price of HK\$0.108 per conversion share pursuant to the exercise of the conversion rights attached to the convertible notes in the aggregate principal amount of HK\$64,000,000 by certain converting noteholders. Details of the transaction are set out in the Company’s announcements dated 5 December 2012, 12 March 2013, 1 April 2013, 2 April 2013 and the Company’s circular dated 23 February 2013.

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

Software and Mobile Applications business

Very substantial acquisition

On 31 March 2013, the Group has completed the very substantial acquisition (“VSA”) of 50.5% of the entire issued share capital of Apperience Corporation, whose certain of existing shareholders include IDG-Accel China Growth Fund II L.P. (“IDG-Accel”), IDG-Accel China Investors II L.P. (“IDG-Accel Investors”) and THL A1 Limited (“THL”). THL is a subsidiary of Tencent Holdings Limited (stock code: 700), the issued shares of which are listed on the Main Board of the Stock Exchange. The maximum aggregate amount of the consideration payable by the Group to the vendors is HK\$548,985,500, subject to adjustment.

Apperience Corporation is principally engaged in the research, development, and distribution of software for personal computer performance and security and mobile applications. Its major product, Advanced SystemCare, 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, had been upgraded to the latest version 6 in late 2012. Currently, Advanced SystemCare has accumulated over 900,000 paid subscribers worldwide with over 8,000,000 free and paid active users as at 31 March 2013. The Apperience Group also derives income from toolbar advertisements.

E-learning Business

Turnover of the e-learning business for the Period amounted to HK\$674,000, showing a decrease of 23.8% from the corresponding period in the last year to approximately HK\$884,000.

The segment result recorded a loss of approximately HK\$578,000 (2012: Profit of approximately HK\$561,000). The reason for the loss was mainly due to drop in turnover and an increase in the amortization of intangible assets.

FINANCIAL REVIEW

Turnover

For the Period under review, the turnover of the Group from its continuing operations was approximately HK\$674,000, representing a decrease of approximately 23.8% compared to the turnover for the three months period ended 31 March 2012 of approximately HK\$884,000. The turnover for the Period was mainly contributed by the E-learning business.

Gross profit

The gross profit of the Group for the Period from its continuing operations decreased by 40.9% to approximately HK\$484,000.

Loss for the Period

The loss attributable to the equity shareholders of the Company for the Period was approximately HK\$262,546,000 compared to the loss attributable to equity shareholders of the Company was approximately HK\$1,277,000 for the three months period ended 31 March 2012. The main reason for the increase in loss was mainly due to the impairment loss on goodwill of approximately HK\$256,585,000.

Liquidity, financial resources and capital structure

As at 31 March 2013, the Group's cash and cash equivalents amounted to approximately HK\$174,241,000 (2012: HK\$127,076,000), which were principally denominated in Renminbi, United States dollar and Hong Kong dollar (2012: Renminbi and Hong Kong dollar).

The Group generally finances its operation using internally generated resources and proceeds raised from issue of convertible notes in the year 2012.

On 14 November 2012, the Company issued convertible notes with principal amount of HK\$20,000,000 as alternative financing instruments. The notes bear interest at 2% per annum, are unsecured and have a maturity date on 13 November 2013. The noteholder has the right to convert the convertible notes into ordinary shares of the Company at conversion price of HK\$0.10 per ordinary share up to 9 November 2013. On 25 March 2013, the Company issued a total of 200,000,000 conversion shares to the noteholder at the conversion price of HK\$0.10 per conversion share. The details of the issued convertible notes are set out in the Company's announcements dated 28 September 2012, 14 November 2012 and 19 March 2013 and note 12 to these unaudited consolidated financial statements.

On 31 March 2013, upon the completion of the VSA, the Company issued convertible notes in the aggregate principal amount of HK\$392,132,500 at the initial conversion price of HK\$0.108 per conversion share (subject to adjustment) to vendors of the VSA. A summary of the principal terms of the Convertible Notes is set out in the Company's Circular dated 23 February 2013.

On 12 March 2013, an ordinary resolution relating to 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 by the creation of an additional 4,000,000,000 shares of the Company was approved by the shareholders of the Company in an extraordinary general meeting. As at the date of this announcement, the authorised share capital of the Company is HK\$800,000,000 divided into 8,000,000,000 shares of HK\$0.10 each.

As at the date of this announcement, the issued share capital of the Company was HK\$204,148,691.50 divided into 2,041,486,915 ordinary shares of HK\$0.10 each.

Gearing ratio

As at 31 March 2013, the total assets of the Group were approximately HK\$763,006,000 (2012: HK\$163,897,000), whereas the total liabilities were approximately HK\$519,509,000 (2012: HK\$6,777,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was 68.1% (2012: 4.1%).

Interim dividend

The Directors do not recommend to pay any interim dividend for the three months ended 31 March 2013 (2012: HK\$nil).

Pledge of assets

On 13 February 2012, the Company's indirect wholly-owned subsidiary, Five Stars Development Limited (formerly known as 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% below prime rate per annum, and payable in 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. As at 31 March 2013, the carrying value of the property was approximately HK\$6,537,000.

Continuing connected transactions

During the Period, the Group had the following continuing connected transactions.

On 19 November 2010, KanHan EDU, and indirect wholly owned subsidiary of the Company entered into a supply agreement and a business centre service agreement with KanHan Technologies, being a connected person of the Company within the meanings of the GEM Listing Rules since KanHan Technologies was previously the shareholder of the entire equity interest of KanHan EDU. As at the date of this announcement, Mr. Mo Wai Ming, Lawrence is also a common director for both KanHan Technologies and KanHan EDU.

During the Period, the Group provided website development, electronic learning products and services, and the business centre services to KanHan Technologies, which the amount were approximately HK\$0 (2012: HK\$253,000) and HK\$60,000 (2012: HK\$60,000) respectively.

The details of the supply agreement and the business centre service agreement and the relevant continuing connected transactions are contained in the note 14 to the unaudited consolidated financial statements and the announcements of the Company dated 19 November 2010 and 3 July 2012 respectively.

Foreign exchange exposure

During the Period, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi.

Following the completion of the acquisition of Apperience Corporation, United States dollars will also become the main currencies transacted by the Group. Since Hong Kong dollars remain pegged to the United States dollars within a defined range, the Group is not exposed to any significant foreign exchange risk against the United States dollars and has not entered into any foreign exchange contract as hedging measures. The Directors did not consider the Group was significantly exposed to any foreign currency exchange risk.

Notwithstanding the above, the Group manages its foreign currency risk against other currencies by closely monitoring the movement of the foreign currency rates and may use hedging derivative, such as foreign currency forward contract, to manage its foreign currency risk as appropriate.

Significant investment

Subscription of the convertible bonds

On 21 March 2013, the Company signed the placing letter with the sub-placing agent in respect of the placement of the 2014 due 10% coupon convertible bonds in the principal amount of HK\$3,500,000 issued by Capital VC Limited, whose shares are listed on the Main Board of the Stock Exchange. The completion of the placement took place on 27 March 2013. As at the date of this announcement, none of the convertible bonds have been converted by the Company. Details of the transaction are set out in the Company's announcement dated 21 March 2013.

Material acquisitions and disposals

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

Employees and remuneration policies

As at 31 March 2013, the Group had approximately 54 employees (2012: 32 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 so as 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 during the Period. As at 31 March 2013, there were options to subscribe for 6,200,000 shares of the Company outstanding under the Share Option Scheme.

Contingent liabilities

At 31 March 2013, the Company provided a corporate guarantee to Five Stars Development Limited (formerly known as Elipva (Greater China) Holdings Limited), a wholly-owned subsidiary of the Group, in relation to banking facilities to the extent of HK\$3,250,000 (2012: HK\$nil) of which HK\$3,064,000 (2012: HK\$nil) was utilized.

DEALINGS FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has relied on Rules 5.48 to 5.67 of the GEM Listing Rules as the required standard of dealings in respect to any dealings in the Company's securities by the Company's Directors. General and specific enquiries have been made to all Directors and they all confirmed they have complied with the said GEM Listing Rules during the Period.

OUTLOOK

Following the completion of the acquisition of Apperience Corporation, the Group will be able to diversify its business into the information technology field of personal computers and mobile applications, thus further improving the product mix of the Group. Looking forward, the Group will strive to focus and enhance its business development on the four major areas, including antivirus software, mobile applications, online games, and e-learning services by launching products with outstanding features.

The Group has a strong and solid financial position. In light of the gradual recovery of the financial markets, the Group will enhance its treasury function to utilise its surplus resources with an aim to maximizing the investment returns and managing its financial resources to bring more value to shareholders. To this end, the Group will consider various ways of increasing returns, including investments in local or global securities market and property investment. The Board will take a positive but prudent approach to perform treasury management.

Looking forward, the Group will continue to update its business plans while seeking for new investment opportunities, echoing its core in information technology sphere as to enhance the Group's profitability.

OTHER INFORMATION

DIRECTORS' INTERESTS IN CONTRACT

None of the Directors had any interests in any contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, and which subsisted at the end of the Period or at any time during the Period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 March 2013, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance “SFO”, Chapter 571 under the Laws of Hong Kong), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

At no time during the Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executives, their respective spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

On 24 December 2007, this new share option scheme was approved by shareholders of the Company in an extraordinary general meeting. This scheme is to enable the Company to grant option to either Directors or employees and recruiting additional quality employees and to provide them with a direct economic interest in attaining the long term business objective of the Group.

On 19 May 2011, the Company has granted 6,200,000* share options to a consultant of the Company under the Scheme at the exercise price of HK\$0.116* per share.

Details of the movements in the share options granted under the Share Option Scheme during the Period are as follows:

Date of grant	Exercise period	Exercise price per share HK\$	Number of share options				Outstanding as at 31 March 2013 '000
			Outstanding as at 1 January 2013 '000	Granted during the Period	Exercised during the Period	Lapsed during the Period	
19 May 2011	20 May 2011 to 19 May 2014	0.116*	6,200*	-	-	-	6,200*

* After the adjustment for share consolidation dated 18 July 2011.

The details of share options granted are set out in the Company's announcements dated 19 April 2011 and 19 May 2011 respectively. The details of share consolidation are set out in Company's announcements dated 13 June 2011, 15 June 2011, 24 June 2011, 15 July 2011 and 18 July 2011 respectively.

INTERESTS DISCLOSEABLE UNDER THE SECURITIES AND FUTURES ORDINANCE (THE "SFO") AND SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS INTEREST IN SECURITIES

Substantial shareholders

As at 31 March 2013, the following persons (other than Directors or chief executive of the Company) had, or were deemed or taken to have interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of SFO were as follows:

Long positions in the shares

Substantial shareholders	Capacity in which the shares are held	Number of shares	Approximate percentage of the Company's issued share capital <i>Note (2)</i>	<i>Notes</i>
Wise Action Limited (“Wise Action”)	Beneficial owner	201,260,000	13.89%	<i>(1)</i>
Sino Network Group Limited (“Sino Network”)	Interest of a controlled corporation	201,260,000	13.89%	<i>(1)</i>
Modern Education Group Limited (“Modern Education Group”)	Interest of a controlled corporation	201,260,000	13.89%	<i>(1)</i>
Speedy Harvest Investments Limited (“Speedy Harvest”)	Interest of a controlled corporation	201,260,000	13.89%	<i>(1)</i>
Mr. Ng Kam Lun Eric (“Mr. Ng”)	Interest of a controlled corporation	201,260,000	13.89%	<i>(1)</i>

Notes:

- (1) Such information was based on the corporate substantial shareholder notice filed by Wise Action on 27 March 2013 and after making reasonable enquiries by the Directors.

Wise Action is wholly and beneficially owned by Sino Network. Sino Network is wholly owned by Modern Education Group. Modern Education Group is approximately 31.22% owned by Speedy Harvest and Speedy Harvest is wholly owned by Mr. Ng. Based on the said shareholding structure and to the best knowledge and information of the Directors, each of 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) The total number of the issued shares of the Company as at 31 March 2013 (that is, 1,448,894,324 Shares) has been used for the calculation of the approximate percentage.

Long positions in the underlying shares

Substantial shareholders	Capacity in which the underlying shares are held	Number of underlying shares	Approximate percentage of the Company's issued share capital <i>Note (15)</i>	<i>Notes</i>
Access Magic Limited ("Access Magic")	Beneficial owner and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	350.83%	(1)
Dong Yuguo ("Mr. Dong")	Interest of a controlled corporation and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	350.83%	(1), (2)
Ace Source International Limited ("Ace Source")	Beneficial owner and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	350.83%	(3)
Xue Qiushi ("Mr. Xue")	Interest of a controlled corporation and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	350.83%	(3), (4)
Wealthy Hope Limited ("Wealthy Hope")	Beneficial owner and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	350.83%	(5)
Chen Liang ("Mr. Chen")	Interest of a controlled corporation and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	350.83%	(5), (6)
Well Peace Global Limited ("Well Peace")	Beneficial owner and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	350.83%	(7)
Lian Ming ("Mr. Lian")	Interest of a controlled corporation and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	350.83%	(7), (8)

Substantial shareholders	Capacity in which the underlying shares are held	Number of underlying shares	Approximate percentage of the Company's issued share capital <i>Note (15)</i>	<i>Notes</i>
IDG-Accel China Growth Fund II L.P. (“IDG-Accel”)	Beneficial owner and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	350.83%	(9)
IDG-Accel China Investors II L.P. (“IDG-Accel Investors”)	Beneficial owner and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	350.83%	(10)
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	350.83%	(9), (12)
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	350.83%	(9), (10), (11), (12)
Zhou Quan (“Mr. Zhou”)	Interest of a controlled corporation and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	350.83%	(9), (10), (11), (12)
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	350.83%	(9), (10), (11), (12)
THL A1 Limited (“THL”)	Beneficial owner and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	350.83%	(13)
Tencent Holdings Limited (“Tencent”)	Interest of a controlled corporation	5,083,199,066	350.83%	(13), (14)

Substantial shareholders	Capacity in which the underlying shares are held	Number of underlying shares	Approximate percentage of the Company's issued share capital <i>Note (15)</i>	<i>Notes</i>
MIH TC Holdings Limited ("MIH TC Holdings")	Interest of a controlled corporation	5,083,199,066	350.83%	<i>(13), (14)</i>
MIH (Mauritius) Limited ("MIH Mauritius")	Interest of a controlled corporation	5,083,199,066	350.83%	<i>(13), (14)</i>
MIH Holdings Limited ("MIH Holdings")	Interest of a controlled corporation	5,083,199,066	350.83%	<i>(13), (14)</i>
Naspers Limited ("Naspers")	Interest of a controlled corporation	5,083,199,066	350.83%	<i>(13), (14)</i>

Notes:

- (1) As at 31 March 2013, Access Magic was interested, in the capacity as the beneficial owner, in 1,003,067,671 shares, being the maximum number of new shares ("Conversion Shares") in the Company to be allotted and issued upon the exercise of the conversion rights ("Conversion Rights") attaching to the zero coupon Convertible Notes in the principal amount of up to HK\$392,132,500 at the initial conversion price of HK\$0.108 ("Conversion Price") and new shares ("Performance Shares") in the Company to be allotted and issued to Access Magic in accordance with the terms and conditions of the sale and purchase agreement dated 15 November 2012 (as supplemented) in relation to the acquisition of 50.5% of the entire issued share capital of Apperience Corporation ("Acquisition"). As at 31 March 2013, Access Magic was deemed to be interested in the 4,080,131,395 shares of the Company of which other Vendors to the Acquisition (namely, Ace Source, Wealthy Hope, Well Peace, IDG-Accel, IDG-Accel Investors and THL) are interested pursuant to sections 317 and 318 of the SFO.
- (2) 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.
- (3) As at 31 March 2013, 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 31 March 2013, 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.
- (4) 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.
- (5) As at 31 March 2013, 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 31 March 2013, 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.

- (6) 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.
- (7) As at 31 March 2013, 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 31 March 2013, 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.
- (8) 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.
- (9) As at 31 March 2013, 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 31 March 2013, 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.
- (10) As at 31 March 2013, 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 31 March 2013, 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.
- (11) By virtue of the relationships as described in note 12 below, as at 31 March 2013, 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.
- (12) 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.
- (13) As at 31 March 2013, 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 31 March 2013, 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.
- (14) 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 Holdings. MIH Holdings is wholly owned by Naspers. As such, each of Naspers, MIH Holdings, 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.
- (15) The total number of the issued shares of the Company as at 31 March 2013 (that is, 1,448,894,324 Shares) has been used for the calculation of the approximate percentage.

Save as disclosed above, as at 31 March 2013, 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 of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of SFO.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

COMPETING INTEREST

None of the Directors or management shareholders of the Company (within the meaning of the GEM Listing Rules) has any interest in any business which competes or may compete with the business of the Group during the Period.

CORPORATE GOVERNANCE

During the Period, the Company has complied with the code provisions set out in Appendix 15 of the GEM Listing Rules except for the deviation from code provision A.4.1 which is explained below.

Under the Code Provision A.4.1, non-executive Directors should be appointed for a specific term and subject to re-election. The existing independent non-executive Directors of the Company were not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Article of Association of the Company. The Company considers that sufficient measures have been taken to ensure good corporate governance practices of the Company in this aspect of the Code Provisions.

AUDIT COMMITTEE

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

The Group's unaudited consolidated results for the Period have been reviewed and discussed by the Audit Committee before any disclosure and release of information.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this announcement the Company has maintained the prescribed public float under the GEM Listing Rules.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the board practices and procedures as set out in Rules 5.34 of the GEM Listing Rules during the Period.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all shareholders for their support to the Company.

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

10 May 2013

As at the date of this announcement, the Board consists of Mr. Chi Chi Hung, Kenneth, and Mr. Ng Kay Kwok being the Executive Directors, Mr. Billy B Ray Tam, Ms. Chan Hoi Ling and Mr. Yu Pak Yan, Peter being the Independent Non-executive Directors.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least 7 days from the date of its publication and on the website of the Company.