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.

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
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the extraordinary general meeting of the Company to be held at 10:30 a.m. on 26 August 2013 at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong is set out on pages 89 to 91 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*

8 August 2013

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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.

DEFINITIONS

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

"Acquisition"	the acquisition of the Sale Shares by the Purchaser
"Apperience Group"	Apperience Corporation (a non-wholly owned subsidiary of the Company) and its subsidiaries
"associate(s)"	has the meaning ascribed to it in the GEM Listing Rules
"Board"	the board of Directors
"Business Day"	a day (excluding Saturday and Sunday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
"Company"	M Dream Inworld Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM
"Completion"	the completion of the Acquisition pursuant to the SP Agreement
"connected person(s)"	has the meaning ascribed to it in the GEM Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened at 10:30 a.m. on 26 August 2013 for the purpose of considering and, if thought fit, approving, among other things, the SP Agreement and the transactions contemplated thereunder including but not limited to the acquisition by the Purchaser of the Sale Shares
"Encumbrances"	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation, equities, and adverse claims, or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale and purchase, sale-and-leaseback arrangement over or in any property, assets or rights of whatsoever nature or interest or any agreement for any of the same

"Enlarged Group"	the group of companies consisting of the Company and its subsidiaries after Completion
"EPRO Group"	EPRO Limited and its subsidiaries
"EPRO Limited"	EPRO Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM (Stock code: 8086)
"EPRO Shares"	share(s) of HK$0.01 each in the share capital of EPRO Limited
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	third party(ies) independent of the Company and its connected persons
"Latest Practicable Date"	5 August 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"LDL"	Lime Development Limited, a company incorporated in the British Virgin Islands, the vendor of the LDL Sale Shares under the SP Agreement
"LDL Sale Shares"	242,032,000 EPRO Shares owned by LDL
"Long Stop Date"	means 30 December 2013 (or such later date as the Purchaser and the Vendors may agree in writing)
"PRC"	the People's Republic of China, for the purposes of this circular only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Purchaser"	Perfect Growth Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company, being the purchaser named under the SP Agreement
"Sale Shares"	248,976,000 EPRO Shares, comprising the THHK Sale Shares and the LDL Sale Shares

"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$0.10 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"SP Agreement"	the sale and purchase agreement dated 13 June 2013 and entered into by and among the Purchaser and the Vendors in relation to the Acquisition
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"THHK"	Town Health Corporate Advisory and Investments Limited, a company incorporated in Hong Kong, the vendor of the THHK Sale Shares under the SP Agreement
"THHK Sale Shares"	6,944,000 EPRO Shares owned by THHK
"US"	Unites States of America
"US$"	United States dollar, the lawful currency of the US
"Vendors"	THHK and LDL
"%"	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. Xue Qiushi

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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Head office and principal place of business in Hong Kong:
Room 515, 5/F
Town Health Technology Centre
10–12 Yuen Shun Circuit, Siu Lek Yuen
Shatin, New Territories
Hong Kong

8 August 2013

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION

INTRODUCTION

Reference is made to the announcement of the Company dated 13 June 2013 in which the Company announced that on 13 June 2013 (after trading hours), the Group and the Vendors entered into the SP Agreement pursuant to which the Group has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the Sale Shares, representing 4.89% of the issued share capital of EPRO Limited as at the date of the SP Agreement, at an aggregate consideration of HK$79,921,296.

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.

* *For identification purpose only*

The purpose of this circular is to provide you with details of the Acquisition, the SP Agreement and the transactions contemplated thereunder, further information of the EPRO Group and to give you notice of EGM.

1. THE SP AGREEMENT

Date

13 June 2013 (after trading hours)

Parties

Purchaser : the Purchaser, an indirect wholly-owned subsidiary of the Company

Vendor : THHK

LDL

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, (i) THHK and LDL are principally engaged in trading of listed securities; (ii) THHK and LDL are indirect wholly-owned subsidiaries of Town Health International Investments Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3886); and (iii) the Vendors and their respective ultimate beneficial owners are Independent Third Parties.

As at the Latest Practicable Date, THHK held 60,540,000 Shares, representing approximately 2.97% of the issued share capital of the Company.

Assets to be acquired:

THHK and LDL have conditionally agreed to sell to the Purchaser the THHK Sale Shares and the LDL Sale Shares respectively, and the Purchaser has conditionally agreed to purchase the THHK Sale Shares and the LDL Sale Shares from THHK and LDL respectively free from all Encumbrances together with all rights and title of any nature now or hereafter attaching thereto including but not limited to all interests, dividends or distributions which may be paid, declared or made in respect thereof at any time on or after the Completion.

The Sale Shares represented approximately 4.89% of the issued share capital of EPRO Limited as at the date of the SP Agreement. Immediately prior to the signing of the SP Agreement, the Group did not hold any EPRO Shares. As at the Latest Practicable Date, save for the Sale Shares, the Company currently has no intention to acquire additional interest in EPRO Limited.

The SP Agreement does not contain any restrictions which apply to the subsequent sale of the Sale Shares.

Consideration:

The consideration for the sale and purchase of the THHK Sale Shares shall be HK$2,229,024, which shall be payable in cash and satisfied in the following manner:

(a) as to HK$976,500 ("**THHK Deposit**") payable by the Purchaser to THHK on the date of the SP Agreement; and

(b) as to HK$1,252,524 payable by the Purchaser to THHK at Completion.

The consideration for the sale and purchase of the LDL Sale Shares shall be HK$77,692,272, which shall be payable in cash and satisfied in the following manner:

(a) as to HK$34,023,500 ("**LDL Deposit**") payable by the Purchaser to LDL on the date of the SP Agreement; and

(b) as to HK$43,668,772 payable by the Purchaser to LDL at Completion.

The consideration was agreed at after arm's length negotiations between each of the Vendors and the Group on normal commercial terms after taking into account the benefits of the Acquisition as disclosed in the paragraph headed "Reasons for and benefits of the Acquisition" below and the recent market prices of EPRO Shares. The average price payable by the Group for each of the Sale Shares is HK$0.321, representing a slight premium of 1.90% to the closing price of the EPRO Shares of HK$0.315 as quoted on GEM on the date of the SP Agreement. The Directors consider that despite such slight premium, it is difficult, if not possible, for the Group to acquire the Sale Shares at such price in the dynamic stock market taking into account the fact that the trading price is expected to go up if the Group acquires such large quantity of the Sale Shares in the market.

The Group will fund the payment of the consideration by its internal resources.

Conditions precedent:

The SP Agreement and the obligations of the Purchaser to effect Completion are conditional upon:

(a) the passing of ordinary resolution(s) by the Shareholders by poll at the EGM approving the terms of the SP Agreement and the transactions contemplated thereunder including but not limited to the acquisition by the Purchaser of the Sale Shares;

(b) the warranties given by the Vendors in the SP Agreement will remain true and accurate in all respects and not misleading;

(c) all requisite consents, clearances, authorisations and approvals (or, as the case may be, the relevant waiver) in connection with the entering into and the performance of the SP Agreement having been obtained by the parties thereto; and

(d) the consummation of the transactions contemplated pursuant to the SP 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.

None of the conditions precedent is capable of being waived.

If the conditions precedent shall not have been fulfilled in full on or before 5:00 p.m. on the Long Stop Date, all rights and obligations of the parties thereunder 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 in the SP Agreement or any antecedent breach thereof. In case of such termination, each of THHK and LDL shall refund the THHK Deposit and the LDL Deposit received by it to the Purchaser respectively within three Business Days from the date of such termination without interests.

Completion:

Subject to the fulfillment of the above conditions precedent, Completion shall take place on the fifth Business Day after the last outstanding condition precedent shall have been fulfilled (or such other date as the Purchaser and the Vendors shall agree in writing) on which Completion is to take place.

2. INFORMATION OF THE EPRO GROUP

EPRO Limited is a company incorporated in the Cayman Islands with limited liability and all issued EPRO Shares listed on GEM (stock code: 8086). The EPRO Group is principally engaged in the provision of professional information technology contracts and maintenance services as well as e-commerce business and provision of online sales platform.

Set out below is a summary of certain audited consolidated financial information of EPRO Limited for the two years ended 30 June 2012 (as extracted from the 2012 annual reports of EPRO Limited):

	For the year ended 30 June 2012 *(HK$'000)*	**For the year ended 30 June 2011** *(HK$'000)*
Revenue	1,416,012	192,849
Net profit before taxation	163,942	78,003
Net profit after taxation	131,757	71,450

The unaudited consolidated total asset value and net asset value of EPRO Limited as at 31 December 2012 were approximately HK$399,968,000 and HK$289,205,000 respectively.

3. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in (i) research, development and distribution of personal computer performance software, anti-virus software and mobile phone applications and toolbar advertisement; and (ii) the provision of website development, electronic learning products and services ("**E-learning Business Unit**"). As disclosed in the announcement of the Company dated 2 July 2013, the Company has entered into a disposal agreement pursuant to which the Company has conditionally agreed to sell, and an Independent Third Party has conditionally agreed to purchase the entire issued share capital of Refine Skill Limited ("**Refine Skill**"), a wholly-owned subsidiary of the Company, at a consideration of HK$8 million. The disposal constitutes a very substantial disposal for the Company under Chapter 19 of the GEM Listing Rules. Refine Skill is the holding company of KanHan Educational Services Limited and Guangzhou Kanpu Software Technology Co., Ltd., which are principally engaged in the business of the E-learning Business Unit undertaken by the Group. Such disposal is subject to a number of conditions precedent and the completion of which has not yet taken place as at the Latest Practicable Date. Despite the proposed disposal of Refine Skill, as at the Latest Practicable Date, the Group currently has no intention to discontinue its existing businesses and will continue to engage in the E-learning Business Unit via its website of selling e-learning materials ("**Internet Education Website**") and to devote more resources on the development of the business of the Apperience Group. The Group has launched a trial run of the Internet Education Website on 30 May 2013, and The Internet Education Website has officially launched on 17 July 2013.

The EPRO Group is principally engaged in the provision of professional information technology contracts and maintenance services as well as e-commerce business and provision of online sales platform. In 2012, the EPRO Group established the B2C (Business-to-Customer) foreign trade e-commerce website DX.com to facilitate the communication with non-English speaking customers and increase consumer awareness of DX brand by linking to DealExtreme.com, another B2C foreign trade e-commerce website maintained by the EPRO Group. DealExtreme.com and DX.com target at overseas markets and aim to seek high-quality products from the PRC for global consumers, who can then enjoy a more caring, convenient and secured cross-border online shopping experience. As at 30 June 2012, the websites acquired a large loyal customer base from over 200 countries and regions worldwide. As at 31 March 2013, DX.com offered more than tens of thousands of products across 15 categories, including digital products, electronic and audio-visual accessories, mobile phone accessories, computer hardware, gardening tools, personal care products, outdoor gear, apparel accessories, auto parts and tools, stationery, creative toys, beauty and cosmetic tools, holiday gifts and pet supplies, bringing consumers a convenient shopping experience. In addition, the EPRO Group also provides tailor-made professional IT support solutions for government departments and corporate clients and the Group is one of its clients. The Board considers that the Acquisition may bring in possible collaboration opportunities between the Group and the EPRO Group in the future. No formal business collaboration plan was under negotiation between the Group and the EPRO Group as at the Latest Practicable Date.

In the future, 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. The Board will take a positive but prudent approach to perform treasury management. The Company will comply with the relevant announcement, reporting and/or shareholders' approval requirements under Chapter 19 of the GEM Listing Rules if it conducts acquisitions in local or global securities market in the future according to the size of the acquisitions. The Board considers that the Acquisition may enable the Group to benefit from the possible investment gain by investing into the EPRO Group.

The terms of the SP Agreement 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 SP Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, there is no agreement, understanding, intention or negotiation that the Company had entered into regarding (a) acquisition of assets or business; and (b) disposal of assets or business other than those already announced by the Company.

4. IMPLICATIONS UNDER THE GEM LISTING RULES

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.

5. EGM

The EGM will be convened and held at 10:30 a.m. on 26 August 2013 at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong, the notice of which is set out on pages 89 to 91 of this circular, for the Shareholders to consider and, if thought fit, to approve the Acquisition, the SP Agreement and the transactions contemplated thereunder.

In compliance with the GEM Listing Rules, the resolution will be voted on by way of poll at the EGM. The Company has confirmed with the Vendors that as at the Latest Practicable Date, except for the holding of 60,540,000 Shares by THHK, none of LDL and any of the respective associates of THHK and LDL is holding any Shares. As such, save for THHK, no Shareholder is required to abstain from voting in favour of the resolution(s) to approve the Acquisition, the SP Agreement and the transactions contemplated thereunder at the EGM provided that none of LDL and any of the respective associates of THHK and LDL holds any interest in the Shares and no Shareholder has a material interest in the Acquisition at the date of 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.

6. FINANCIAL EFFECTS OF THE ACQUISITION

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

Immediately after Completion, the Company will hold approximately 4.89% of the issued share capital of EPRO Limited and the Sales Shares will be recognised as financial assets of the Group at fair value as at the date of Completion.

As at 31 December 2012, the Group's audited total assets were approximately HK$161.0 million and audited total liabilities were approximately HK$22.9 million. The Group recorded an audited loss attributable to equity shareholders of the Company of the approximately HK$26.6 million for the year ended 31 December 2012.

As set out in the "Unaudited Pro Forma Financial Information of the Combined Group" as contained in Appendix III to this circular, upon Completion, the Combined Group's (i) total loss attributable to equity shareholders of the Company of HK$26.6 million for 2012 would be changed to profit attributable to equity holders for 2012 approximately HK$22.4 million, assuming the Acquisition was completed on 1 January 2012; (ii) total assets would be increased by approximately HK$49 million to approximately HK$210 million; (iii) total liabilities would remain stable at approximately HK$22.9 million; and (iv) would have recorded net assets of approximately HK$187.1 million, assuming the Acquisition was completed on 31 December 2012.

In accordance with Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement", the financial assets at fair value through profit or loss are initially measured at fair value. The gain on the fair value adjustment of Sale Shares is approximately HK$32.1 million as if the Acquisition had taken place on the Latest Practicable Date, which represents the fair value of Sales Shares of approximately HK$112 million, based on bid prices of 0.45 per Sales Shares as at the Latest Practicable Date over the initial consideration of approximately HK$79.9 million for the Acquisition. The fair value of Sale Shares will be re-assessed at the date of Completion. The Directors considered that the Group may or may not be to record a significant gain or loss on the fair value adjustment of Sales Shares at the date of Completion. **Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

7. RECOMMENDATION

The Directors consider that the terms of the SP 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.

8. 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

1A. FINANCIAL INFORMATION OF THE GROUP

1A.1 FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the three months ended 31 March 2013 is set out in the unaudited condensed consolidated financial statements in the 2013 first quarterly report of the Company for the three months ended 31 March 2013 published on 13 May 2013 at http://www.hkexnews.hk/listedco/listconews/GEM/2013/0513/GLN20130513035.pdf.

Financial information of the Group for the years ended 31 December 2010, 2011 and 2012 are set out in the audited consolidated financial statements in the annual reports of the Company for the years ended 31 December 2010, 2011 and 2012 at http://www.hkexnews.hk/listedco/listconews/GEM/2011/0316/GLN20110316011.pdf, http://www.hkexnews.hk/listedco/listconews/GEM/2012/0327/GLN20120327044.pdf and http://www.hkexnews.hk/listedco/listconews/GEM/2013/0320/GLN20130320039.pdf respectively.

1A.2 MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE GROUP

Set out below is the management discussion and analysis of the Group for the three months ended 31 March 2013 and for the years ended 31 December 2012, 2011 and 2010 respectively.

For the three months ended 31 March 2013

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 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 of the Company for the three months ended 31 March 2013.

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 the 2013 first quarterly report, 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 the 2013 first quarterly report, 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 Educational Services Limited ("**KanHan EDU**"), and indirect wholly owned subsidiary of the Company entered into a supply agreement and a business centre service agreement with KanHan Technologies Limited ("**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 the 2013 first quarterly report, 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 of the Company for the three months ended 31 March 2013 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 the 2013 first quarterly report, 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.

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.

For the year ended 31 December 2012

Business Review

During the Year, the Group is principally engaged in provision of website development, electronic learning products and services.

(i) Provision of website development, electronic learning products and services (the "E-learning business") — Continuing operations

Total revenue of the E-learning business for the Year amounted to approximately HK$4,137,000, an increase of 13.8% compared to approximately HK$3,636,000 in last year. The segment result recorded a loss of approximately HK$18,577,000 (2011: Profit of approximately HK$2,338,000). The reason for the loss was mainly due to impairment loss on goodwill of amount approximately HK$20,831,000 arising from the acquisition of the entire issued share capital of KanHan EDU.

Besides, pursuant to the acquisition agreement, the vendor of KanHan EDU (the "**Vendor**") irrevocably warrants and guarantees to the Group that the audited net profits before tax and any extraordinary or exceptional items (the "**Actual Profits**") of KanHan EDU will not be less than HK$450,000, HK$2,200,000 and HK$6,500,000 for the years ended 31 December 2010, 2011 and 2012 (the "**Guaranteed Profits**") respectively. The Vendor is required to pay the Group in cash an amount by which the Actual Profits of KanHan EDU are less than the Guaranteed Profits.

The Actual Profits of KanHan EDU for the years ended 31 December 2010 and 2011 were approximately HK$488,000 and HK$2,356,000 respectively which satisfied the criteria of the Guaranteed Profits for the years ended 31 December 2010 and 2011. For the Year, the Group has recognized an income of approximately HK$4,235,000 from the profit guarantee as the unaudited profit before tax of KanHan EDU for the Year was approximately HK$2,265,000.

However, the Board is of the view that the impairment is a non-cash adjustment and working capital sufficiency of the Group will not be affected for the Year. The details of the acquisition are set out in the Company's announcements dated 14 July 2010, 19 July 2010, 3 July 2012 and 28 December 2012, and the details of the impairment are set out in the notes 5(a), 20, 32 and 37(b) to the consolidated financial statements of the Company for the year ended 31 December 2012.

In order to develop a platform for E-learning business, the Group entered into a subscription agreement in September 2012 with Wise Action Limited, an indirect wholly-owned subsidiary of Hong Kong Education (Int'l) Investments Limited (formerly known as Modern Education Group Limited) (stock code: 1082) ("**HK EDU INTL**"), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange in respect of the convertible notes in the principal amount of HK$20,000,000. The convertible notes shall mature in one year and carry an interest of 2% per annum and can be converted at an initial conversion price of HK$0.1. The net proceeds will be applied in funding website development, electronic learning products and services as well as other web-based businesses. The Group believes that leveraging on the solid foundation of HK EDU INTL in the education sector and with the Group's own experience in electronic learning, the market share of the Group's electronic learning platform will be increased.

(ii) Sales of optical display equipment, components and related technology (the "Optical display business") — Discontinued operation

The Optical display business recorded no turnover for the Year, and the loss for the Year from this discontinued operation recorded approximately HK$288,000.

As the performance of the Optical display business so far was not satisfactory, in May 2012, the Board decided to close the business carried out by the indirect wholly-owned subsidiary of the Company, 廣泰益昌(北京)科技有限公司 ("**廣泰**"). On 26 November 2012, 廣泰 completed the deregistration from the State Administration for Industry and Commerce in the People's Republic of China (the "**PRC**"). Details of the discontinued operation are set out in notes 5(a) and 12 to the consolidated financial statements of the Company for the year ended 31 December 2012.

(iii) Very Substantial Acquisition

On 15 November 2012, Access Magic Limited ("**Access Magic**"), Ace Source International Limited ("**Ace Source**"), Well Peace Global Limited ("**Well Peace**"), Wealthy Hope Limited ("**Wealthy Hope**"), 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**") (which is a subsidiary of Tencent Holdings Limited (stock code: 700), the issued shares of which is listed on the Main Board of the Stock Exchange) as vendors (collectively, the "**Vendors**"), and Dong Yuguo, Xue Qiushi, Lian Ming and Chen Liang as warrantors (collectively, the "**Warrantors**") and the Company as purchaser entered into an acquisition agreement ("**Acquisition Agreement**") pursuant to which the Company has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the 10,436,667 shares of US$0.001 each in the issued share capital of Apperience Corporation, which in aggregate represent 50.5% of the issued share capital of Apperience Corporation. On 11 December 2012, a supplemental agreement to the acquisition agreement has been entered into by and among the same parties. 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 zero coupon convertible notes in the principal amount of up to HK$392,132,500 (the "**Convertible Notes**") (and where applicable) partly by the allotment and issue of the performance shares at the issue price of HK$0.108 per performance share, the maximum number of which shall be 1,452,342,588 subject to adjustment (the "**Performance Shares**").

The Apperience Group are 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.

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 customers 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 United States, 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.

Immediately after completion of the acquisition, the Company will hold 50.5% of the entire issued share capital of Apperience Corporation and take management control of the Apperience Group. The results of the Apperience Group will be consolidated into the financial statements of the Group upon completion. The acquisition constitutes a very substantial acquisition ("**Very Substantial Acquisition**") for the Company, and the acquisition was approved by the shareholders at the extraordinary general meeting of the Company held on 12 March 2013. The result of the extraordinary general meeting is set out in the Company's announcement dated 12 March 2013.

As at the date of the 2012 annual report, the above completion has not yet taken place.

The Group believes that synergies can be achieved by acquiring the Apperience Group. Multi-angle development in products and technology will be implemented to better-equip the Group for further development and become a driving force behind the Group's income growth.

Details of the acquisition, Convertible Notes and Performance Shares are set out in the announcements dated 27 November 2012, 5 December 2012, 23 February 2013 and 12 March 2013 respectively and the Company's circular dated 23 February 2013.

Financial Review

Turnover

For the Year under review, the turnover of the Group from its continuing operations was approximately HK$4,137,000, representing an increase of approximately 13.8% compared to the turnover for the year ended 31 December 2011 of approximately HK$3,636,000. The turnover for the Year was mainly contributed by the E-learning business.

Gross profit

The gross profit of the Group for the Year from its continuing operations increased by 15.9% to approximately HK$3,909,000 from approximately HK$3,372,000 for the last year.

Loss for the Year

The Group's loss attributable to shareholders was approximately HK$26,626,000 (2011: HK$6,146,000), representing a basic loss per share of HK2.13 cents (2011: HK0.55 cents). The reason for the increase in loss was mainly due to the impairment loss on goodwill of approximately HK$20,831,000.

Liquidity, financial resources and capital structure

As at 31 December 2012, the Group's cash and cash equivalents amounted to approximately HK$140,737,000 (2011: HK$118,105,000), which were principally denominated in Renminbi and Hong Kong dollar.

The Group generally finances its operation using internally generated resources and proceeds raised from issue of new shares in previous years.

As at 31 December 2012, the share capital of the Company consisted of 1,248,894,324 ordinary shares of HK$0.10 each. During the Year, 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 notes into ordinary shares of the Company at conversion price of HK$0.1 per ordinary share up to 9

November 2013. The details of the issued convertible notes are set out in note 27 to the consolidated financial statements and the Company's announcements dated 28 September 2012 and 14 November 2012.

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 and such shares shall rank pari passu with all existing shares of the Company was approved by the shareholders of the Company in an extraordinary general meeting. As at the date of the 2012 annual report, the authorised share capital of the Company is HK$800,000,000 divided into 8,000,000,000 shares of HK$0.10 each.

Gearing ratio

As at 31 December 2012, total assets of the Group were approximately HK$160,974,000 (2011: HK$161,647,000), whereas the total liabilities were approximately HK$22,894,000 (2011: HK$3,257,000). The gearing ratio of the Group, calculated as total liabilities over total asset, was 14.2% (2011: 2%).

Dividend

The Board of the Company does not recommend the payment of any dividend for the Year (2011: 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 December 2012, the carrying value of the property was approximately HK$6,585,000.

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 risks.

Significant event

Issue of convertible notes

On 28 September 2012, the Company and Wise Action Limited, an indirect wholly-owned subsidiary of HK EDU INTL entered into a subscription agreement in respect of the issue of 2% coupon unsecured convertible notes due on 13 November 2013 in an aggregate principal amount of HK$20,000,000. The noteholder has the right to convert the notes into ordinary shares of the Company at a conversion price of HK$0.1 per ordinary share up to 9 November 2013. The Company has the right to redeem any portion of the convertible notes at any time before the maturity date at the principal amount. The net proceeds from the convertible notes of approximately HK$19,500,000 will be used (i) as to approximately HK$5,000,000 for financing the business of website development, electronic learning products and services; and (ii) as to approximately HK$14,500,000 for future investments in e-commerce and/or other information technology related business as and when opportunities arise. Details of the transactions are set out in the Company's announcement dated 28 September 2012 and 14 November 2012 respectively and the note 27 to the consolidated financial statements of the Company for the year ended 31 December 2012.

Service agreement

On 28 September 2012, Lucky Famous Limited ("**Lucky Famous**"), a direct wholly-owned subsidiary of the Company, and Modern Education Hong Kong Limited ("**Modern Education HK**"), an indirect wholly-owned subsidiary of HK EDU INTL, entered into a service agreement (the "**Service Agreement**") pursuant to which Lucky Famous agreed to engage and Modern Education HK agreed to provide the services, being the services in respect of (i) advising in building up a website for the Group as the platform for internet education business; (ii) sourcing a suitable information technology company for building up the website and supervising the whole process; and (iii) providing electronic text books and/or teaching materials for the internet education business of the Group at a consideration of HK$600,000 for a term of eight months, subject to and upon the terms and conditions of the Service Agreement. Details of the transactions are set out in the Company's announcement dated 28 September 2012.

Material acquisitions and disposals

Apart from the Very Substantial Acquisition disclosed above, the Group had no other material acquisition or disposal during the Year.

Ageing of trade receivables and payables

The ageing of the Group's trade receivables and payables as at 31 December 2012 are set out in notes 21 and 24 to the consolidated financial statements of the Company for the year ended 31 December 2012 respectively.

Employee and remuneration policies

As at 31 December 2012, the Group had approximately 43 employees (2011: 31 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 Year. As at 31 December 2012, there were options to subscribe for 6,200,000 shares of the Company outstanding under the Share Option Scheme.

Contingent liabilities

As at 31 December 2012, the Directors did not consider the Group had any contingent liabilities (2011: HK$nil).

Capital commitments

As at 31 December 2012, capital commitments in respect of the acquisition of Apperience Corporation which had been contracted but not provided for by the Group amounted to approximately HK$548,986,000 (2011: HK$nil). The details of capital commitments for the Year are set out in the notes 35(a) and 38 to the consolidated financial statements of the Company for the year ended 31 December 2012.

Outlook

Looking forward, upon completion of the acquisition of the Apperience Corporation, the Group will focus its business development and sales on four main areas, namely antivirus software, mobile applications, online games and web-based electronic learning products, thus to enhance the Group's overall competitiveness.

With the economic fundamentals across the globe turning positive, there is an increasing demand for software products from enterprises. As the application of cloud technology become popular. Apperience Corporation will have ample room to maneuver in Europe, the USA and Asia markets. The Group will actively conduct marketing schemes on a timely and efficient fashion in order to promote its products to across every continent.

Meanwhile, in light of the gradual recovery of the financial markets and based on solid financial position, the Board will also take a positive but prudent approach to perform treasury management and this function will be overseen by a professional investment committee. Apart from potential investment projects, the following ways of increasing returns will be also considered, including (a) term deposit in bank; (b) lending money to independent third parties on a short to medium-term basis; and (c) investment in local or global securities.

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.

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.

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.

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%).

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.

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.

Contingent liabilities

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

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, Inc (the "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.

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.

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.

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%).

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.

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.

Contingent liabilities

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

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.

1B. FINANCIAL INFORMATION OF THE APPERIENCE GROUP

1B.1 FINANCIAL INFORMATION OF THE APPERIENCE GROUP

Financial information of the Apperience Group for the period from 7 March 2011 (being the date of incorporation of Apperience Corporation) to 30 September 2011 and for the year ended 30 September 2012 is set out in Appendix II to the circular of the Company dated 23 February 2013 at http://www.hkexnews.hk/listedco/listconews/GEM/2013/0222/GLN20130222027.pdf.

1B.2 MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE 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 Corporation) 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 Corporation 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 Group'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 Corporation will also plan to develop and launch new products, including online games in the future. To cope with the development plan, Apperience Corporation 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 of Apperience Corporation) to 30 September 2011

Business Review

Apperience Corporation was incorporated in the Cayman Islands on 7 March 2011 as an exempted company with limited liability. Prior to the incorporation of Apperience Corporation, the business of Apperience Corporation was carried on by another entity. In April 2011, a corporate restructuring was undertaken pursuant to which Apperience Corporation 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 Corporation, 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 Apperience 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 Corporation 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 Corporation.

Dividend

The board of Apperience Corporation 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 Corporation 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 Corporation 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 Corporation allotted and issued 11,990,000 common shares to the then existed shareholders. Apperience Corporation 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 Corporation 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 Apperience 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 Corporation will also attempt to develop new products and applications for the mobile and cloud platforms in order to attract more users for Apperience Corporation's products.

2. ACQUISITIONS IN THE YEAR 2013

(a) Acquisition of 50.5% of the entire issued share capital of Apperience Corporation

On 31 March 2013, the Group has completed the acquisition of 50.5% of the issued share capital of Apperience Corporation, a company incorporated in the Cayman Islands. The maximum aggregate amount of the consideration payable by the Group to the vendors is HK$548,985,500 (subject to adjustment) which would be satisfied partly by the creation and issue of the zero coupon convertible notes in the principal amount of HK$392,132,500 (and where applicable) partly by the allotment and issue of the new Shares at the issue price of HK$0.108 per such new Share, the maximum number of which shall be 1,452,342,588 subject to adjustment. The acquisition constituted a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules.

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.

There is no variation to the aggregate of the remuneration payable to and benefits in kind receivable by the directors of Apperience Corporation in consequence of the above acquisition.

(b) Acquisition of the entire issued share capital of Dragon Oriental Investment Limited ("Dragon Oriental")

On 15 May 2013, the Group entered into a sale and purchase agreement pursuant to which the Group would acquire from an independent third party the entire issued share capital of Dragon Oriental, a company incorporated in the British Virgin Islands with limited liability, at a cash consideration of HK$42,000,000. The acquisition constituted a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. Completion of the acquisition took after immediately after the signing of the sale and purchase agreement.

Dragon Oriental is principally engaged in property investment holding and its principal asset is a property located in Hong Kong.

There is no variation to the aggregate of the remuneration payable to and benefits in kind receivable by the directors of Dragon Oriental in consequence of the above acquisition.

3. WORKING CAPITAL

After due and careful consideration, the Directors are of the opinion that, taking into account (i) the existing bank and borrowing facilities available to the Enlarged Group; and (ii) the Enlarged Group's internal financial resources including cash and bank balances, 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 30 June 2013, 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*
Convertible notes	*1*	241,022	—	241,022
Performance shares	*2*	169,924	—	169,924
Bank loan, secured				
— Portion of bank loans due for repayment within one year		—	178	178
— Portion of bank loans due for repayment after one year which contain a repayment on demand clause		—	2,842	2,842
	3	—	3,020	3,020
Due to a director of the Company	*4*	—	401	401
Others		—	54	54
		410,946	3,475	414,421

Notes:

1. On 31 March 2013, upon the completion of the acquisition of 50.5% of the issued share capital of Apperience Corporation, the Company issued convertible notes in the aggregate principal amount of HK$392,132,500 as partial consideration for the acquisition at the initial conversion price of HK$0.108 per conversion share. The maturity date of the convertible notes is the date falling four years after the issue date. If any amount due under the convertible notes is not paid in 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. The terms and conditions of the convertible notes is summarized in the Company's circular dated 23 February 2013. On 2 April 2013, the Company issued a total of 592,592,591 conversion shares pursuant to the exercise of the conversion right attached to the convertible notes in the aggregate principal amount of HK$64,000,000 by 4 noteholders. At the close of business on 30 June 2013, the outstanding principal amount of convertible notes issued by the Company amounted to HK$328,132,500. The liability of convertible notes represent liability component of convertible notes issued to the Vendors at the date of completion of the acquisition of Apperience Group, which is stated at amortised cost using the effective interest method until distinguished on conversion after deduction of the liability component of convertible notes converted by 4 noteholders on 2 April 2013.

2. On 31 March 2013, upon the completion of the acquisition of 50.5% of the issued share capital of Apperience Corporation, the Company agreed to issue the new shares comprising the Tranche I performance shares and the Tranche II performance shares as partial consideration for the acquisition at the issue price of HK$0.108 per performance share, the maximum number of which shall be 1,452,342,588 subject to adjustment. Tranche I performance shares shall be allotted and issued as fully paid, within one month after audited accounts for the Target Profit Period I are available. The Target Profit Period I is a period of 12 months commencing on the first day of the calendar month immediately next following completion of acquisition of Apperience Corporation. Tranche II performance shares shall be allotted and issued as fully paid, within one month after audited accounts for the Target Profit Period II are available. The Target Profit Period II is a period of 12 months commencing on the first day of the 13th calendar month following completion of acquisition of Apperience Corporation. The details of the calculation of the performance shares are summarized in the Company's circular dated 23 February 2013. At the close of business on 30 June 2013, the liability of performance shares represent the fair value of Tranche I and Tranche II performance shares to be issued to the Vendors.

3. The bank loan of approximately HK$3,020,000 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$6,490,000, and was guaranteed by the Company with an amount of HK$3,250,000 plus interest and other charges.

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

Pledge of assets

At the close of business on 30 June 2013, 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$6,490,000 and bank deposits with carrying amount of approximately HK$621,000 to secure the borrowings and banking facilities of the Enlarged Group.

Guarantee

As at the close of business on 30 June 2013, being the latest practicable date for the purpose of this indebtedness statement, the Company provided a corporate guarantee and indemnity to Five Stars Development Limited (formerly known as Elipva (Greater China) Holdings Limited), a wholly-owned subsidiary of the Group, in relation to a non-revolving banking facilities to the extent of HK$3,020,000.

Contingent liabilities

As at the close of business on 30 June 2013, 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 30 June 2013.

5. MATERIAL ADVERSE CHANGE

As disclosed in the profit warning announcement published by the Company on 8 May 2013, the unaudited consolidated results of the Group for the three months ended 31 March 2013 ("**First Quarterly Results**") may incur significant increase in loss attributable to the equity shareholders of the Company as compared to the corresponding period in 2012. The increase in loss was mainly attributable to the impairment loss of goodwill in relation to the acquisition of 50.5% of the issued share capital of Apperience Corporation ("**Goodwill Impairment**"). Please refer to the announcement of the Company dated 8 May 2013 for further details. The First Quarterly Results have been announced by the Company on 10 May 2013.

As disclosed in the profit warning announcement published by the Company on 26 July 2013, the Company expects that the unaudited consolidated loss attributable to the equity shareholders of the Company for the six months ended 30 June 2013 may be significantly higher than that for the corresponding period in 2012. Such unaudited consolidated loss was mainly attributable to the Goodwill Impairment and the Goodwill Impairment was recognised by the Company in the First Quarterly Results. While the Group is expected to record a net profit attributable to the equity shareholders of the Company for the three months ended 30 June 2013 which was mainly attributable to (i) the operating profit contributed by the subsidiaries of Apperience Corporation acquired in March 2013 and (ii) the unrealised gain arising on change in fair value of the performance shares which is part of consideration of the acquisition of Apperience Corporation and is non-cash adjustment, the Group is likely to incur a significant consolidated loss attributable to the equity shareholders of the Company for the six months ended 30 June 2013 primarily as a result of the impact of the Goodwill Impairment.

Please refer to the announcement of the Company dated 26 July 2013 for further details. 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 2012, 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 (i) research, development and distribution of personal computer performance software, anti-virus software and mobile phone applications and toolbar advertisement; and (ii) the provision of website development, electronic learning products and services ("**E-learning Business Unit**").

As disclosed in the announcement of the Company dated 2 July 2013, the Company has entered into a disposal agreement pursuant to which the Company has conditionally agreed to sell, and an Independent Third Party has conditionally agreed to purchase the entire issued share capital of Refine Skill, a wholly-owned subsidiary of the Company, at a consideration of HK$8 million. The disposal constitutes a very substantial disposal for the Company under Chapter 19 of the GEM Listing Rules. Refine Skill is the holding company of KanHan Educational Services Limited and Guangzhou Kanpu Software Technology Co., Ltd., which are principally engaged in the business of the E-learning Business Unit undertaken by the Group. Such disposal is subject to a number of conditions precedent and the completion of which has not yet taken place as at the Latest Practicable Date. Despite the proposed disposal of Refine Skill, as at the Latest Practicable Date, the Group currently has no intention to discontinue its existing businesses and will continue to engage in the E-learning Business Unit via the Internet Education Website. The Group has launched a trial run of the Internet Education Website on 30 May 2013, and The Internet Education Website has officially launched on 17 July 2013.

Following the completion of the acquisition of the Apperience Group on 31 March 2013, the Board is optimistic about the future prospects of the Apperience Group and expects that the revenue from the Apperience Group will become the principal source of income of the Group going forward. The Board is of the view that the Group will devote more manpower and resources on developing this business segment which is on one hand has growth potential to the Group and on the other hand, could provide synergistic effects to the Group's other business. It is therefore intended that the Group will continue to develop the E-learning Business Unit via the Internet Education Website and to devote more resources on the development of the business of the Apperience Group.

The EPRO Group is principally engaged in the provision of professional information technology contracts and maintenance services as well as e-commerce business and provision of online sales platform. In 2012, the EPRO Group established the B2C (Business-to-Customer) foreign trade e-commerce website DX.com to facilitate the communication with non-English speaking customers and increase consumer awareness of DX brand by linking to DealExtreme.com, another B2C foreign trade e-commerce website maintained by the EPRO Group. In addition, the EPRO Group also provides tailor-made professional IT support solutions for government departments and corporate clients and the Group is one of its clients. The Board considers that the Acquisition may bring in possible collaboration opportunities between the Group and the EPRO Group in the future. No formal business collaboration plan was under negotiation between the Group and the EPRO Group as at the Latest Practicable Date.

Further, the Company considers that the Acquisition may enable the Group to benefit from the possible investment gain by investing into the EPRO Group. Based on the closing price of HK$0.465 per EPRO Share as at the Latest Practicable Date, the market price of the Sale Shares was HK$115,773,840 which was higher than the aggregate consideration payable by the Group for the acquisition of the Sale Shares.

In the future, 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.

With careful execution of the existing businesses above, the Group will carefully look for appropriate investment and business expansion opportunities to bring the value to the shareholders as a whole.

1. FINANCIAL INFORMATION OF THE EPRO GROUP

Financial information of the EPRO Group for the nine months ended 31 March 2013 is set out in the unaudited condensed consolidated financial statements in the third quarterly report of EPRO Limited for the nine months ended 31 March 2013 published on 14 May 2013 at http://www.hkexnews.hk/listedco/listconews/GEM/2013/0514/GLN20130514099.pdf.

Financial information of the EPRO Group for the years ended 30 June 2010, 2011 and 2012 are set out in the audited consolidated financial statements in the annual reports of EPRO Limited for the years ended 31 December 2010, 2011 and 2012 at http://www.hkexnews.hk/listedco/listconews/GEM/2010/0929/GLN20100929019.pdf, http://www.hkexnews.hk/listedco/listconews/GEM/2011/0929/GLN20110929017.pdf and http://www.hkexnews.hk/listedco/listconews/GEM/2012/0927/GLN20120927032.pdf respectively.

2. MANAGEMENT DISCUSSION AND ANALYSIS

For the nine months ended 31 March 2013

Business Review

E-commerce and provision of online sales platform

DX.com ("**DX**"), the foreign trade B2C e-commerce website operated by the EPRO Group, continued to be the major source of profit contribution during the Period.

B2C (Business-to-Customer) e-commerce website

Being one of the leading enterprises engaging in e-commerce website business, DX's professional product team seeks unique products from the market at all times to broaden its product portfolio according to consumers' increased concern towards both product variety and quality. At the same time, the EPRO Group established a corporate intelligence department which introduces new product categories at regular intervals to provide consumers with a wide range of quality merchandise for selection by analyzing consumer market demand and closely monitoring industry updates. As of 31 March 2013, DX website offered more than tens of thousands of products across 15 categories, including digital products, electronic and audio-visual accessories, mobile phone accessories, computer hardware, gardening tools, personal care products, outdoor gear, apparel accessories, auto parts and tools, stationery, creative toys, beauty and cosmetic tools, holiday gifts and pet supplies, bringing consumers a convenient shopping experience.

Meanwhile, the EPRO Group, as a social marketing industry pioneer, is committed to providing value-added services to DX consumers. While enjoying hassle-free shopping experience on the DX platform, consumers can also express their views and share user experience in DX forum. The EPRO Group also established DX channels in Facebook, YouTube and other social networking platforms to share regularly new product information and technology trends to consumers around the world.

B2B (Business-to-Business) E-commerce Website

MadeInChina.com, the B2B e-commerce website operated by the EPRO Group, provides an online transaction platform for global small-and-medium-sized enterprise buyers and manufacturers in Mainland China. During the Period, the competitive B2B e-commerce business environment posed greater challenges to the sale performance of this business segment.

Professional IT contract and maintenance services business

The EPRO Group's experienced IT team, providing tailor-made professional IT solutions for government departments and corporate clients, is one of the industry leading business application solution providers in Hong Kong, Mainland China and Singapore. Benefitting from the growing demand of public and private sectors for IT corporate solutions, the turnover of this business segment recorded approximately 39.6% increment during the Period.

Prospects

The EPRO Group is prudent towards the prospects of its e-commerce business. Nevertheless, the EPRO Group will continue to take proactive and steadfast business development strategy to optimize customer service system and to build a differentiated competitive advantage. "Localization" of DX website services has always been a long-term strategy of the EPRO Group. In this regard, the EPRO Group will further enhance the website supporting work, continue to strengthen our penetration in regions with high growth potential, identify local partners and logistics providers in the interest of expanding the EPRO Group's international sales network. In addition, the EPRO Group will soon launch Android and iPad apps following its iPhone version to create an effortless and convenient user experience. Simply through mobile phones or iPads, consumers can get access into mobile DX anytime, anywhere for shopping, order tracking and previewing new arrival products. The EPRO Group will, at appropriate time, adjust the development strategy of its B2B e-commerce website business segment and cautiously assess market demand and development potential in order to maintain and enhance the EPRO Group's leading position in the industry.

Regarding the provision of professional IT contract and maintenance services business, the EPRO Group is dedicated to designing cost-effective and professional IT solutions for its corporate clients with a view to enhance the clients' competitive advantages.

On the strengths of the solid foundation of several e-commerce websites under the EPRO Group, strong repeat purchase customer base and high market penetration in different countries and regions, coupled with high price-performance ratio advantages, the EPRO Group will uphold its "customer-oriented" principle to increase market share in the medium to long term, while fully seizing any future business opportunities for the long-term development of the EPRO Group.

Financial Review

For the nine months ended 31 March 2013, the EPRO Group recorded an unaudited consolidated revenue of approximately HK$1,048.3 million (2012: approximately HK$1,080.7 million). The EPRO Group recorded an unaudited profit of approximately HK$66.4 million (2012: approximately HK$98.6 million).

During the Period, the business segment of e-Commerce and provision of online sales platform continued to be the major source of revenue and profit to the EPRO Group. The performance of the segment for this quarter had recorded a satisfactory improvement. The turnover for the three months ended 31 March 2013 increased by about 11.8% to HK$329.8 million.

The other business segment of the EPRO Group — professional IT contract and maintenance services continued to recorded a remarkable growth during the Period. The turnover for the Period recorded an increased of about 39.6% to HK$123.9 million.

During the Period, the costs of sales were maintained a similar level as last year. The increase in administrative and other expenses was mainly attributable to the staff costs which were expensed for the EPRO Group's e-commerce business.

Liquidity and Financial Resources

During the period under review, the EPRO Group financed its operations by internally generated cash flow and banking facilities provided by banks.

As at 31 March 2013, the EPRO Group's consolidated shareholders' equity, current assets and net current assets were approximately HK$258.4 million (2012: approximately HK$263.7 million), approximately HK$282.2 million (2012: approximately HK$318.8 million) and approximately HK$180.9 million (2012: approximately HK$225.1 million) respectively.

In respect of the EPRO Group's current assets of approximately HK$282.2 million as at 31 March 2013 (2012: approximately HK$318.8 million), trade and bills receivable (net of provision for doubtful debts) account for 30.6% (2012: 19.3%) whilst pledged deposits, cash and cash equivalents accounted for about 35.0% (2012: 35.6%). As at 31 March 2013, the EPRO Group's pledged deposits and cash and cash equivalents amounted to approximately HK$98.7 million (2012: approximately HK$113.5 million). All of the EPRO Group's pledged deposits and cash and cash equivalents were denominated in Australian dollars, Canadian dollars, Hong Kong dollars, pound sterling, Renminbi, Singapore dollars and United States dollars.

As at 31 March 2013, the EPRO Group did not have any outstanding bank and other loans (2012: Nil).

As at 31 March 2013, the EPRO Group had an aggregate composite banking facilities from banks of approximately RMB30 million of which has not been utilised (2012: approximately HK$160 million).

Gearing Ratio

As at 31 March 2013, the gearing ratio of the EPRO Group as a ratio of total liabilities over total assets was 29.9% (2012: 26.6%).

Capital Structure

The EPRO Group mainly finances its operation with internally resources. The EPRO Group continued to exert stringent control over treasury policies. EPRO Limited intends to finance the EPRO Group's future operations, capital expenditure and other capital requirement mainly with the existing bank balance available.

As at 31 March 2013, the interest rate of banking facilities was charged at the range of Benchmark Lending Rate of the People's Bank of China less 5% (2012: Hong Kong dollar prime lending rate +1.5%).

As at 31 March 2013, the EPRO Group did not have an outstanding bank and other loans (2012: Nil).

As at 31 March 2013, EPRO Limited had repurchased an aggregate of 199,084,000 ordinary shares, in which of 119,676,000 ordinary shares had not yet been cancelled as at 31 March 2013.

Save as the above, the capital structure of the EPRO Group had no material change.

Material Acquisitions, Disposal and Significant Investments

On 29 June 2012, the EPRO Group entered into a sale and purchase agreement with an independent third party, involving a total consideration of HK$45,000,000 for the acquisition of e-Perfect IT Limited ("**e-Perfect**"), which is a Hong Kong company. e-Perfect together with its subsidiary, engaged in providing information and technology consultation services, provision of corporate information solution architecture, design an maintenance services and trading of computer equipment and accessories, which was completed on 3 July 2012. Details of this acquisition are set out in an announcement of EPRO Limited dated 29 June 2012.

Save for the above, EPRO Limited had no other significant investments and material acquisitions or disposals for the nine months ended 31 March 2013.

Charges on Assets

As at 31 March 2013, the EPRO Group did not have any asset pledged for banking facilities (2012: the EPRO Group had pledged deposit approximately of HK$14.2 million and corporate unlimited guarantee executed by EPRO Limited).

Contingent Liabilities

As at 31 March 2013 and 31 March 2012, EPRO Limited had contingent liabilities in respect of corporate unlimited guarantees for banking facilities granted to certain subsidiaries. At the end of the reporting period, none of such facilities were utilized by the subsidiaries (2012: Nil).

Foreign Currency Risk

The EPRO Group mainly generated revenue and incurred costs in Australian dollars, Hong Kong dollars, Renminbi, Singapore dollars, Canadian dollars, pound sterling and United States ("**US**") dollars.

In accordance with the EPRO Group's conservative treasury policy, the EPRO Group did not enter any derivative product for hedging during the Period. But, the EPRO Group will keep on monitoring the foreign currency risk and consider any tool for the hedging if necessary.

As at 31 March 2013, the EPRO Group has no outstanding forward exchange contracts (2012: Nil).

Share Option Scheme

As at 31 March 2013, there was no option outstanding under the share option scheme of EPRO Limited. No options were granted/exercised/lapsed/cancelled under the share option scheme during the reporting period.

For the year ended 30 June 2012

Business Review

In the second half of 2011, the EPRO Group established E-commerce and provision of online sales platform and provision of professional IT contract and maintenance services as two business segments, marking a milestone for the development of the EPRO Group. Despite the global economy surrounded by uncertainties and market volatility, the EPRO Group's businesses for the year ended 30 June 2012 continued to perform satisfactorily, recording a significant growth compared to last year. Since the expansion into E-commerce business, E-commerce business made a significant contribution to the growth of the EPRO Group as a major source of its revenue and profit.

B2C (Business-to-customer) E-commerce Website

Both revenue and profit growth of the EPRO Group were mainly driven by its B2C foreign trade e-commerce website, namely DealExtreme.com ("**DX**"). In early 2012, the EPRO Group established DX.com ("**DX**") to facilitate the communication with non-English speaking customers and increase consumer awareness of DX brand by linking to DealExtreme.com. DealExtreme.com and DX.com target at overseas markets and aim to seek high-quality and unique products from China for global consumers, who can then enjoy a more caring, convenient and secured cross-border online shopping experience. The websites maintain a diversified product portfolio with over 80,000 products across 15 categories and over 200 sub-categories. They provide customers with a full selection of products ranging from tiny Bluetooth adapters to tablet computers, and even auto parts. Under the same category, products of a wide price range would be offered, greatly enhancing customers' shopping experience. At the same time, the websites continue to identify unique and new products by closely monitoring the market trend. With new products being launched on a daily basis, customers would be attracted to increase their repeat purchases. Through a variety of activities such as online forums, questionnaires and interviews, the EPRO Group can have an in-depth understanding of customers' needs and preferences so that its experienced product team can actively explore more products to meet different requirements and preferences of global consumers. By means of an online sales platform not limited by geographical boundaries, the value chain is shortened and customers are able to purchase more stylish products with higher quality at an affordable price.

As at 30 June 2012, the websites acquired a large loyal customer base from over 200 countries and regions worldwide. During the Year, the EPRO Group's e-commerce business continued to benefit from strong domestic demands and growth momentum in emerging markets such as Brazil, Russia and Israel. The EPRO Group's websites recorded a rapid sales growth in the above countries which demonstrated a high potential for development of e-commerce in these emerging markets. In addition, efforts has been devoted to develop various mobile applications for the websites during the Year, aiming to offer customers a platform to engage in online shopping anytime in the light of the increasing popularity of smartphones.

In 2011/12, the EPRO Group carried out a series of integration and development, including the acquisition of an IT consultancy service provider, namely E-Perfect IT Limited and its subsidiary (collectively referred to as "**E-Perfect Group**"), to further strengthen its leading position in this industry.

Prospects

According to the "World Economic Outlook" issued by International Monetary Fund in July 2012, the global economy deteriorated in the second quarter of 2012. Coupled with the worsening sovereign debt crisis in the euro area, the global economic growth is forecasted to decline for these two years. From the macroeconomic perspective, European debt crisis has not reached an efficacious solution and thus, the global economic atmosphere continues to suffer, which will have a negative impact on the economic growth of every region around the world. Nevertheless, the 2011/12 annual results of the EPRO Group stayed robust and were less affected by the global economic fluctuations riding on the EPRO Group's solid business foundation and prudent expansion strategies, showing its success in developing overseas e-commerce business. Looking forward to the second half of 2012, the EPRO Group expects that the sales revenue of e-commerce business will be boosted attributable to the favourable seasonal effect, especially the shopping peak season during traditional western festivals. In regard to the professional IT contract services of the EPRO Group, E-Perfect Group, which was acquired during the

Year, will further develop its existing businesses with great supports from the seasoned management team, financial strength and multichannel distribution network of the EPRO Group, creating synergy with the existing businesses of the EPRO Group.

E-commerce is one of the most promising shopping models with incomparable advantages over traditional one, including low cost, high level of flexibility and convenience, no time and geographical constraints. In the coming year, the EPRO Group will strive to maintain and further develop its unique advantages. By promoting "localization" business strategy, customers will enjoy the best service with shortened delivery time and "multi-language-and-multi-currency" feature. Meanwhile, the EPRO Group will put an emphasis on the establishment of local partnership in emerging countries and regions such as Eastern Europe so as to fully comprehend the characteristics and resources of every distinctive market. In addition, the EPRO Group will strengthen its marketing promotion to increase brand awareness and market share to attract more new customers with a view to bringing the best return for the shareholders of the EPRO Group.

Financial Review

For the year ended 30 June 2012, the EPRO Group generated a revenue of approximately HK$1,416,012,000 (2011: HK$192,849,000). The business of the EPRO Group is composed of two business segments, which are e-commerce and provision of online sales platform and provision of professional IT contract and maintenance services. During the year, the revenue of the EPRO Group was mainly attributable to e-commerce business. The growth of the EPRO Group's revenue was primarily due to the steady development of the e-commerce business while the increase in profit was principally attributable to the growth of the e-commerce business.

The total operating expenses for the year were HK$453,648,000 (2011: HK$29,998,000), as a result of a corresponding increase in total operating expenses incurred by the growth of the EPRO Group's e-commerce business. The finance costs amounted to HK$30,000 (2011: HK$4,084,000) which was substantially due to the decrease in non-cash imputed interest on convertible notes resulting from the conversion of the said convertible notes into ordinary shares of EPRO Limited.

In view of the global economic turbulence during the year, the EPRO Group redeemed the capital invested in Murtsa Fund with a net loss of approximately HK$3,024,000 and disposed of properties with a gain of approximately HK$1,085,000.

The income tax expenses for the EPRO Group of the year was HK$32,185,000 (2011: HK$6,553,000).

The EPRO Group recorded a profit attributable to equity holders of EPRO Limited of about HK$131,490,000 or HK2.45 cents per share for the Year, compared to a profit attributable to equity holders of EPRO Limited of about HK$71,450,000 or HK2.32 cents per share for last year.

Capital Structure

The EPRO Group generally finances its operations with internally generated cash flows, convertible notes and banking facilities. The EPRO Group continued to exert stringent control over treasury policies. EPRO Limited intends to finance future operations, capital expenditure and other capital requirement of the EPRO Group with the existing bank balance available.

As at 30 June 2012, the interest rate of banking facilities was charged at the range of Hong Kong dollar prime lending rate ("**P**") P+1.5% (2011: P+1.5%).

As at 30 June 2012, the EPRO Group had no bank and other loans (2011: Nil).

During the year ended 30 June 2012, the remaining convertible notes of EPRO Limited with an aggregate principal amounting to approximately HK$11,584,000 were converted into 231,680,000 ordinary shares of EPRO Limited with a par value of HK$0.01 each.

All the outstanding share options have been exercised by the option holders during the year and accordingly, a total of 3,920,000 ordinary shares of EPRO Limited of HK0.01 each were issued. As at 30 June 2012, the EPRO Group did not have any outstanding share options which have been granted but not yet exercised as at 30 June 2012.

During the year ended 30 June 2012, EPRO Limited had repurchased and cancelled an aggregate of 133,500,000 ordinary shares.

Save as the above, the capital structure of EPRO Limited had no material changes.

Material Acquisitions, Disposals and Significant Investments

(a) On 25 October 2011, the EPRO Group applied for the redemption of certain available-for-sales investments. The transaction was completed on 1 December 2011 with a loss of approximately HK$3,024,000.

(b) On 16 December 2011, the EPRO Group disposed properties to an independent third party at a total consideration of HK$52,500,000 with a gain of approximately HK$1,085,000.

(c) On 29 June 2012, the EPRO Group entered into a sale and purchase agreement with an independent third party, involving a total consideration of HK$45,000,000 for the acquisition of certain companies (the "**E-Perfect Acquisition**") which was completed on 3 July 2012. Details of the E-Perfect Acquisition, are set out in note 35 to the consolidated financial statements of EPRO Limited for the year ended 30 June 2012.

Save as the above, EPRO Limited had no other significant investments and material acquisitions or disposals for the Year ended 30 June 2012.

Liquidity and Financial Resources

During the Year, the EPRO Group financed its operations by internally generated cash flow, convertible notes and banking facilities provided by banks.

As at 30 June 2012, the consolidated shareholders' equity, current assets and net current assets of the EPRO Group were HK$297,556,000 (2011: HK$362,340,000), HK$353,002,000 (2011: HK$286,206,000) and HK$265,912,000 (2011: HK$267,238,000) respectively.

In respect of the EPRO Group's total current assets of HK$353,002,000 as at 30 June 2012 (2011: HK$286,206,000), trade receivable (net of provision for doubtful debts) accounted for 19.9% (2011: 25.5%) whilst pledged deposits, cash and cash equivalents accounted for about 38.0% (2011: 71.3%). As at 30 June 2012, the EPRO Group's pledged deposits amounted to HK$10,920,000 (2011: HK$3,524,000) and cash and cash equivalents amounted to HK$123,063,000 (2011: HK$200,484,000) of which, US$2,000,000 (approximately HK$15,600,000) in a Paypal account of the EPRO Group was frozen by Paypal subsequent to the end of the reporting period on 27 August 2012 as the EPRO Group was involved in a litigation with details stated in note 37 to the consolidated financial statements of EPRO Limited for the year ended 30 June 2012.

As at 30 June 2012, EPRO Limited had no outstanding convertible notes (2011: HK$10,567,000).

As at 30 June 2012, the EPRO Group had no bank and other loans (2011: Nil).

The EPRO Group's pledged deposits and cash and cash equivalents were denominated in Australian dollars, Canadian dollars, Hong Kong dollars, British pounds, Renminbi, Singapore dollars and US dollars.

As at 30 June 2012, the EPRO Group had an aggregate composite banking facilities from banks of approximately HK$156,000,000 (2011: HK$3,600,000) which has not been utilised, except for the performance bonds and advance payment bonds as detailed in the section "Contingent Liabilities" below.

Gearing Ratio

As at 30 June 2012, the gearing ratio of the EPRO Group as a ratio of total liabilities over total assets was 24.1% (2011: 8.0%).

Foreign Currency Risk

The EPRO Group mainly generated revenue and incurred costs in Australian dollars, Hong Kong dollars, Renminbi, Singapore dollars, Canadian dollars, British pounds and US dollars.

During the Year, the EPRO Group entered into a forward contract of USD20,000,000 to mitigate foreign exchange risk in view of continuing appreciation of Renminbi. The forward contracts were matured in May 2012.

As at 30 June 2012, the EPRO Group has no outstanding foreign exchange contracts (2011: Nil).

Contingent Liabilities

As at 30 June 2012, EPRO Limited had contingent liabilities in respect of corporate unlimited guarantees for banking facilities granted to certain subsidiaries (2011: Nil). At the end of the reporting period, none of such facilities were utilized by the subsidiaries (2011: Nil).

At 30 June 2011, the EPRO Group had executed performance bonds of HK$245,000 in respect of certain services provided by the EPRO Group which has been revoked during the year ended 30 June 2012.

Charges on Assets

As at 30 June 2012, the banking facilities of the EPRO Group are secured by:

(i) corporate unlimited guarantees executed by EPRO Limited (2011: Nil); and

(ii) the pledge of certain of the EPRO Group's time deposits amounting to approximately HK$10,920,000 (2011: HK$3,524,000).

The cash and cash equivalents of the EPRO Group amounted to HK$123,063,000 (2011: HK$200,484,000) as at 30 June 2012 of which, US$2,000,000 (approximately HK$15,600,000) in a Paypal account of the EPRO Group was frozen by Paypal subsequent to the end of the reporting period on 27 August 2012 as the EPRO Group was involved in a litigation, details, of which are stated in note 37 to the consolidated financial statements of EPRO Limited for the year ended 30 June 2012.

Deployment on Human Resources

As at 30 June 2012, the number of staff of the EPRO Group was 1,269 (2011: 896). Increase in headcount was mainly accounted for by the sustainable development of the EPRO Group's businesses. Staff remuneration is reviewed once a year, or as the management considers appropriate. Changes in remuneration are based on a range of factors including the EPRO Group's performance, the competitiveness of remuneration with the external market, and individual employee's performance during the year. Employees were paid at fixed remuneration with discretionary bonus and benefits of medical insurance, mandatory provident fund, share options and necessary training.

For the year ended 30 June 2011

Business Review

To increase sources of income and disperse risks associated with its business portfolio, the EPRO Group had been actively exploring new business opportunities. During the period, it successfully expanded into the provision of technical services on an e-commerce market platform and had achieved splendid results.

Along with market globalization, especially after the financial crisis in 2008, the overall consumption needs of the international market gradually shifted to goods with high quality and moderate price. And the popularity of the internet allowed consumers to overcome the geographic boundaries and not be limited to the domestic retailers but to purchase from the globe. Meanwhile, the manufacturers in China had been looking for ways to rapidly expand their markets while lowering their cost of sales thus increasing their profits. Under these circumstances, Chinese manufacturers reacted quickly and as a result, a large number of the manufacturers, retailers and wholesalers bypassed intermediate traders to directly demonstrate their products in the web to surfers worldwide. By now, e-commerce has become a popular trading platform amongst consumers and manufacturers in the world. While serving consumers with convenient and affordable shopping, e-commerce also facilitates numerous enterprises to expand to international markets in an effective and efficient manner.

During the period, a significant part of the EPRO Group's profit was originated from contract revenues by provision of technical services and managing several e-commerce websites in mainland China. The websites cooperated with Chinese manufacturers and helped enterprises to directly present high-quality, lower-price products from China to consumers all over the world, including many developing nations and regions. Constrained by development, customers in these regions previously lacked of channels to purchase high-quality, lower-price products from China. That was the time when the e-commerce websites of the EPRO Group emerged into those markets. The websites addressed the needs of customers in these regions by providing a perfect trading platform for them. The websites soon became a popular purchasing channel among local customers. By now, the EPRO Group's websites have successfully established a large and stable customer base and achieved remarkable revenue and profits. With the intention of expanding its business territory to the globe, the EPRO Group has also started building new e-commerce B2C platforms.

Prospects

As the number of e-shoppers keeps increasing globally, B2C e-commerce is becoming one of the main trends of market development of the future. Catering for this wave of growth, the EPRO Group will maintain its existing advantages while continuing development of its e-commerce business and exploring new markets. According to iResearch Consulting Group, China Report, it is predicted in 2012 that, the economics of scale of the Internet in China will reach RMB390,100,000,000, representing a rise of 59.1% as compared with 2011. E-commerce in China will reach RMB1,700,300,000,000 in 2012 and the compound annual growth rate of the e-commerce market will be 52.3%

from 2011 to 2014 (Source: China Internet Marketing Trend Analysis 2011 by iResearch Consulting Group, China. www.iresearch.com.cn); the overall industry represents huge room for growth. The EPRO Group believes that it will benefit from the promising prospects of the industry and its business will maintain strong growth in the future.

Financial Review

During the year under review, the EPRO Group reported a revenue of about HK$192,849,000 for the year ended 30 June 2011, representing an increase of about 80.5% as compared to about HK$106,829,000 for the previous year. It was mainly attributable to increase in contract value on customers services income. The increase in gross profit was mainly due to the increase in revenue from IT contract services, it had a higher profit margin. The increase in the profit was mainly due to the increase in the income from the provision of professional IT contract services on E-commerce.

In order to cope with the EPRO Group's business growth, the total operating expenses were HK$29,998,000 for the year (2010: HK$20,760,000), representing an increase of 44.5% as compared to last year. The increase in finance costs amounted to HK$4,084,000 (2010: HK$1,534,000), was substantially accounted for the non-cash inputted interest on the convertible notes.

The income tax expenses of the EPRO Group was HK$6,553,000 for the year (2010: HK$300,000). The EPRO Group recorded a profit attributable to equity holders of EPRO Limited of about HK$71,450,000 or 2.32 Hong Kong cents per share for the year, compared to a profit attributable to equity holders of EPRO Limited of about HK$7,491,000 or 2.23 Hong Kong cents per share for the last year.

Capital Structure

The EPRO Group generally finances its operation with internally generated cashflows, convertible notes and banking facilities. The EPRO Group continued to exert stringent control over treasury policies. EPRO Limited intends to finance the EPRO Group's future operations, capital expenditure and other capital requirement with the existing bank balance available.

As at 30 June 2011, the interest rate of banking facilities was charged at the range of Hong Kong prime rate ("**P**")+1.5% (2010: P+1.5%/+0.5%).

As at 30 June 2011, the EPRO Group (excluding the convertible notes) had no bank and other loans (2010: Nil).

On 30 April 2010, EPRO Limited entered into a subscription agreement (the "**Subscription Agreement**") to allot and issue (i) an aggregate of 400,000,000 subscription shares at HK$0.05 per share for a total consideration of HK$20 million, and (ii) the convertible notes with an aggregate principal amount of HK$225 million. The Subscription Agreement was completed on 10 August 2010. Details of the terms and conditions of the Subscription Agreement have been stated in an announcement of EPRO Limited dated 30 April 2010.

On 18 June 2010, EPRO Limited passed a special resolution, the nominal value of all issued and unissued shares in the share capital of EPRO Limited was reduced from HK$0.10 to HK$0.01 (the "**Capital Reduction**"). On 26 July 2010, the Capital Reduction became effective. The authorised share capital of EPRO Limited of HK$1,000,000,000 divided into 10,000,000,000 shares of HK$0.10 each were reduced to HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each. The issued share capital of EPRO Limited of HK$33,616,800 were reduced to HK$3,361,680 as a result of the reduction in par value of shares in issue and the credit of HK$30,255,120 arising from the Capital Reduction has been eliminated against the accumulated losses of EPRO Limited.

As at 30 June 2011, the convertible notes of EPRO Limited with an aggregate principal amounting to approximately HK$238,416,000 were converted into 4,474,931,570 ordinary shares of EPRO Limited and the remaining convertible notes of HK$11,584,000 were converted into 231,680,000 ordinary shares of EPRO Limited of HK$0.01 each subsequent to the end of the reporting period in July 2011.

Save as the above, the capital structure of EPRO Limited had no material change.

Material Acquisitions, Disposals and Significant Investments

(a) On 22 October 2010, the EPRO Group entered into a provisional agreement with independent third parties to acquire properties at total consideration of approximately HK$50 million. The transaction was completed on 15 March 2011.

(b) On 16 June 2011, the EPRO Group had applied for the subscription of a total of 66,666.248 non-voting participating redeemable preference shares of the Murtsa Fund of US$0.001 each at a total consideration of approximately HK$50.7 million. The subscription was completed on 20 June 2011.

Save as the above, EPRO Limited had no other significant investments and material acquisitions or disposals for the year ended 30 June 2011.

Liquidity and Financial Resources

During the year under review, the EPRO Group financed its operations by internally generated cash flow, convertible notes and banking facilities provided by banks.

As at 30 June 2011, the EPRO Group's consolidated shareholders' funds, total current assets and net current assets were HK$362,340,000 (2010: HK$32,717,000), HK$286,206,000 (2010: HK$64,837,000) and HK$267,238,000 (2010: HK$51,097,000) respectively.

In respect of the EPRO Group's total current assets of HK$286,206,000 as at 30 June 2011 (2010: HK$64,837,000), trade receivable (net of provision for doubtful debts) account for 25.5% (2010: 49.7%) whilst pledged deposits, cash and cash equivalents accounted for about 71.3% (2010: 34.2%). As at 30 June 2011, the EPRO Group's pledged deposits amount to HK$3,524,000 (2010: HK$6,718,000) and cash and cash equivalents amounted to HK$200,484,000 (2010: HK$15,477,000).

As at 30 June 2011, EPRO Limited had outstanding convertible notes amounting to HK$10,567,000 (2010: HK$23,046,000), the maturity date of which is 10 August 2013. Details of the convertible notes is set out in note 24 to the financial statements of EPRO Limited for the year ended 30 June 2011.

As at 30 June 2011, the EPRO Group (excluding the convertible notes) had no bank and other loans (2010: Nil).

All of the EPRO Group's pledged deposits and cash and cash equivalents were denominated in Australian dollars, Hong Kong dollars, Canadian dollars, Renminbi, Singapore dollars and United States ("**US**") dollars.

As at 30 June 2011, the EPRO Group had an aggregate composite banking facilities from banks of approximately HK$3,600,000 (2010: HK$6,600,000) which has not been utilised, except for the performance bonds and advance payment bonds as detailed in the section "Contingent Liabilities" below.

Gearing Ratio

As at 30 June 2011, the gearing ratio of the EPRO Group as a ratio of total liabilities over total assets was 8.0% (2010: 53.1%).

Foreign Exchange Risk

The EPRO Group mainly generated revenue and incurred costs in Australian dollars, Hong Kong dollars, Canadian dollars, Renminbi, Singapore dollars and US dollars.

During the year, the EPRO Group did not enter any foreign exchange forward contracts for hedging the foreign currency risk exposure on making payment to the suppliers.

The EPRO Group requires all its operating units to use forward currency contracts to eliminate the foreign currency exposures for currencies other than US dollars and on any individual transactions in excess of HK$500,000 or equivalent, for which payment is anticipated more than one month after the EPRO Group has entered into a firm commitment for a sale or purchase. The forward currency contracts must be in the same currency as the hedged item. It is the EPRO Group's policy not to enter into forward contracts until a firm commitment is in place.

The EPRO Group has no foreign currency contracts outstanding at 30 June 2011 (2010: Nil).

Contingent Liabilities

The EPRO Group had executed performance bonds and advance payment bonds of approximately HK$245,000 (2010: approximately HK$245,000) in respect of certain services provided by the EPRO Group.

Save as the above, the EPRO Group has no other contingent liabilities at 30 June 2011.

Charges on Assets

As at 30 June 2011, the banking facilities of the EPRO Group are secured by:

(i) there was no corporate guarantee executed by EPRO Limited during the year (2010: approximately HK$18,300,000); and

(ii) the pledge of certain of the EPRO Group's time deposits amounting to approximately HK$3,500,000 (2010: approximately HK$6,700,000).

Deployment on Human Resources

As at 30 June 2011, the number of staff of the EPRO Group was 896 (2010: 863). Headcount increase comprised of mainly new technical staff hired to support the continuous expansion of the EPRO Group's business. Staff remuneration is reviewed once a year or as the management deems appropriate. Changes in remuneration are based on a range of factors including the EPRO Group's performance, the competitiveness of remuneration with the external market, and individual employee's performance during the year. Employees were paid at fixed remuneration with discretionary bonus and benefits of medical insurance, mandatory provident fund, share options and necessary training.

For the year ended 30 June 2010

Business Review

For the fiscal year of 2010, the EPRO Group had decided seriously and wisely to expand our service into fast growing sectors including mobile computing and expert solutions. Such decision not only strength the EPRO Group's position in the industry but also provided new opportunities to the EPRO Group. In view of such success, the EPRO Group will continue to explore new business prospect and technology to maintain a leading position in the industry.

Prospects

As the regional and local economies continue to be volatile and un-predictable, the EPRO Group has decided to enter into e-commerce business area to diversify our existing portfolio; the new business will take full advantage of our outstanding Information Technology solutions.

With the new investors and funding in place, the EPRO Group will take full spin to develop the e-commerce business and also expand our existing Information Technology Service in order to enjoy more benefits from economy of scale.

Financial Review

For the year ended 30 June 2010, the EPRO Group recorded a revenue of approximately HK$106,829,000 (2009: HK$66,984,000), representing approximately 59.5% increase in revenue as compared to last year. The EPRO Group recorded a profit of approximately HK$7,491,000 as compared to a loss of approximately HK$3,469,000 to the corresponding period in 2009.

The EPRO Group's operations are composed of three business segments, including provision of professional IT contract services, provision of maintenance services and re-selling of hardware and software. During the year under review, increase in revenue was mainly attributable to increase in contract value for provision of professional IT contract services from existing customers. The reason of increase in gross profit was also mainly due to the increase in revenue from provision of professional IT contract services, it had a higher profit margin than other businesses in the EPRO Group.

The total operating expenses were HK$67,402,000 for the year (2009: HK$41,256,000), representing an increase of 63.4% as compared to last year. It was mainly due to the increase in technical expenses amounted to HK$46,642,000 (2009: HK$20,394,000), the increase was attributable to technical staff headcount increase for the year. The increase in finance costs amounted to HK$1,534,000 (2009: HK$2,000), was substantially accounted for the non-cash inputted interest on the convertible notes.

The EPRO Group recorded a profit attributable to equity holders of EPRO Limited of about HK$7,491,000 or 2.23 Hong Kong cents per share for the year, compared to a loss attributable to equity holders of EPRO Limited of about HK$3,419,000 or 1.02 Hong Kong cents per share for the last year.

Capital Structure

The EPRO Group generally finances its operation with internally generated cashflows, convertible notes and banking facilities. The EPRO Group continued to exert stringent control over treasury policies. EPRO Limited intends to finance the EPRO Group's future operations, capital expenditure and other capital requirement with the existing bank balance available.

As at 30 June 2010, the interest rate of banking facilities was charged at the range of Hong Kong prime rate ("**P**")+1.5%/+0.5% (2009: P+1.5%/+0.5%).

As at 30 June 2010, the EPRO Group (excluding the convertible notes) had no bank and other loans (2009: Nil).

On 8 June 2009, EPRO Limited entered into two subscription agreements (the "**Subscription Agreements I**") with China Dynamic Enterprises Limited and Araucarea Holdings Limited respectively (the "**Noteholders I**"). The Subscription Agreements I were completed on 22 July 2009 pursuant to which, EPRO Limited issued two non-interest bearing convertible notes to the Noteholders I in the aggregate principal amount of HK$25,000,000 (the "**Notes I**"). The Notes I entitled the Noteholders I to convert the principal amount of the Notes I into the shares of EPRO Limited at a conversion price of HK$0.121 per share at any time on or after 22 July 2009 and up to the maturity date on 22 July 2011. Details of the terms and conditions of the Notes I have been stated in an announcement of EPRO Limited dated 12 June 2009.

On 30 April 2010, EPRO Limited entered into another subscription agreement (the "**Subscription Agreement II**") to allot and issue (i) an aggregate of 400,000,000 subscription shares at HK$0.05 per share for a total consideration of HK$20 million, and (ii) the convertible notes with an aggregate principal amount of HK$225 million. Subsequent to the end of the reporting period, the Subscription Agreement II was completed on 10 August 2010. Details are set out in note 33 to the financial statements of EPRO Limited for the year ended 30 June 2010.

On 18 June 2010, EPRO Limited passed a special resolution, the nominal value of all issued and unissued shares in the share capital of EPRO Limited was reduced from HK$0.10 to HK$0.01 (the "**Capital Reorganisation**"). Subsequent to the end of the reporting period, the Capital Reorganisation was effective on 26 July 2010. Details are set out in note 26 to the financial statements of EPRO Limited for the year ended 30 June 2010.

Save as the above, the capital structure of EPRO Limited had no material change.

Material Acquisitions, Disposals and Significant Investments

EPRO Limited had no significant investments and material acquisitions or disposals for the year ended 30 June 2010.

Liquidity and Financial Resources

During the year under review, the EPRO Group financed its operations by internally generated cash flow, convertible notes and banking facilities provided by banks.

As at 30 June 2010, the EPRO Group's consolidated shareholders' funds, total current assets and net current assets were HK$32,717,000 (2009: HK$23,771,000), HK$64,837,000 (2009: HK$38,106,000) and HK$51,097,000 (2009: HK$21,227,000) respectively.

In respect of the EPRO Group's total current assets of HK$64,837,000 as at 30 June 2010 (2009: HK$38,106,000), trade receivable (net of provision for doubtful debts) account for 49.7% (2009: 39.9%) whilst pledged deposits, cash and cash equivalents accounted for about 34.2% (2009: 47.4%). As at 30 June 2010, the EPRO Group's pledged deposits amount to HK$6,718,000 (2009: HK$6,600,000) and cash and cash equivalents amounted to HK$15,477,000 (2009: HK$11,462,000).

As at 30 June 2010, EPRO Limited had outstanding convertible notes amounting to HK$23,046,000 (2009: Nil), of which the maturity date is 22 July 2011. Details of the convertible notes is set out in note 24 to the financial statements of EPRO Limited for the year ended 30 June 2010.

As at 30 June 2010, the EPRO Group (excluding the convertible notes) had no bank and other loans (2009: Nil).

All of the EPRO Group's pledged deposits and cash and cash equivalents were denominated in Australian dollars, Hong Kong dollars, Canadian dollars, Renminbi, Singapore dollars and United States ("US") dollars.

As at 30 June 2010, the EPRO Group had an aggregate composite banking facilities from banks of approximately HK$6.6 million which has not been utilised (2009: aggregate composite banking facilities from banks of approximately HK$6.6 million which was not utilised).

Gearing Ratio

As at 30 June 2010, the gearing ratio of the EPRO Group as a ratio of total borrowings to shareholders' equity was 70.4% (2009: 0%).

Foreign Exchange Risk

The EPRO Group mainly generated revenue and incurred costs in Australian dollars, Hong Kong dollars, Canadian dollars, Renminbi, Singapore dollars and US dollars.

During the year, the EPRO Group did not enter any foreign exchange forward contracts for hedging the foreign currency risk exposure on making payment to the suppliers.

The EPRO Group requires all its operating units to use forward currency contracts to eliminate the foreign currency exposures for currencies other than US dollars and on any individual transactions in excess of HK$500,000 or equivalent, for which payment is anticipated more than one month after the EPRO Group has entered into a firm commitment for a sale or purchase. The forward currency contracts must be in the same currency as the hedged item. It is the EPRO Group's policy not to enter into forward contracts until a firm commitment is in place.

The EPRO Group has no foreign currency contracts outstanding at 30 June 2010 (2009: Nil).

Contingent Liabilities

The EPRO Group had executed performance bonds and advance payment bonds of approximately HK$0.2 million (2009: approximately HK$0.1 million) in respect of certain services provided by the EPRO Group.

Save as the above, the EPRO Group has no other contingent liabilities at 30 June 2010.

Charges on Assets

The banking facilities of the EPRO Group are secured by:

(i) corporate guarantees in an aggregate amount of approximately HK$18.3 million executed by EPRO Limited (2009: approximately HK$18.3 million); and

(ii) pledge of certain of the EPRO Group's time deposits amounting to approximately HK$6.7 million (2009: approximately HK$6.6 million).

Deployment on Human Resources

As at 30 June 2010, the number of staff of the EPRO Group was 863 (2009: 590). Headcount increase comprised mainly new technical staff hired to support the continuous expansion of the EPRO Group's business. Staff remuneration is reviewed once a year or as the management deems appropriate. Changes in remuneration are based on a range of factors including the EPRO Group's performance, the competitiveness of remuneration with the external market, and individual employee's performance during the year. Employees were paid at fixed remuneration with discretionary bonus and benefits of medical insurance, mandatory provident fund, share options and necessary training.

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 COMBINED GROUP

The accompanying unaudited pro forma financial information of the group of companies consisting of the Company and its subsidiaries, excluding the subsidiaries being acquired after 31 December 2012, (the "**Combined Group**") has been prepared to illustrate the effect of the acquisition of approximately 4.89% of the issued share capital of EPRO Limited (the "**Proposed Acquisition**") might have affected the financial information of the Group. For the avoidance of doubt, the Combined Group shall exclude the acquisition of Apperience Corporation and its subsidiaries on 31 March 2013 as elaborated in note 8 below and such other transactions as described in notes 6, 7, 9 and 10 to this Unaudited Pro Forma Financial Information of the Combined Group.

The unaudited pro forma consolidated income statement and statement of cash flows of the Combined Group for the year ended 31 December 2012 are prepared based on the audited consolidated income statement and statement of cash flows of the Group for the year ended 31 December 2012 as extracted from the annual report of the Company for the year ended 31 December 2012 as if the Proposed Acquisition had been completed on 1 January 2012.

The unaudited pro forma consolidated statement of financial position of the Combined Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2012 as extracted from the annual report of the Company for the year ended 31 December 2012 as if the Proposed Acquisition had been completed on 31 December 2012.

The unaudited pro forma financial information of the Combined 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 Combined Group, it may not give a true picture of the actual financial position and results of operation of the Combined 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 Combined Group does not purport to predict the Combined Group's future financial position, results of operation or cash flows.

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

B. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE COMBINED GROUP FOR THE YEAR ENDED 31 DECEMBER 2012

	The Group	Pro forma adjustments	Notes	The Combined Group
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
Continuing operations				
Turnover	4,137			4,137
Cost of sales	(228)			(228)
Gross profit	3,909			3,909
Other revenue	2,053			2,053
Other gains/(losses), net	(16,451)	258,686	*2*	33,095
		(209,140)	*4*	
Selling and administrative expenses	(14,442)	(520)	*5*	(14,962)
(Loss)/Profit from operations	(24,931)			24,095
Finance costs	(1,048)			(1,048)
(Loss)/Profit before taxation	(25,979)			23,047
Income tax expense	(359)			(359)
(Loss)/Profit for the year from continuing operations	(26,338)			22,688
Discontinued operation				
Loss for the year from discontinued operations	(288)			(288)
(Loss)/Profit for the year attributable to equity holders of the Company	(26,626)			22,400

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE COMBINED GROUP AS AT 31 DECEMBER 2012

	The Group	Pro forma adjustments	Notes	The Combined Group
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
ASSETS				
Non-current assets				
Fixed assets	7,901			7,901
Intangible assets	3,637			3,637
Goodwill	2,408			2,408
	13,946			13,946
Current assets				
Trade and other receivables	6,291			6,291
Financial assets at fair value through profit or loss	—	79,921	*1*	129,467
		49,546	*3*	
Cash and cash equivalents	140,737	(79,921)	*1*	60,296
		(520)	*5*	
	147,028			196,054
Current liabilities				
Trade and other payables	5,194			5,194
Amount due to a director	401			401
Bank loan, secured	3,108			3,108
Convertible notes	14,044			14,044
Current tax liabilities	147			147
	22,894			22,894
Net current assets	124,134			173,160
NET ASSETS	138,080			187,106
CAPITAL AND RESERVES				
Share capital	124,889			124,889
Reserves	13,191	49,546	*3*	62,217
		(520)	*5*	
TOTAL EQUITY	138,080			187,106

D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE COMBINED GROUP FOR THE YEAR ENDED 31 DECEMBER 2012

	The Group	**Pro forma adjustments**		**The Combined Group**
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
Operating activities				
(Loss)/Profit before taxation				
— Continuing operations	(25,979)	258,686	*2*	23,047
		(209,140)	*4*	
		(520)	*5*	
— Discontinued operations	(288)			(288)
Adjustment for:				
Bank interest income	(1,748)			(1,748)
Depreciation	355			355
Fair value gain on financial assets	—	(258,686)	*2*	(49,546)
		209,140	*4*	
Finance costs	1,048			1,048
Foreign exchange gain	(21)			(21)
Gain on deregistration of a subsidiary	(293)			(293)
Gain on disposal of fixed assets	(26)			(26)
Impairment loss on goodwill	20,831			20,831
Loan interest income	(65)			(65)
Operating loss before changes in working capital	(6,186)			(6,706)
Increase in trade and other receivables	(5,743)			(5,743)
Increase in trade and other payables	2,832			2,832
Increase in amount due to a director	211			211
Cash used in operating activities	(8,886)			(9,406)
Income tax paid	(362)			(362)
Net cash used in operating activities	(9,248)			(9,768)

	The Group	Pro forma adjustments	Notes	The Combined Group
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
Investing activities				
Bank interest income	1,751			1,751
Expenditure on development projects	(1,990)			(1,990)
Loans received	5,019			5,019
Loan interest income	65			65
Deposit refunded for purchase of investment	10,000			10,000
Payment for purchase of fixed assets (including deposits paid)	(5,765)			(5,765)
Payment for purchase of financial assets	—	(79,921)	*1*	(79,921)
Proceeds from disposal of fixed assets	52			52
Net cash generated from/(used in) investing activities	9,132			(70,789)
Financing activities				
Interest paid	(86)			(86)
Proceeds from issue of convertible notes	19,687			19,687
Proceeds from new bank loan	3,250			3,250
Repayment of bank loan	(142)			(142)
Net cash generated from financing activities	22,709			22,709
Net increase/(decrease) in cash and cash equivalents	22,593			(57,848)
Cash and cash equivalents at beginning of the year	118,105			118,105
Effect of foreign exchange rate changes	39			39
Cash and cash equivalents at end of year	140,737			60,296
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Bank and cash balances	140,737	(79,921)	*1*	60,296
		(520)	*5*	

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

1. The adjustment represents the cost of acquisition of approximately 4.89% of the issued share capital of EPRO Limited ("**Target Shares**") as if the Proposed Acquisition had been taken place on 31 December 2012. Pursuant to the sale and purchase agreement, the aggregate consideration of approximately HK$79,921,000 will be satisfied by cash. This adjustment will have no continuing effect on the Combined Group in the subsequent years.

2. The adjustment represents the fair value change on the Target Shares over the cost of the Proposed Acquisition as if the Proposed Acquisition had been taken place on 1 January 2012. The fair value of the Target Shares amounting to HK$338,607,000 is based on bid prices (HK$1.36 per Target Share) as at 1 January 2012. In accordance with Hong Kong Accounting Standard 39 "Financial instruments: Recognition and Measurement" ("**HKAS 39**"), the financial assets at fair value through profit or loss are initially measured at fair value. This adjustment will have no continuing effect on the Combined Group in the subsequent years.

3. The adjustment in unaudited pro forma statement of consolidated financial position represents the fair value change of the Target Shares as if the Proposed Acquisition had taken place on 31 December 2012. The fair value gain of approximately HK$49,546,000, which represents the fair value of the Target Shares of approximately HK$129,467,000, based on bid prices (HK$0.52 per Target Share) as at 31 December 2012, over the consideration of approximately HK$79,921,000 for the Proposed Acquisition. In accordance with HKAS 39, the financial assets at fair value through profit or loss are initially measured at fair value. The fair value of the Target Shares will be remeasured at the completion date of the Proposed Acquisition. The adjustment will have continuing effect on the Combined Group in the subsequent years.

4. The fair value change of the Target Shares of approximately HK$209,140,000 represents the fair value loss from remeasurement of the Target Shares as at 31 December 2012, which is calculated based on the fair value of the Target Shares of approximately HK$338,607,000, based on bid prices (HK$1.36 per Target Share) as at 1 January 2012, over the fair value of the Target Shares of approximately HK$129,467,000, based on bid prices (HK$0.52 per Target Share) as at 31 December 2012. The Target shares are measured at fair value, the changes in fair value of the Target Shares held by the Combined Group as at 31 December 2012 arising from remeasurement are recognised directly in profit or loss in the period in which they arise. This adjustment will have continuing effect on the Combined Group in subsequent years.

5. The adjustment represents the estimated legal and professional fees and other direct expenses in relation to the Proposed Acquisition of approximately HK$520,000. This adjustment will have no continuing effect on the Combined Group in the subsequent years.

The following transactions did not reflect in the above unaudited pro forma financial information of the Combined Group:

6. On 21 March 2013, the Company signed a placing letter with a sub-placing agent in respect of the subscription for 2014 due 10% coupon of convertible bonds 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 ("**Subscription**"). The Subscription took place on 27 March 2013. Upon the completion of the Subscription, the Company designated these convertible bonds as fair value through profit or loss as it contains embedded derivates. The details of the Subscription are set out in the Company's announcement dated 21 March 2013.

7. On 14 November 2012, the Company issued convertible notes with principal amount of HK$20,000,000. The notes bear interest at 2% per annum, 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 an initial conversion price of HK$0.10 per ordinary share up to 9 November 2013. On 25 March 2013, the noteholder exercised its right to convert all outstanding convertible notes as at 31 December 2012 and 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.

8. On 31 March 2013, the Group completed the acquisition of 50.5% of the issued share capital of Apperience Corporation and its subsidiaries (collectively referred to as the "**Apperience Group**") at the maximum consideration payable by the Company to the vendors of the acquisition of HK$548,985,500 (subject to adjustment). The consideration had been satisfied partly by the creation and issue of 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) 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 shares. The details of the acquisition of the Apperience Group are set out in the Company's announcements dated 5 December 2012, 12 March 2013 and 1 April 2013 and the Company's circular dated 23 February 2013.

Upon the completion of the above acquisition, the results, assets and liabilities of the Apperience Group will be consolidated into the Group's financial statements. The estimated fair value of the identifiable net assets acquired, goodwill arising on the acquisition and impairment of goodwill are extracted from the Company's first quarterly report for the three months ended 31 March 2013 and disclosed as follows:

	HK$'000	*HK$'000*
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		(7,945)
Fair value of identifiable net assets of the Apperience Group		54,785
Less: Non-controlling interests of 49.5% equity interests in the Apperience Group		(27,119)
Fair value of identifiable net assets of the Apperience Group attributable to owners of the Company		27,666
Goodwill		756,970
Purchase consideration		784,636
Fair value of the purchase consideration		
— issue of convertible notes		
Debt component	282,160	
Equity component	325,290	607,450
— issue of performance shares		177,186
		784,636
Goodwill		
Costs arising on acquisition of the Apperience Group and at 31 March 2013		756,970
Impairment loss recognized at 31 March 2013		(256,585)
Carrying value at 31 March 2013		500,385

9. On 2 April 2013, the Company received notices from four holders of convertible notes in relation to the acquisition of the Apperience Group as set out in note 8 above that they would exercise their rights to convert the convertible notes in the aggregate principal amount of HK$64,000,000 at a conversion price of HK$0.108 per conversion share. The details of the conversion are set out in the Company's announcement dated 2 April 2013.

10. On 15 May 2013, the Group completed the acquisition of 100% equity interest in Dragon Oriental Investment Limited ("**Dragon Oriental**") at a consideration of approximately HK$42,000,000 which was settled by cash. In accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations", the Group account for this transaction as an asset acquisition. This transaction does not give rise to goodwill. The details of the acquisition of Dragon Oriental are set out in the Company's announcement dated 15 May 2013.

11. For the purposes of the preparation of the unaudited pro forma financial information of the Combined Group, in accordance with application guidance of AG 72 on HKAS 39, the appropriate quoted market price for an asset held is usually the current bid price. The Company applied this application guidance for the calculation of fair value of the Target Shares with current bid price of the Target Shares of any given time. The bid prices of the Target Shares adopted in the above adjustments were sourced from Bloomberg Finance L.P..

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

8 August 2013

The Board of Directors
M Dream Inworld Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of M Dream Inworld Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") prepared by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma statement of financial position as at 31 December 2012, the pro forma income statement for the year ended 31 December 2012, the pro forma statement of cash flows for the year ended 31 December 2012 and related notes as set out on pages 63 to 70 of the circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described in Appendix III on page 62.

The pro forma financial information has been compiled by the directors to illustrate the impact of the proposed acquisition of approximately 4.89% of the issued share capital of EPRO Limited on the Group's financial position as at 31 December 2012 as if the transaction had been taken place at 31 December 2012, and on the Group's financial performance and cash flows for the year ended 31 December 2012 as if the transaction had been taken place at 1 January 2012. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors from the Group's consolidated financial statements as included in the annual report for the year ended 31 December 2012, on which an audit report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the 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 ("**AG**") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the 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 pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 1 January 2012 and 31 December 2012 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled 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

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

Authorised:		*HK$*
8,000,000,000	Shares	800,000,000
Issued and fully paid, or credited as fully paid:		
2,041,486,915	Shares *(Note 1)*	204,148,691.50

Note 1: 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 into Shares upon exercise of the conversion rights at the relevant conversion price attached to the zero coupon convertible notes in the principal amount of up to HK$392,132,500 created and issued by the Company on 31 March 2013 ("**2013 Convertible Notes**").

Upon Completion

Authorised:		*HK$*
8,000,000,000	Shares	800,000,000
Issued and fully paid, or credited as fully paid:		
2,041,486,915	Shares *(Note 2)*	204,148,691.50

Note 2:

(a) 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 into Shares upon exercise of the conversion rights at the relevant conversion price attached to the 2013 Convertible Notes; and

(b) The maximum number of the new Shares of the Company to be allotted and issued to the vendors of Apperience Corporation is 1,452,342,588. Further details in relation to the acquisition of 50.5% of Apperience Corporation by the Company has been disclosed in the Company's circular dated 23 February 2013.

3. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company 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 were as follows:

Aggregate long positions in Shares and underlying Shares of the Company

Name of the Director	Capacity in which the Shares and underlying Shares are held	Number of Shares and underlying Shares	Approximate percentage of the Company's issued share capital *(Note 1)*
Xue Qiushi (“**Mr. Xue**”)	Interest in a controlled corporation and interests deemed under sections 317 and 318 of the SFO *(Note 2)*	4,527,643,511	221.78%

Notes:

1. The total number of the issued Shares of the Company as at the Latest Practicable Date (that is 2,041,486,915 Shares) has been used for the calculation of the approximate percentage.

2. Ace Source International Limited (“**Ace Source**”) (being one of the substantial shareholders of the Company whose interests are set out in the section headed “Disclosure of Interests of Substantial Shareholders” in this appendix) is wholly and beneficially owned by Mr. Xue. As such, Mr. Xue is deemed to be interested in all the Shares/underlying Shares held by Ace Source pursuant to Part XV of the SFO. Based on the Director's/Chief Executive's Notice — Interests in Shares of Listed Corporation filed by Mr. Xue on 10 July 2013, among these 4,527,643,511 Shares/underlying Shares, 3,935,050,920 of which were underlying Shares with an exercise period from 31 March 2013 to 31 March 2017 and can be exercised at the exercise price of HK$0.108 per Share.

Aggregate long positions in shares and underlying shares of the associated corporation of the Company

Name of the Director	Name of the associated corporation	Capacity in which the shares are held	Number of shares	Approximate percentage of the associated corporation's issued share capital
Mr. Xue	Apperience Corporation	Interest in a controlled corporation *(Note)*	3,882,391	18.79%

Note: 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 in Apperience Corporation (being an associated corporation of the Company) pursuant to Part XV of the SFO.

Aggregate long position in debentures of the Company

Name of Director	Capacity in which the debentures are held	Amount of debentures
Mr. Xue	Interest in a controlled corporation and other *(Note)*	HK$268,132,500

Note: Ace Source is wholly and beneficially owned by Mr. Xue. As such, Mr. Xue is deemed to be interested in all the debentures held by Ace Source pursuant to Part XV of the SFO.

Save as disclosed above, 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, 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 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 and underlying Shares

Substantial shareholders	**Capacity in which the shares and underlying shares are held**	**Number of Shares and underlying Shares**	**Approximate percentage of the Company's issued share capital** *Note (16)*	*Notes*
Wise Action Limited ("**Wise Action**")	Beneficial owner	201,260,000	9.86%	*(1)*
Rosy Lane Investments Limited ("**Rosy Lane**")	Interest of a controlled corporation	201,260,000	9.86%	*(1)*
Modern Education Group Limited ("**Modern Education Group**")	Interest of a controlled corporation and beneficial owner	756,815,555	37.07%	*(1)*
Access Magic Limited ("**Access Magic**")	Beneficial owner and interests deemed under sections 317 and 318 of the SFO	4,527,643,511	221.78%	*(2)*
Dong Yuguo ("**Mr. Dong**")	Interest of a controlled corporation and interests deemed under sections 317 and 318 of the SFO	4,527,643,511	221.78%	*(2), (3)*
Ace Source	Beneficial owner and interests deemed under sections 317 and 318 of the SFO	4,527,643,511	221.78%	*(4)*
Wealthy Hope Limited ("**Wealthy Hope**")	Beneficial owner and interests deemed under sections 317 and 318 of the SFO	4,527,643,511	221.78%	*(5)*
Chen Liang ("**Mr. Chen**")	Interest of a controlled corporation and interests deemed under sections 317 and 318 of the SFO	4,527,643,511	221.78%	*(5), (6)*
Well Peace Global Limited ("**Well Peace**")	Beneficial owner and interests deemed under sections 317 and 318 of the SFO	4,527,643,511	221.78%	*(7)*
Lian Ming ("**Mr. Lian**")	Interest of a controlled corporation and interests deemed under sections 317 and 318 of the SFO	4,527,643,511	221.78%	*(7), (8)*

Substantial shareholders	Capacity in which the shares and underlying shares are held	Number of Shares and underlying Shares	Approximate percentage of the Company's issued share capital *Note (16)*	*Notes*
Best Attained Holdings Limited ("**Best Attained**")	Beneficial owner	1,386,226,490	67.90%	*(9)*
IDG-Accel China Growth Fund II L.P. ("**IDG-Accel**")	Interest of a controlled corporation and interests deemed under sections 317 and 318 of the SFO	4,527,643,511	221.78%	*(9), (10)*
IDG-Accel China Investors II L.P. ("**IDG-Accel Investors**")	Interests deemed under sections 317 and 318 of the SFO	4,527,643,511	221.78%	*(11)*
IDG-Accel China Growth Fund II Associates L.P. ("**IDG-Accel II Associates**")	Interest of a controlled corporation	4,527,643,511	221.78%	*(9), (10), (11), (12)*
IDG-Accel China Growth Fund GP II Associates Ltd. ("**IDG-Accel GP II**")	Interest of a controlled corporation	4,527,643,511	221.78%	*(9), (10), (11), (12)*
Zhou Quan ("**Mr. Zhou**")	Interest of a controlled corporation and interests deemed under sections 317 and 318 of the SFO	4,527,643,511	221.78%	*(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	4,527,643,511	221.78%	*(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	248.99%	*(13)*
Tencent Holdings Limited ("**Tencent**")	Interest of a controlled corporation	4,527,643,511	221.78%	*(13), (14), (15)*
MIH TC Holdings Limited ("**MIH TC Holdings**")	Interest of a controlled corporation	4,527,643,511	221.78%	*(13), (14), (15)*
MIH (Mauritius) Limited ("**MIH Mauritius**")	Interest of a controlled corporation	5,083,199,066	248.99%	*(13), (14), (15)*
MIH Holdings Limited ("**MIH Holdings**")	Interest of a controlled corporation	5,083,199,066	248.99%	*(13), (14), (15)*
Naspers Limited ("**Naspers**")	Interest of a controlled corporation	4,527,643,511	221.78%	*(13), (14), (15)*

Notes:

(1) Wise Action is wholly and beneficially owned by Rosy Lane. Rosy Lane is wholly owned by Modern Education Group. Each of Modern Education Group and Rosy Lane was deemed to be interested in all the 201,260,000 Shares held by Wise Action pursuant to Part XV of the SFO.

Based on the corporate substantial shareholder notice filed by Modern Education Group dated 19 June 2013, as at the Latest Practicable Date, Modern Education was also interested in 555,555,555 underlying Shares in the capacity as the beneficial owner.

(2) As at the Latest Practicable Date, Access Magic was interested in 1,003,067,671 Shares/underlying Shares in the capacity as the beneficial owner and was deemed to be interested in 3,524,575,840 Shares/underlying Shares in accordance with sections 317 and 318 of the SFO. Among these 4,527,643,511 Shares/underlying Shares, 3,935,050,920 of which were underlying Shares.

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

(4) As at the Latest Practicable Date, Ace Source was interested in 1,421,059,131 Shares/underlying Shares in the capacity as the beneficial owner and was deemed to be interested in 3,106,584,380 Shares/underlying Shares in accordance with sections 317 and 318 of the SFO. Among these 4,527,643,511 Shares/underlying Shares, 3,935,050,920 of which were underlying Shares.

(5) As at the Latest Practicable Date, Wealthy Hope was interested in 250,754,210 Shares/underlying Shares in the capacity as the beneficial owner and was deemed to be interested in 4,276,889,301 Shares/underlying Shares in accordance with sections 317 and 318 of the SFO. Among these 4,527,643,511 Shares/underlying Shares, 3,935,050,920 of which were underlying Shares.

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

(7) As at the Latest Practicable Date, Well Peace was interested in 250,754,210 Shares/underlying Shares in the capacity as the beneficial owner and was deemed to be interested in 4,276,889,301 Shares/underlying Shares in accordance with sections 317 and 318 of the SFO. Among these 4,527,643,511 Shares/underlying Shares, 3,935,050,920 of which were underlying Shares.

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

(9) As at the Latest Practicable Date, Best Attained was interested in 1,386,226,490 underlying Shares in the capacity as the beneficial owner.

(10) Best Attained is 92.44% owned by IDG-Accel. As such, IDG-Accel is deemed to be interested in all the Shares/underlying Shares held by Best Attained pursuant to Part XV of the SFO.

As at the Latest Practicable Date, IDG-Accel was deemed to be interested in 1,386,226,490 Shares/underlying Shares as the interest in its controlled corporation and was deemed to be interested in 3,141,417,021 Shares/underlying Shares in accordance with sections 317 and 318 of the SFO. Among these 4,527,643,511 Shares/underlying Shares, 3,935,050,920 of which were underlying Shares.

(11) As at the Latest Practicable Date, IDG-Accel Investors was deemed to be interested in 4,527,643,511 Shares/underlying Shares in accordance with sections 317 and 318 of the SFO. Among these 4,527,643,511 Shares/underlying Shares, 3,935,050,920 of which were underlying Shares.

(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/underlying Shares held by IDG-Accel II Associates and IDG-Accel Investors.

Best Attained is 92.44% owned by IDG-Accel which is in turn wholly owned by IDG-Accel II Associates. As such, IDG-Accel II Associates was deemed to be interested in all the Shares/underlying Shares held by Best Attained pursuant to Part XV of the SFO.

(13) As at the Latest Practicable Date, THL was interested in 215,781,799 Shares/underlying Shares in the capacity as the beneficial owner and was deemed to be interested in 4,867,417,267 Shares/underlying Shares in accordance with sections 317 and 318 of the SFO. Based on the corporate substantial shareholder notice filed by THL on 20 November 2012, all of these interests in the Company were underlying Shares.

(14) By virtue of the relationships as described in note (15) below, as at the Latest Practicable Date, each of Tencent, MIH TC Holdings, MIH Mauritius, MIH Holdings and Naspers was deemed to be interested in all the Shares/underlying Shares in which THL was interested pursuant to Part XV of the SFO.

Based on the corporate substantial shareholder notice filed by Tencent, MIH TC Holdings and Naspers on 21 June 2013, 25 June 2013 and 25 June 2013 respectively, each of them was deemed to be interested in 4,527,643,511 Shares/underlying Shares as the interest in its controlled corporation, and among these Shares/underlying Shares 3,935,050,920 of which were underlying Shares.

Based on the corporate substantial shareholder notice filed by MIH Mauritius and MIH Holdings on 23 November 2012, each of them was deemed to be interested in 5,083,199,066 underlying Shares.

(15) THL is wholly owned by Tencent. Tencent is 34.03% 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/underlying Shares in which THL was interested pursuant to Part XV of the SFO.

(16) The total number of the issued Shares of the Company as at the Latest Practicable Date (that is 2,041,486,915 Shares) has been used for the calculation of the approximate percentage.

Save as disclosed above, as at the Latest Practicable Date, 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.

As at the Latest Practicable Date, save for Mr. Xue who is the director of Ace Source, 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 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;

(b) 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;

(c) the deed of assignment dated 13 February 2012 executed by Koffman Corporate Service Limited as vendor and Five Stars Development Limited ("**Five Stars**") (formerly known as Elipva (Greater China) Holdings Limited) (an indirect wholly-owned 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 Five Stars at a consideration of HK$6,500,000;

(d) the termination agreement dated 21 March 2012 ("**Termination Agreement**") entered into between Lucky Famous Limited (a wholly-owned subsidiary of the Company), Morning Sky International Ltd. and Mr. Wong Kui Shing, Danny pursuant to which the sale and purchase agreement dated 3 June 2011 in relation to the sale and purchase of 10% of Green Global Bioenergy Limited and entered into by the same parties 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;

(e) 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;

(f) the deed of assignment dated 30 August 2011 entered into between 成都奧畢信息技術有限公司 (Chengdu AOBI Information Technology Co., Ltd.) ("**PRC Company**") as assignor and Apperience Corporation (a non wholly-owned subsidiary of the Company) as assignee pursuant to which certain US trademark applications have been assigned to Apperience Corporation. No monetary consideration is specified in such deed of assignment;

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

(h) the indemnity agreement dated 24 October 2011 entered into between Bluesprig, Inc (a subsidiary of Apperience Corporation) 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;

(i) the indemnity agreement dated 24 October 2011 entered into between Bluesprig, Inc (a subsidiary of Apperience Corporation) 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;

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

(k) the intellectual property assignment and transfer agreement dated 7 September 2012 entered into between Apperience Corporation as assignor and Experience Corporation as assignee pursuant to which Apperience Corporation 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;

(l) the amended and restated shareholders' agreement dated 10 September 2012 entered into by and among Apperience Corporation, IDG-Accel, IDG-Accel Investors, THL, Dong Yuguo, Xue Qiushi, Lian Ming, Chen Liang, Access Magic, Ace Source, Well Peace and Wealthy Hope, the PRC Company, Bluesprig Limited, Imidea Limited and IObit Limited governing the rights granted to the then shareholders of Apperience Corporation 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 Corporation and right to nominate directors of Apperience Corporation. No monetary consideration is specified in such shareholders' agreement;

(m) the series A-1 preferred share purchase agreement dated 10 September 2012 entered into by and among Apperience Corporation, THL, Dong Yuguo, Xue Qiushi, Lian Ming, Chen Liang, Access Magic, Ace Source, Well Peace and Wealthy Hope, the PRC Company, Bluesprig Limited, Imidea Limited and IObit Limited pursuant to which THL agreed to purchase and Apperience Corporation agreed to sell and issue to THL 666,667 series A-1 preferred shares in Apperience Corporation at a consideration of US$2,000,000;

(n) the option termination and release agreement dated 10 November 2012 entered into between Apperience Corporation 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 Corporation;

(o) the copyright licence agreement dated 18 February 2013 entered into between Apperience Corporation 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 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 Corporation in the PRC; or (ii) the date on which the copyright of "Advanced SystemCare" has been registered in the name of Apperience Corporation in the United States (whichever is the earlier);

(p) the conditional sale and purchase agreement ("**Apperience SP Agreement**") dated 15 November 2012 entered into by and among the Company as purchaser, Access Magic, Ace Source, Well Peace, Wealthy Hope, IDG-Accel, IDG-Accel Investors and THL as vendors and Dong Yuguo, Xue Qiushi, Lian Ming and Chen Liang as warrantors in relation to the acquisition of 50.5% of the entire issued share capital of Apperience Corporation at a maximum aggregate consideration of HK$548,985,500 (subject to adjustment);

(q) the agreement dated 11 December 2012 supplemental to the Apperience SP Agreement entered into by and among the Company as purchaser, Access Magic, Ace Source, Well Peace, Wealthy Hope, IDG-Accel, IDG-Accel Investors and THL as vendors and Dong Yuguo, Xue Qiushi, Lian Ming and Chen Liang as warrantors amending certain terms of the Apperience SP Agreement;

(r) the placing letter dated 21 March 2013 and signed between Perfect Growth Limited (an indirect wholly-owned subsidiary of the Company) as subscriber and Trinity Finance Investment Limited as sub-placing agent in relation to the subscription of the 2014 due 10% coupon convertible bonds 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);

(s) the agreement dated 15 May 2013 entered into between Lucky Famous Limited (a wholly-owned subsidiary of the Company) as purchaser and Town Health Asset Management Limited as vendor in relation to the sale and purchase of the entire issued share capital of Dragon Oriental Investment Limited at a consideration of HK$42,000,000;

(t) the agreement ("**Five Stars SP Agreement**") dated 6 June 2013 entered into between Mason Capital Limited (民信融資有限公司) as purchaser and Refine Skill Limited ("**Refine Skill**") (a wholly-owned subsidiary of the Company) as vendor in relation to the sale and purchase of the entire issued share capital of Five Stars and the entire amount of the shareholder's loan owing by Five Stars to Refine Skill on the date of completion of the Five Stars SP Agreement at an aggregate consideration of HK$13,000,000;

(u) the SP Agreement; and

(v) the agreement dated 20 June 2013 entered into between the Company as vendor and Brilliant Path Limited as purchaser in relation to the sale and purchase of the entire issued share capital of Refine Skill at a consideration of HK$8,000,000.

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. EXPERT AND CONSENT

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

Name	Qualification
RSM Nelson Wheeler	Certified Public Accountants

RSM Nelson Wheeler 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, RSM Nelson Wheeler 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 2012, being the date to which the latest published audited consolidated financial statements 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

An information technology consultancy service agreement and a supplemental agreement thereto (collectively, the "**IT Consultancy Service Agreement**") have been entered into between Apperience Corporation as service recipient and the PRC Company (a company owned as to 35% by Mr. Xue) as service provider on 15 April 2011 and 10 November 2012 respectively. In accordance with the IT Consultancy Service Agreement, the PRC Company shall provide to Apperience Corporation, among others, the services in relation to the development and research on related technologies and provision of technological applications and implementation on an exclusive basis at a service fee to be agreed among the parties in separate agreement(s) for a term ending 10 November 2015.

An information technology consultancy service agreement ("**2013 IT Consultancy Service Agreement**") has been entered into between Apperience Corporation as service recipient and the PRC Company as service provider on 31 December 2012 pursuant to which the PRC Company shall provide to Apperience Corporation, among others, the development and update services for certain software of Apperience Corporation at a service fee of US$2,600,000 for a term ending on 31 December 2013.

A copyright licence agreement ("**Copyright Licence Agreement**") has been entered into between Apperience Corporation as licensee and the PRC Company as licensor on 18 February 2013 pursuant to which the PRC Company shall grant to Apperience Corporation 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 Corporation in the PRC; and (ii) the date on which the copyright of "Advanced SystemCare" has been registered in the name of Apperience Corporation in the US (whichever is the earlier).

Save for the IT Consultancy Service Agreement, the 2013 IT Consultancy Service Agreement and the Copyright Licence Agreement in which Mr. Xue is interested through his holding in the PRC Company, 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 2012, 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 Latest Practicable Date are Ms. Chan Hoi Ling (Chairman), Mr. Billy B Ray Tam and Mr. Yu Pak Yan, Peter. 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:

Ms. Chan Hoi Ling ("**Ms. Chan**"), 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 Degree 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 Ceneric (Holdings) Limited (formerly known as Morning Star Resources Limited) (stock code: 542) which is listed on the Main Board of the Stock Exchange.

Mr. Billy B Ray Tam ("**Mr. Tam**"), aged 45, 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 holds 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 EDS Wellness Holdings Limited (formerly known as 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 ("**Mr. Yu**"), 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 (formerly known as Sam Woo Holdings Limited) (stock code: 2322) and China Sandi Holdings Limited (formerly known as China Grand Forestry Green Resources Group Limited) (stock code: 910), the issued shares of which are 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 Room 515, 5/F, Town Health Technology Centre, 10–12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong.

(c) The company secretary of the Company is Mr. Lau Siu Cheong ("Mr. Lau"), who is a member of CPA Australia.

Reference is made to the announcement of the Company dated 1 August 2013 in relation to, among other matters, the change of the company secretary of the Company. Mr. Lau was appointed as the company secretary, the authorised representative and the financial controller of the Company on 1 August 2013.

Mr. Lau obtained a Bachelor of Commerce (Accounting) degree from the Curtin University of Technology in 1999 and is a member of the CPA Australia. Mr. Lau was employed as a finance manager of the Company in January 2010 and since June 2011, he assumed the role of the head of financial and accounting department of the Company. He has been responsible for, among others, the overall financial management, financial planning and budgetary control of the Group. Mr. Lau is also the company secretary of some of the subsidiaries of the Company. He had also been assisting the former company secretaries of the Company in monitoring the compliance by the Group with the GEM Listing Rules and other applicable laws and regulations with regard to, among others, the notifiable transactions undertaken by the Group, participating in monitoring the capital reorganisation of the Company in 2010 and carrying out company secretarial functions.

Despite that he does not possess the academic or professional qualifications as specified under Rule 5.14 of the GEM Listing Rules, having consulted and agreed with the Stock Exchange, the Directors are of the view that Mr. Lau is qualified to act as the company secretary under Rule 5.14 of the GEM Listing Rules. The Company will procure Mr. Lau to take not less than 15 hours of relevant professional training annually in compliance with the requirements of the GEM Listing Rules. In addition, Mr. Lau will take additional steps in accordance with the requirements of The Hong Kong Institute of Certified Public Accountants ("HKICPA") to become a member of the HKICPA. It is expected that Mr. Lau will become a member of the HKICPA by the end of 2014.

(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 2012;

(c) the first quarterly report of the Company for the three months ended 31 March 2013;

(d) copy of the written consent referred to in the section headed "Expert and consent" in this appendix;

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

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

(g) the circular of the Company in connection with the acquisition of 50.5% of Apperience Corporation dated 23 February 2013.

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 26 August 2013 at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong to consider and, if thought fit, pass the following resolution as ordinary resolution:

ORDINARY RESOLUTION

"**THAT**

(A) the sale and purchase agreement dated 13 June 2013 and entered into by and among Perfect Growth Limited (an indirect wholly-owned subsidiary of the Company) as purchaser and Town Health Corporate Advisory and Investments Limited and Lime Development Limited as vendors in relation to the acquisition ("**Acquisition**") of the Sale Shares (as defined in the circular of the Company dated 8 August 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)("**SP Agreement**")(a copy of the SP Agreement is marked "**B**" and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) at an aggregate cash consideration of HK$79,921,296 and the Acquisition be and are hereby approved, confirmed and ratified; and

(B) all other transactions contemplated under the SP Agreement be and are hereby approved and the directors of the Company ("**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 SP Agreement and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of

* *For identification purpose only*

such documents or any terms thereof, which are not fundamentally different from those as provided for in the SP 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."

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

Hong Kong, 8 August 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:
Room 515, 5/F
Town Health Technology Centre
10–12 Yuen Shun Circuit
Siu Lek Yuen, Shatin
New Territories, 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 resolution will be decided by way of poll.

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

This 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.