



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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

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

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

* For identification purposes only

FINANCIAL HIGHLIGHTS
(unaudited)

- The turnover of the Group was approximately HK\$28,131,000 for the Period representing an increase of approximately 1,575.5% as compared to the turnover for the corresponding period in 2012 of approximately HK\$1,679,000.
- The Group recorded a loss attributable to equity shareholders of the Company was approximately HK\$256,481,000 for the Period compared to the loss attributable to equity shareholders of the Company of approximately HK\$1,649,000 for the same period last year. The reason for the increase in loss was mainly due to the impairment loss on goodwill of approximately HK\$257,496,000.
- The Group recorded a profit after tax of the Company was approximately HK\$14,081,000 and a profit attributable to equity shareholders of the Company was approximately HK\$6,065,000 for the period of second quarter of 2013 (being the three months ended 30 June 2013) compared to the loss attributable to equity shareholders of the Company of approximately HK\$372,000 for the same period last year. The profit was mainly due to (i) profit after tax contributed by the Apperience and its subsidiaries acquired in March 2013 of approximately HK\$16,193,000 and (ii) the unrealised gain arising on change in fair value of the performance shares of approximately HK\$7,262,000.
- Loss per share for loss attributable to equity shareholders of the Company for the Period was HK15.78 cents.
- The Board does not recommend the payment of any dividend for the six months ended 30 June 2013.

The board of Directors (the “Board”) of M Dream Inworld Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30 June 2013 (the “Period”), together with the comparative unaudited figures for the corresponding period in 2012, as follows:

CONDENSED CONSOLIDATED STATEMENT OF INCOME — UNAUDITED

For the three months and six months ended 30 June 2013

(Expressed in Hong Kong dollars)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Continuing operations					
Turnover	4	27,457	795	28,131	1,679
Cost of sales		(4,515)	(42)	(4,705)	(107)
Gross profit		22,942	753	23,426	1,572
Other revenue and net gain/(loss)	5	6,537	589	(249,280)	1,128
Selling and administrative expenses		(7,220)	(1,451)	(12,744)	(3,834)
Profit/(Loss) from operations		22,259	(109)	(238,598)	(1,134)
Finance costs	6a	(4,938)	(27)	(6,627)	(35)
Profit/(Loss) before taxation	6	17,321	(136)	(245,225)	(1,169)
Income tax	8	(3,240)	(68)	(3,240)	(160)
Profit/(Loss) for the period from continuing operations		14,081	(204)	(248,465)	(1,329)
Discontinued operation					
Loss for the period from discontinued operation		–	(168)	–	(320)
Profit/(Loss) for the period		14,081	(372)	(248,465)	(1,649)
Profit/(Loss) for the period attributable to:					
Equity shareholders of the Company		6,065	(372)	(256,481)	(1,649)
Non-controlling interests		8,016	–	8,016	–
		14,081	(372)	(248,465)	(1,649)
Earnings/(Loss) per share					
From continuing and discontinued operations					
Basic (HK cents)	9	0.31	(0.03)	(15.78)	(0.13)
Diluted (HK cents)		0.22	(0.03)	(15.78)	(0.13)
From continuing operations					
Basic (HK cents)		0.31	(0.02)	(15.78)	(0.11)
Diluted (HK cents)		0.22	(0.02)	(15.78)	(0.11)
From discontinued operations					
Basic (HK cents)		N/A	(0.01)	N/A	(0.02)
Diluted (HK cents)		N/A	(0.01)	N/A	(0.02)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
— UNAUDITED

For the three months and six months ended 30 June 2013

(Expressed in Hong Kong dollars)

	Three months ended		Six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(Loss) for the period	14,081	(372)	(248,465)	(1,649)
Other comprehensive expense for the period				
Exchange differences on translation of financial statements of overseas subsidiaries	<u>(18)</u>	<u>(31)</u>	<u>(29)</u>	<u>(24)</u>
Total comprehensive income/ (expense) for the period	<u>14,063</u>	<u>(403)</u>	<u>(248,494)</u>	<u>(1,673)</u>
Attributable to:				
Equity shareholders of the Company	<u>6,047</u>	<u>(403)</u>	<u>(256,510)</u>	<u>(1,673)</u>
Non-controlling interests	<u>8,016</u>	<u>—</u>	<u>8,016</u>	<u>—</u>
	<u>14,063</u>	<u>(403)</u>	<u>(248,494)</u>	<u>(1,673)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013 and 31 December 2012

(Expressed in Hong Kong dollars)

	<i>Notes</i>	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Non-current assets			
Fixed assets		1,202	7,901
Investment property	12	41,968	–
Intangible assets		52,161	3,637
Goodwill	19	500,166	2,408
		595,497	13,946
Current assets			
Trade and other receivables	13	47,925	6,291
Investment in a convertible bond	14	3,790	–
Pledged bank deposits		621	–
Cash and cash equivalents		95,227	140,737
		147,563	147,028
Assets of disposal groups classified as held for sale	15	21,331	–
Total current assets		168,894	147,028
Current liabilities			
Trade and other payables	16	13,934	5,194
Amount due to a director	17	401	401
Bank loan, secured		–	3,108
Convertible notes	20(a)	–	14,044
Current taxation		28,273	147
		42,608	22,894
Liabilities of disposal groups classified as held for sale	15	7,880	–
Total current liabilities		50,488	22,894
Net current assets		118,406	124,134
Total assets less current liabilities		713,903	138,080

		30 June 2013	31 December 2012
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		7,511	–
Convertible notes	20(b)	241,023	–
Performance shares	21	169,924	–
		<u>418,458</u>	<u>–</u>
NET ASSETS		<u>295,445</u>	<u>138,080</u>
CAPITAL AND RESERVES			
Share capital	22	204,149	124,889
Reserves	23	64,327	13,191
		<u>268,476</u>	<u>138,080</u>
Total equity attributable to equity shareholders of the Company		268,476	138,080
Non-controlling interests		<u>26,969</u>	<u>–</u>
TOTAL EQUITY		<u>295,445</u>	<u>138,080</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

For the six months ended 30 June 2013 and 30 June 2012

(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Convertible notes equity reserves HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2012 (Audited)	124,889	206,661	6,426	310	-	294	(180,190)	158,390	-	158,390
Loss for the period	-	-	-	-	-	-	(1,649)	(1,649)	-	(1,649)
Other comprehensive expense for the period	-	-	-	-	-	(24)	-	(24)	-	(24)
Total comprehensive expense for the period	-	-	-	-	-	(24)	(1,649)	(1,673)	-	(1,673)
Balance at 30 June 2012 (Unaudited)	<u>124,889</u>	<u>206,661</u>	<u>6,426</u>	<u>310</u>	<u>-</u>	<u>270</u>	<u>(181,839)</u>	<u>156,717</u>	<u>-</u>	<u>156,717</u>
Balance at 1 January 2013 (Audited)	<u>124,889</u>	<u>206,661</u>	<u>6,426</u>	<u>310</u>	<u>6,605</u>	<u>5</u>	<u>(206,816)</u>	<u>138,080</u>	<u>-</u>	<u>138,080</u>
Profit/(Loss) for the Period	-	-	-	-	-	-	(256,481)	(256,481)	8,016	(248,465)
Other comprehensive expense for the Period	-	-	-	-	-	(29)	-	(29)	-	(29)
Total comprehensive income/ (expense) for the Period	-	-	-	-	-	(29)	(256,481)	(256,510)	8,016	(248,494)
Acquisition of subsidiaries (note 18)	-	-	-	-	325,290	-	-	325,290	26,440	351,730
Shares issued on conversion of convertible notes on 25 March 2013 (notes 20(a) and 22(b))	20,000	2,170	-	-	(6,605)	-	-	15,565	-	15,565
Shares issued on conversion of convertible notes on 10 April 2013 (notes 20(b) and 22(c))	59,260	39,882	-	-	(53,091)	-	-	46,051	-	46,051
Dividends declared to non-controlling interests (note 16)	-	-	-	-	-	-	-	-	(7,487)	(7,487)
Balance at 30 June 2013 (Unaudited)	<u>204,149</u>	<u>248,713</u>	<u>6,426</u>	<u>310</u>	<u>272,199</u>	<u>(24)</u>	<u>(463,297)</u>	<u>268,476</u>	<u>26,969</u>	<u>295,445</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — UNAUDITED*For the six months ended 30 June 2013 and 30 June 2012**(Expressed in Hong Kong dollars)*

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
		(Re-presented)
Net cash used in operating activities	(1,047)	(705)
Net cash generated from/(used in) investing activities	(40,040)	8,405
Net cash used in financing activities	(280)	(92)
Net increase/(decrease) in cash and cash equivalents	(41,367)	7,608
Effect of foreign exchange rate changes	(29)	(30)
Cash and cash equivalents at 1 January	140,737	118,105
Cash and cash equivalents at 30 June	99,341	125,683
Analysis of cash and cash equivalents:		
Cash and cash equivalents	95,848	125,683
Cash and cash equivalents relating to assets of disposal groups classified as held for sale	4,114	–
Less: Time deposits with maturity of over three months	(621)	–
	99,341	125,683

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

(Expressed in Hong Kong dollars)

1. CORPORATE INFORMATION

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

The principal activity of the Company is investment holding. The Group is principally engaged in (i) research, development and distribution of personal computer performance software, anti-virus software, mobile phone application and toolbar advertisement ("**Software Business**"); and (ii) the provision of website development, electronic learning products and services ("**E-learning Business**") during the Period.

This unaudited interim condensed consolidated financial information is presented in Hong Kong Dollars (HK\$), unless otherwise stated.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

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

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years except as stated below.

HKFRS 13 “Fair Value Measurement”

HKFRS 13 “Fair Value Measurement” establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

HKFRS 13 also contains extensive disclosure requirements about fair value measurements. Some of the disclosures are specifically required for financial instruments in the interim result announcement. The group has provided those disclosures in note 25. Comparative disclosures are not required in the first period of adoption of the standard.

4. TURNOVER

Turnover represents the sales value of goods and services supplied to customers. An analysis of the Group’s revenue for the Period is as follows:

	Total	
	Six months ended 30 June	
	2013	2012
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Continuing operations		
Software Business	26,626	–
E-learning Business	1,505	1,679
	28,131	1,679

5. OTHER REVENUE AND NET GAIN/(LOSS)

	<i>Notes</i>	Total	
		Six months ended 30 June	
		2013	2012
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Continuing operations			
Other revenue			
Bank interest income		260	928
Income from provision of business centre services		120	120
Loan interest income		–	36
Other investment interest income		92	–
Other income		47	–
Rental income		113	–
		<u>632</u>	<u>1,084</u>
Other gains and losses			
Foreign exchange loss		(16)	–
Gain on fair value changes on investment in a convertible bond	14	290	–
Gain on fair value changes on performance shares	21	7,262	–
Gain on disposal of fixed assets		–	47
Impairment loss on goodwill	19	(257,496)	–
Net sundry income/(expenses)		11	(3)
Recovery from impairment loss on trade receivables		37	–
		<u>(249,912)</u>	<u>44</u>
Other revenue and net gain/(loss)		<u>(249,280)</u>	<u>1,128</u>

6. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation from continuing operations have been arrived at after charging:

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
(a) Finance costs:		
Bank loan interest	49	35
Effective interest on debt component of convertible notes	6,578	–
	<u>6,627</u>	<u>35</u>
(b) Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	4,191	2,126
Retirement scheme contributions	87	45
	<u>4,278</u>	<u>2,171</u>
(c) Other items:		
Amortisation of intangible assets	1,397	–
Auditor's remuneration	201	207
Depreciation	299	152
Operating lease charges: minimum lease payments		
— hire of office premises	438	99
Impairment loss on goodwill (<i>note 19</i>)	257,496	–
Legal and professional fees	3,500	117
	<u>3,500</u>	<u>117</u>

7. COMPARATIVE FIGURES

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

8. INCOME TAX

Income tax in the unaudited condensed consolidated income statement represents:

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Current tax		
— Hong Kong Profits Tax (<i>Note 1</i>)	3,229	160
— Withholding tax in Japan (<i>Note 2</i>)	11	—
	<u>3,240</u>	<u>160</u>

Note 1: Provision for the Hong Kong Profits Tax calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the Period.

Note 2: Withholding tax in Japan is charged at the appropriate current rates of taxation ruling in Japan. Except for the withholding tax in Japan, no taxation has been provided in unaudited condensed consolidated financial statements of the subsidiaries operating outside Hong Kong for the Period (2012: HK\$nil).

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

From continuing and discontinued operations

The calculation of basic earnings/(loss) per share from continuing and discontinued operations for the three months and six months ended 30 June 2013 are based on the profit/(loss) attributable to equity shareholders of the Company from continuing and discontinued operations of profit approximately HK\$6,065,000 and loss approximately HK\$256,481,000 respectively (for the three months and six months ended 30 June 2012: loss approximately HK\$372,000 and HK\$1,649,000 respectively) and the weighted average of 1,982,878,857 and 1,625,648,978 respectively (for the three months and six months ended 30 June 2012: 1,248,894,324) ordinary shares in issue during that periods.

From continuing operations

The calculation of basic earnings/(loss) per share from continuing operations for the three months and six months ended 30 June 2013 are based on the profit/(loss) attributable to equity shareholders of the Company from continuing operations of profit approximately HK\$6,065,000 and loss approximately HK\$256,481,000 respectively (for the three months and six months ended 30 June 2012: loss approximately HK\$204,000 and HK\$1,329,000 respectively) and the weighted average of 1,982,878,857 and 1,625,648,978 respectively (for the three months and six months ended 30 June 2012: 1,248,894,324) ordinary shares in issue during that periods.

From discontinued operation

Basic earnings/(loss) per share from discontinued operation for the three months and six months ended 30 June 2013 are not shown as there was no discontinued operation during that periods.

The calculation of basic earnings/(loss) per share from discontinued operation for the three months and six months ended 30 June 2012 are based on the loss attributable to equity shareholders of the Company from discontinued operation of approximately HK\$168,000 and HK\$320,000 respectively and the weighted average of 1,248,894,324 ordinary shares in issue that periods.

(b) Diluted earnings/(loss) per share

Diluted loss per share for the six months ended 30 June 2013 is equal to basic loss per share as the potential ordinary shares are anti-dilutive. Diluted loss per share for the three months and six months ended 30 June 2012 are as equal to basic loss per share the potential ordinary shares are no dilutive effects.

The calculation of the diluted earnings per share for the three months ended 30 June 2013 is based on the profit attributable to equity shareholders of the Company of approximately HK\$10,979,000 adjusted by effective interest saved on debt component of convertible notes of approximately HK\$4,914,000 and the weighted average number of 5,080,188,663 ordinary shares. The weighted average number of ordinary shares for the purpose of calculating the diluted earnings per share for the three months ended 30 June 2013 has been adjusted with the weighted average number of ordinary shares deemed to be issued during the period, assuming the exercise of all potential dilutive shares including the potential shares arising from the exercise of the Company's outstanding share options and convertible notes would decrease in earnings per share of the Group for the period and is recognised as dilutive.

The calculation of the basic and diluted earnings per share attributable to equity shareholders of the Company from continuing operations for the three months ended 30 June 2013 is based on the following data:

	Three months ended 30 June 2013 (Unaudited) HK\$'000	
Earnings		
Earnings for the purpose of calculating basic earnings per share		6,065
Effect of dilutive potential ordinary shares:		
Effective interest saved on debt component of convertible notes		4,914
Earnings for the purpose of calculating diluted earnings per share		<u>10,979</u>
	Number of shares ('000)	Number of shares ('000)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share		1,982,879
Effect of dilutive potential ordinary shares:		
Share options	438	
Convertible notes	3,096,872	3,097,310
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share		<u>5,080,189</u>
Diluted earnings per share HK cents		<u>0.22</u>

10. SEGMENT REPORTING

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

Continuing operations:

- Research, development and distribution of personal computer performance software, anti-virus software, mobile phone application and toolbar advertisement
(“**Software Business**”)
- Provision of website development, electronic learning products and services
(“**E-learning Business**”)

Discontinued operation:

- Optical display equipment, components and related technology
(“**Display Business**”)

(a) Segment results

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

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

Information regarding the Group's reportable segments for the periods ended 30 June 2013 and 30 June 2012 is set out below.

	Six months ended 30 June									
	Continuing operations		Continuing operations		Discontinued operation		Unallocated		Consolidated	
	Software Business	E-learning Business	Display Business							
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Turnover										
Revenue from external customers	26,626	-	1,505	1,679	-	-	-	-	28,131	1,679
Results										
Segment results	(238,088)	-	(1,494)	974	-	(325)	-	-	(239,582)	649
Interest income									352	969
Unallocated income									7,758	42
Unallocated expenses									(7,126)	(3,114)
Loss from operations									(238,598)	(1,454)
Finance costs									(6,627)	(35)
Loss before taxation									(245,225)	(1,489)
Income tax									(3,240)	(160)
Loss after taxation									(248,465)	(1,649)
Other segment information:										
Amortisation of intangible assets	(1,090)	-	(307)	-	-	-	-	-	(1,397)	-
Depreciation	-	-	(25)	(2)	-	(7)	(274)	(150)	(299)	(159)
Gain on fair value changes on investment in a convertible bond	-	-	-	-	-	-	290	-	290	-
Gain on fair value changes on performance shares	-	-	-	-	-	-	7,262	-	7,262	-
Impairment loss on goodwill	(257,496)	-	-	-	-	-	-	-	(257,496)	-
Legal and professional fees	(397)	-	(30)	-	-	(40)	(3,073)	(117)	(3,500)	(157)

(b) Segment assets and liabilities

	Continuing operations Software Business		Continuing operations E-learning Business		Discontinued operation Display Business		Unallocated		Consolidated	
	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Assets										
Segment assets	606,035	-	5,836	10,029	-	-	-	-	611,871	10,029
Unallocated assets	-	-	-	-	-	-	152,520	150,945	152,520	150,945
Total assets									764,391	160,974
Liabilities										
Segment liabilities	43,767	-	2,009	1,996	-	-	-	-	45,776	1,996
Unallocated liabilities	-	-	-	-	-	-	423,170	20,898	423,170	20,898
Total liabilities									468,946	22,894
Other segment information:										
Additions to fixed assets	-	-	(9)	(85)	-	-	(239)	(8,030)	(248)	(8,115)
Additions to investment property	-	-	-	-	-	-	(41,968)	-	(41,968)	-
Depreciation	-	-	(25)	(15)	-	(10)	(274)	(330)	(299)	(355)
Impairment loss on goodwill	(257,496)	-	-	(20,831)	-	-	-	-	(257,496)	(20,831)

(c) Geographical Information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, intangible assets and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of fixed assets, and the location of the operation to which they are allocated, in the case of intangible assets and goodwill.

	Six months ended 30 June	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Revenue from external customers		
United States of America	13,826	-
Germany	1,831	-
United Kingdom	1,615	-
Hong Kong (place of domicile)	1,505	1,679
Australia	1,052	-
Canada	977	-
Russia	835	-
Japan	566	-
Others (including Mainland China)	5,924	-
	28,131	1,679

	30 June 2013	31 December 2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Specified non-current assets		
Hong Kong	595,497	13,874
Mainland China	–	72
	<u>595,497</u>	<u>13,946</u>

11. DIVIDENDS

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

12. INVESTMENT PROPERTY

On 15 May 2013, the Group completed the acquisition of 100% of the issued share capital in Dragon Oriental Investment Limited (“Dragon Oriental”) at a consideration of HK\$42,000,000 which was settled by cash. In accordance with HKFRS 3 (Revised) “Business Combinations”, the Group accounts for this transaction as an asset acquisition and the fair value of the investment property of approximately HK\$41,968,000 as at 30 June 2013. The details of such acquisition of Dragon Oriental are set out in the Company’s announcement dated 15 May 2013.

13. TRADE AND OTHER RECEIVABLES

	30 June 2013	31 December 2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	9,927	1,632
Prepayments and deposits (<i>Note 1</i>)	37,798	323
Receivable from profit guarantee on acquisition of subsidiaries (<i>Note 2</i>)	–	4,235
Other receivables	200	101
	<u>47,925</u>	<u>6,291</u>

Note 1: Included in prepayments and deposits is an amount of approximately HK\$35,000,000 for the deposit paid of the acquisition of shares of EPRO Limited. The details of the acquisition of shares of EPRO Limited are set out in the Company’s announcement dated 13 June 2013 and Company’s circular dated 8 August 2013 respectively.

Note 2: On 19 July 2010, the Group acquired the entire issued share capital of KanHan Educational Services Limited (“KanHan EDU”) and a loan owing by KanHan EDU to the vendor of KanHan EDU Acquisition at an aggregate consideration of HK\$25,000,000 (“KanHan EDU Acquisition”). KanHan EDU is engaged in the provision of website development, electronic learning products and services.

Pursuant to the acquisition agreement, the vendor of KanHan EDU Acquisition irrevocably warrants and guarantees to the Group, among other matters, that the audited net profits before tax and any extraordinary or exceptional items (“Actual Profit”) of KanHan EDU will not be less than HK\$6,500,000 for the year ended 31 December 2012 (“Guaranteed Profit”). If the Actual Profit is less than the Guaranteed Profit, the vendor shall pay to the Group in cash an amount representing the difference between the Guaranteed Profit and the Actual Profit (“Shortfall Amount”) within ten business days after the delivery of the audited accounts of KanHan EDU to the vendor. As the audited profit before tax of KanHan EDU for the year ended 31 December 2012 was approximately HK\$2,265,000, and therefore the Actual Profit could not meet the Guaranteed Profit. The Company has delivered the audited accounts of KanHan EDU to the vendor on 24 April 2013. After repeated attempts in collecting the Shortfall Amount from the vendor, the Company received the Shortfall Amount of approximately HK\$4,235,000 from the vendor in cash on 13 June 2013.

Trade receivables

(a) Ageing analysis

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Current	<u>8,787</u>	<u>1,031</u>
	<u>8,787</u>	<u>1,031</u>
Less than 1 month past due	1,140	458
1 to 3 months past due	–	22
More than 3 months but less than 12 months past due	<u>–</u>	<u>121</u>
Amounts past due	<u>1,140</u>	<u>601</u>
	<u>9,927</u>	<u>1,632</u>

14. INVESTMENT IN A CONVERTIBLE BOND

On 27 March 2013, the Group subscribed for 2014 due 10% coupon convertible bond in the principal amount of HK\$3,500,000 issued by Capital VC Limited (a company listed on the Main Board of the Stock Exchange (stock code: 2324)). The convertible bond is designated as financial asset at fair value through profit or loss as it contains embedded derivatives.

The movements of the convertible bond are as follows:

	At 30 June 2013 HK\$'000 (Unaudited)
Nominal value of convertible bond	3,500
Fair value gains on financial assets at fair value through profit or loss (<i>Note</i>)	290
	<hr/>
Fair value of convertible bond	3,790
	<hr/> <hr/>

Note: Gain on fair value changes in a convertible bond was directly recognised in the unaudited condensed consolidated statement of income during the Period. The fair value of the convertible bond as at 30 June 2013 was estimated by an independent professional valuer based on the Binomial Model.

15. ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

(a) Disposal of a property (Five Stars Group)

On 6 June 2013, the Company has entered into a disposal agreement to dispose of the entire issued share capital of Five Stars Development Limited (“Five Stars”) together with its subsidiary, namely Elite Ford Limited (collectively referred to as the “Five Stars Group”) and a loan, being the entire amount of the shareholders’ loan owing by Five Stars to the Group (“Sales Loan”) on the completion date of disposal at an aggregate consideration of HK\$13,000,000. The principal asset of Five Stars is a property in Hong Kong. The completion of such disposal is subject to a number of conditions precedent and completion took place on 8 August 2013. Details of this disposal are set out in the Company’s announcements dated 6 June 2013 and 8 August 2013 respectively.

(b) Disposal of KanHan Group

On 20 June 2013, the Company has entered into a disposal agreement to dispose of the entire issued share capital of Refine Skill Limited (“Refine Skill”), a wholly-owned subsidiary of the Company, at a consideration of HK\$8,000,000. Refine Skill is the holding company of KanHan EDU and 廣州看普軟件科技有限公司 (collectively referred to as the “KanHan Group”) which are principally engaged in the business of the E-learning Business segment 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 date of this announcement. The KanHan Group is included in the Group’s E-learning Business segment reporting purposes (see note 10). Details of this disposal are set out in the Company’s announcement dated 2 July 2013.

The assets and liabilities attributable to the KanHan Group which are expected to be sold within twelve months have been classified as disposal groups held for sale and are presented separately in the unaudited consolidated statements of financial position (see below) and the assets and liabilities attributable to the Five Stars Group was disposed by the Company on 8 August 2013. The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss have been recognised.

The major classes of assets and liabilities of the Five Stars Group and KanHan Group classified as held for sale are as at 30 June 2013 as follows:

	KanHan Group HK\$'000 (Unaudited) <i>Note 15(b)</i>	Five Stars Group HK\$'000 (Unaudited) <i>Note 15(a)</i>	Total HK\$'000 (Unaudited)
Fixed assets	241	6,994	7,235
Goodwill	2,408	–	2,408
Intangible assets	3,955	–	3,955
Trade receivables	409	–	409
Prepayments, deposits and other receivables	324	36	360
Sales Loan	–	2,850	2,850
Cash and cash equivalents	1,032	3,082	4,114
Total assets classified as held for sale	8,369	12,962	21,331
Accrued expenses and other payables	1,862	–	1,862
Taxation	147	–	147
Amount due to a holding company	–	2,850	2,850
Bank Loan, secured	–	3,021	3,021
Total liabilities classified as held for sale	2,009	5,871	7,880

16. TRADE AND OTHER PAYABLES

	30 June 2013 <i>HK\$'000</i> (Unaudited)	31 December 2012 <i>HK\$'000</i> (Audited)
Trade payables	323	–
Deferred income	–	1,652
Deposit received for disposal of subsidiaries	3,650	–
Rental deposit received	150	–
Accrued expenses and other payables (<i>Note</i>)	9,811	3,542
	13,934	5,194

Note: Included in accrued expenses and other payables is an amount of approximately HK\$7,487,000 for the dividend payable by a non-wholly owned subsidiary of the Company.

Trade payables

(a) Ageing analysis

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
Current	323	–

17. AMOUNT DUE TO A DIRECTOR

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

18. ACQUISITION OF SUBSIDIARIES

On 31 March 2013, the Group completed the very substantial acquisition of 50.5% of the issued share capital of Apperience Corporation (“Acquisition”) (“Apperience”, and its subsidiaries, collectively referred as “Apperience Group”) at the maximum consideration (“Consideration”) payable by the Company to the vendors of the Acquisition of HK\$548,985,500 (subject to adjustment). The Consideration of HK\$548,985,500 (subject to adjustment) had been satisfied partly by the creation and issue of convertible notes in the principal amount of HK\$392,132,500 (where applicable) 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 of the Acquisition, the maximum number of which shall be 1,452,342,588 (subject to adjustment). The details of the Acquisition are set out in the Company’s announcements dated 5 December 2012 (“First Announcement”), 12 March 2013, 1 April 2013 and 2 April 2013 and notes 18 and 19 to these unaudited consolidated financial statements and the Company’s circular dated 23 February 2013 (“Circular”) respectively.

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

	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Carrying amount of identifiable net assets (Audited)		30,881
Fair value adjustment on intangible assets		30,044
Deferred tax liabilities arising from the fair value adjustment		<u>(7,511)</u>
		53,414
Less: Non-controlling interests of 49.5% equity interest in the Apperience Group		<u>(26,440)</u>
Fair value of identifiable net assets of the Apperience Group acquired		26,974
Goodwill		<u>757,662</u>
Fair value of purchase consideration		<u><u>784,636</u></u>
Fair value of the purchase consideration:		
— issue of convertible notes		
Debt component	282,160	
Equity component	<u>325,290</u>	607,450
— issue of Performance Shares		<u>177,186</u>
Fair value of purchase consideration		<u><u>784,636</u></u>

19. GOODWILL

The Group
HK\$'000
(Unaudited)

Cost:

At 31 December 2012 and 1 January 2013	23,239
Arising on acquisition of subsidiaries at 31 March 2013 (<i>note 18</i>)	757,662
Assets classified as held for sale at 30 June 2013 (<i>note 15</i>)	<u>(23,239)</u>
At 30 June 2013	<u>757,662</u>

Accumulated impairment losses:

At 31 December 2012 and 1 January 2013	20,831
Impairment loss recognised for the Period	257,496
Assets classified as held for sale at 30 June 2013 (<i>note 15</i>)	<u>(20,831)</u>
At 30 June 2013	<u>257,496</u>

Carrying value:

At 30 June 2013	<u><u>500,166</u></u>
At 31 December 2012 (Audited)	<u><u>2,408</u></u>

Goodwill acquired in business combination is allocated to the cash generating units (“CGUs”) identified according to the business segments as follows:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000 (Audited)
E-learning Business	–	2,408
Software Business	<u>500,166</u>	<u>–</u>
	<u>500,166</u>	<u>2,408</u>

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

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

At 31 March 2013, before impairment testing, goodwill of approximately HK\$757,662,000 were allocated to the Apperience Group. As disclosed in the Circular, the fair value of the Consideration (which will be settled by securities and convertible securities of the Company) as at the valuation date of 30 September 2012 was approximately HK\$595,380,000. The market price of shares of the Company has increased since the First Announcement and up to 31 March 2013 (being the date of completion of the Acquisition (“Completion Date”). The fair value of the Consideration of approximately HK\$784,636,000 at the Completion Date was estimated by an independent professional valuer which has increased as a result of such increase in the market price of shares of the Company, which in turn has resulted in a substantial amount of goodwill in connection with the Acquisition. The impairments of goodwill in relation to the Acquisition are largely due to the increase in the fair value of the Consideration mentioned above. The goodwill allocated to the Apperience Group has therefore been reduced to its estimated recoverable amount through recognition of an impairment loss against goodwill of approximately HK\$257,496,000 during the Period. The impairments of goodwill are non-cash and accounting adjustments which will not affect the working capital sufficiency of the Group.

20. CONVERTIBLE NOTES

(a) Current liabilities

	<i>HK\$'000</i> (Unaudited) Principal amount	<i>HK\$'000</i> (Unaudited) Debt component	<i>HK\$'000</i> (Unaudited) Equity component	<i>HK\$'000</i> (Unaudited) Total
At 31 December 2012	20,000	14,044	6,605	20,649
Effective interest expenses	–	1,664	–	1,664
Interest paid	–	(143)	–	(143)
Less: shares issued on conversion of convertible notes on 25 March 2013 (<i>note 22(b)</i>)	<u>(20,000)</u>	<u>(15,565)</u>	<u>(6,605)</u>	<u>(22,170)</u>
At 30 June 2013	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

(b) Non-current liabilities

	<i>HK\$'000</i> (Unaudited) Principal amount	<i>HK\$'000</i> (Unaudited) Debt component	<i>HK\$'000</i> (Unaudited) Equity component	<i>HK\$'000</i> (Unaudited) Total
Issue of convertible notes at the Completion date	392,133	282,160	325,290	607,450
Effective interest expenses	–	4,914	–	4,914
Less: shares issued on conversion of convertible notes on 10 April 2013 (note 22(c))	<u>(64,000)</u>	<u>(46,051)</u>	<u>(53,091)</u>	<u>(99,142)</u>
At 30 June 2013	<u><u>328,133</u></u>	<u><u>241,023</u></u>	<u><u>272,199</u></u>	<u><u>513,222</u></u>

21. PERFORMANCE SHARES

Performance Shares of the Company represents shares to be issued to the vendors in the acquisition of subsidiaries described in note 18. The fair value of the Performance Shares was valued by the independent valuer at the Completion Date. The gain on the fair value adjustment of Performance Shares is approximately HK\$7,262,000 which represents the initial consideration of fair value of Performance Shares of approximately HK\$177,186,000 as at the Completion Date over the fair value of Performance Shares of approximately HK\$169,924,000 as at 30 June 2013.

22. SHARE CAPITAL

	Nominal value per share HK\$	Number of shares	HK\$
Ordinary shares			
Authorised:			
At 1 January 2013	0.10	4,000,000,000	400,000,000
Increase in authorised capital (Note (a))	0.10	<u>4,000,000,000</u>	<u>400,000,000</u>
At 30 June 2013		<u><u>8,000,000,000</u></u>	<u><u>800,000,000</u></u>
Issued and fully paid:			
At 1 January 2013	0.10	1,248,894,324	124,889,432.40
Shares issued on conversion of convertible notes (Note (b))	0.10	200,000,000	20,000,000.00
Shares issued on conversion of convertible notes (Note (c))	0.10	<u>592,592,591</u>	<u>59,259,259.10</u>
At 30 June 2013		<u><u>2,041,486,915</u></u>	<u><u>204,148,691.50</u></u>

Notes:

- (a) By an ordinary resolution of the shareholders passed at an extraordinary general meeting of the Company held on 12 March 2013, the authorised share capital of the Company was increased from HK\$400,000,000 divided into 4,000,000,000 shares of HK\$0.10 each to HK\$800,000,000 divided into 8,000,000,000 shares of HK\$0.10 each by the creation of an additional 4,000,000,000 shares of the Company. The details of increase in authorised share capital of the Company are contained in the Company's circular dated 23 February 2013 and Company's announcement dated 12 March 2013.
- (b) On 14 November 2012, the Company issued convertible notes with principal amount of HK\$20,000,000. The noteholder has a right to convert the convertible notes into ordinary shares of the Company at an initial conversion price of HK\$0.10 per ordinary share (subject to adjustment). On 25 March 2013, the Company issued a total of 200,000,000 conversion shares to the noteholder at the conversion price of HK\$0.10 per conversion share pursuant to the exercise of the conversion right attached to the convertible notes by the noteholder. The details of the convertible notes and the conversion are contained in the Company's announcements dated 28 September 2012, 14 November 2012 and 19 March 2013 and the note 27 to the consolidated financial statements in the Company's 2012 Annual Report.
- (c) On 10 April 2013, the Company issued a total of 592,592,591 conversion shares to the converting noteholders pursuant to the exercise of conversion right attaching to the convertible notes in the aggregate principal amount of HK\$64,000,000 at the conversion price of HK\$0.108 per conversion share. The details of the convertible notes and the conversion are set out in the Company's circular dated 23 February 2013 and Company's announcements dated 12 March 2013, 1 April 2013 and 2 April 2013.

23. RESERVES

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

24. RELATED PARTY TRANSACTIONS

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

Name of related party	Nature of transactions	Six months ended	
		2013	2012
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
KanHan Technologies	Sales of website development, electronic learning products and services (<i>Note 1</i>)	–	259
KanHan Technologies	Income from provision of business centre services (<i>Note 1</i>)	120	120
成都奧畢信息技術有限公司 ("PRC Company")	Software development fees (<i>Note 2</i>)	5,044	–

Note 1:

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

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

Note 2:

The PRC Company is owned as to 70% by Mr. Dong Yuguo ("Mr. Dong") and Mr. Xue Qiushi ("Mr. Xue"). As Mr. Dong and Mr. Xue are the directors of Apperience and certain members of the Apperience Group, and Mr. Xue is the executive Director and Chief Executive Officer of the Company with effect from 5 July 2013, upon the completion of acquisition of Apperience on 31 March 2013, the IT consultancy service agreements entered into between Apperience and the PRC Company have constituted continuing connected transactions for the Company under the GEM Listing Rules. During the Period, the Group paid software development fees amounted to approximately US\$650,000 (approximately HK\$5,044,000) to the PRC Company. Details of the agreements are set out in the Company's circular dated 23 February 2013 and report of the directors in the Company's 2012 annual report.

25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Financial assets and liabilities measured at fair value

- (i) The following table presents the Group's financial assets and liabilities including investment in a convertible note and performance shares that are measured at fair value at 30 June 2013:

	Fair value measurements as at 30 June 2013 using:			Total 2013 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurements:				
Financial assets:				
Financial assets at fair value through profit or loss				
Investment in a convertible note (note 1)	–	3,790	–	3,790
Total recurring fair value measurements of financial assets	–	3,790	–	3,790
Financial liabilities:				
Performance shares (note 2)	–	169,924	–	169,924
Total recurring fair value measurements of financial liabilities	–	169,924	–	169,924

There were no transfers among Level 1, 2 and 3 during the Period.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements:

note 1: The fair value of investment in a convertible note in Level 2 is determined by sum of the fair values of debt component and conversion option of the convertible note. The fair value of the debt component is the sum of the present values of all expected future cash flows from the convertible note, each discounted by the corresponding rates. The fair value of the conversion option is the residual amount after taking out the liability component from its fair value.

note 2: The fair value of the performance shares in Level 2 is determined by the sum of the products of the share price of the Company and the number of the Tranche I and Tranche II performance shares(subject to adjustment). The details of the Tranche I and Tranche II performance shares are disclosed in the Company's circular dated 23 February 2013.

(b) Fair value of financial assets and liabilities carried at other than fair value

(i) The fair values of the following financial liabilities approximate their amortised costs as at 30 June 2013:

- Debt component of convertible notes

(ii) The fair values of the following financial assets and liabilities approximate their carrying amounts as at 30 June 2013:

- Trade and other receivables
- Pledged bank deposits
- Cash and cash equivalents
- Trade and other payables
- Amount due to a director
- Assets and liabilities of disposal groups classified as held for sale

26. COMMITMENTS

On 6 June 2013, the Company entered into a disposal agreement with an independent third party, pursuant to which, the Group will dispose the entire issued share capital of Five Stars Group and the Sale Loan at an aggregate consideration of HK\$13,000,000. The completion of such disposal has taken place on 8 August 2013.

On 13 June 2013, the Group entered into a sale and purchase agreement with two indirect wholly-owned subsidiaries of Town Health International Investments Limited, pursuant to which, the Group will acquire 248,976,000 shares of EPRO Limited (representing approximately 4.89% of the issued share capital of EPRO Limited as at the date of the sale and purchase agreement) as at the date of the sale and purchase agreement at an aggregate consideration of HK\$79,921,296. The completion of such acquisition has not yet taken place as at the date of this announcement.

On 20 June 2013, the Company entered in a sale and purchase agreement with an independent third party, pursuant to which, the Company will disposal the KanHan Group, at a consideration of HK\$8,000,000. The completion of such disposal has not yet taken place as at the date of this announcement.

27. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the transaction of disposal of Five Stars Group and Sale Loan was completed on 8 August 2013. Details of this disposal are set out in the Company's announcements dated 6 June 2013 and 8 August 2013 and note 15 to these unaudited consolidated financial statements, respectively.

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

Software Business

Acquisition of Apperience Corporation (“Apperience”)

On 31 March 2013, the Group has completed the very substantial acquisition of 50.5% of the issued share capital of Apperience, whose certain of its 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 of the Acquisition is HK\$548,985,500, subject to adjustment. The details of the Acquisition are set out in the Company’s announcements dated 27 November 2012, 5 December 2012, 12 March 2013, 1 April 2013 and 2 April 2013, the Company’s circular dated 23 February 2013 and the notes 18 and 19 to these unaudited consolidated financial statements.

Apperience and its subsidiaries (collectively referred to as the “Apperience Group”) is principally engaged in the research, development and distribution of software for personal computer performance, anti-virus software and mobile applications. Its major product, Advanced SystemCare, is a system utility software which helps users to protect their personal computers from spyware and virus, detect and solve issues regarding computer security and performance. The Apperience Group also derives income from toolbar advertisements. To meet the ever-changing information technology (“I.T.”) environment, Apperience Group closely monitors the I.T. trend and continuously upgrades its products. Currently, Advanced SystemCare has accumulated over 800,000 paid subscribers worldwide and over 9,000,000 free and paid active users as in 30 June 2013.

After the completion of acquisition of the Apperience (“Completion”), the Company holds 50.5% of the issued share capital of Apperience and takes management control of the Apperience Group. The results of the Apperience Group have been consolidated into the financial statements of the Group upon Completion.

Turnover of the Software Business for the three months ended 30 June 2013 amounted to approximately HK\$26,626,000. The segment result recorded a loss of approximately HK\$238,088,000. The reason for the loss was mainly due to impairment loss on goodwill (“Goodwill Impairment”) of approximately HK\$257,496,000 arising from the acquisition (“Acquisition”) of 50.5% of the issued share capital of Apperience. The Goodwill Impairment is non-cash accounting adjustments which will not affect working capital sufficiency of the Group. The segment profit of Software Business before the Goodwill Impairment and before tax for the Period was approximately HK\$19,408,000.

E-learning Business

Turnover of the E-learning Business for the Period amounted to approximately HK\$1,505,000, showing a decrease of 10.4% from the corresponding period in the last year of approximately HK\$1,679,000.

The segment result recorded a loss of approximately HK\$1,494,000 (2012: a profit of approximately HK\$974,000). The reason for the loss was mainly due to drop in turnover and an increase in the amortization of intangible assets.

Disposal of KanHan Group

Due to the increasing competition in the e-learning market, the operating result of KanHan EDU recorded an unaudited consolidated net loss of approximately HK\$1,006,000 for the six months ended 30 June 2013. On 20 June 2013, the Group entered into a disposal agreement and conditionally agreed to dispose the KanHan Group, at a consideration of HK\$8 million. The disposal constitutes a very substantial disposal for the Company and is subject to approval by the shareholders of the Company by way of poll pursuant to the GEM Listing Rules. The details of disposal are set out in the Company's announcement dated 2 July 2013 and note 15 to these unaudited consolidated financial statements. Following the disposal, the Group will continue to engage in its E-learning Business via building website for educational units and developing e-books. It is expected that the website for selling of e-books is targeted at the general public.

FINANCIAL REVIEW

Turnover

For the Period under review, the turnover of the Group from its continuing operations was approximately HK\$28,131,000, representing an increase of approximately 1,575.5% compared to the turnover for the six months period ended 30 June 2012 of approximately HK\$1,679,000. The turnover for the Period was mainly contributed by the Software Business.

Gross profit

The amount of gross profit of the Group for the Period from its continuing operations increased by 1,390.2% to approximately HK\$23,426,000.

Loss for the Period

The loss attributable to the equity shareholders of the Company for the Period was approximately HK\$256,481,000 compared to the loss attributable to equity shareholders of the Company of approximately HK\$1,649,000 for the six months period ended 30 June 2012. The main reason for the increase in loss was mainly due to the impairment loss on goodwill of approximately HK\$257,496,000.

The Group recorded a profit attributable to the equity shareholders of the Company was approximately HK\$6,065,000 for the second quarter of 2013 (being the three months ended 30 June 2013) compared to the loss after tax of the Company of approximately HK\$372,000 for the same period last year. The profit was mainly due to (i) the profit after tax contributed by the subsidiaries of Apperience acquired in March 2013 of approximately HK\$16,193,000 and (ii) the unrealised gain arising on change in fair value of the Performance Shares of approximately HK\$7,262,000.

Liquidity, financial resources and capital structure

As at 30 June 2013, the Group's cash and cash equivalents and pledged deposit amounted to approximately HK\$95,848,000 (2012: HK\$125,683,000), 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 in a 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 falling 12 months from the date of issue of the convertible notes. 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 the date falling three business days prior to the maturity date. On 25 March 2013, the Company issued a total of 200,000,000 conversion shares to the noteholder pursuant to the exercise of conversion right attaching to the convertible notes at the conversion price of HK\$0.10 per conversion share. The details of the convertible notes and the conversion are set out in the Company's announcements dated 28 September 2012, 14 November 2012 and 19 March 2013 and note 22(b) to these unaudited consolidated financial statements.

On 31 March 2013, upon completion of the acquisition of Apperience, 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 acquisition. A summary of the principal terms of the convertible notes is set out in the Company's Circular dated 23 February 2013. On 10 April 2013, the Company issued a total of 592,592,591 conversion shares to the converting noteholders pursuant to the exercise of conversion right attaching to the convertible notes in the aggregate principal amount of HK\$64,000,000 at the conversion price of HK\$0.108 per conversion share. The details of the convertible notes and the conversion are set out in the Company's circular dated 23 February 2013 and Company's announcements dated 12 March 2013, 1 April 2013 and 2 April 2013 respectively.

On 12 March 2013, an ordinary resolution relating to the authorised share capital of the Company be increased from HK\$400,000,000 divided into 4,000,000,000 shares of HK\$0.10 each to HK\$800,000,000 divided into 8,000,000,000 shares of HK\$0.10 each by the creation of an additional 4,000,000,000 shares of the Company was approved by the shareholders of the Company in an extraordinary general meeting. As at the date of this announcement, the authorised share capital of the Company is HK\$800,000,000 divided into 8,000,000,000 shares of HK\$0.10 each.

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

Gearing ratio

As at 30 June 2013, the total assets of the Group were approximately HK\$764,391,000 (2012: HK\$163,378,000), whereas the total liabilities were approximately HK\$468,946,000 (2012: HK\$6,661,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was 61.3% (2012: 4.1%).

Interim dividend

The Directors do not recommend to pay any interim dividend for the six months ended 30 June 2013 (2012: HK\$nil).

Charges on the Group's 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 30 June 2013, the carrying value of the property was approximately HK\$6,490,000. As at the date of this announcement, the bank loan has been fully discharged and released.

The Group's pledged bank deposits of approximately US\$80,000 (approximately HK\$621,000) represented deposits pledged to bank to secure banking facilities to the extent of HK\$500,000 granted to the Group. The deposits are in US\$ and at fixed interest rate of 0.05% per annum. At 30 June 2013, the Group had available approximately HK\$446,000 of undrawn banking facilities.

Foreign exchange exposure

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

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

Acquisition of Apperience

On 31 March 2013, the Group completed the very substantial acquisition of 50.5% of the issued share capital of Apperience. The details of the Acquisition of Apperience are set out in the Company's announcement dated 27 November 2012, 5 December 2012, 12 March 2013, 1 April 2013 and 2 April 2013, the Company's circular dated 23 February 2013, the notes 18 and 19 to these unaudited consolidated financial statements and the section of business review in this announcement.

Acquisition of a property

On 15 May 2013, the Group completed the acquisition of 100% of the issued share capital in Dragon Oriental Investment Limited ("Dragon Oriental") at a consideration of approximately HK\$42 million which was settled by cash. The principal asset of the Dragon Oriental is a property in Hong Kong. The details of the acquisition of Dragon Oriental are set out in the Company's announcement dated 15 May 2013 and notes 12 to these unaudited consolidated financial statements.

Acquisition of the share of EPRO Limited

On 13 June 2013, the Group entered into an acquisition agreement for the acquisition of the 248,976,000 shares of EPRO Limited, representing approximately 4.89% of the issued share capital of EPRO Limited as at the date of the agreement, at an aggregate consideration of HK\$79,921,296. The acquisition constitutes a very substantial acquisition for the Company and is subject to approval by the shareholders of the Company by way of poll pursuant to the GEM Listing Rules. As at the date of this announcement, the Group paid an amount of approximately HK\$35,000,000 for the deposit of the acquisition. The acquisition is subject to a number of conditions precedent and the completion of which has not yet taken place as at the date of this announcement. The details of the acquisition are set out in the Company's announcement dated 13 June 2013 and notes 13 to these unaudited consolidated financial statements and the Company's circular dated 8 August 2013 respectively.

Significant disposal

Disposal of a property

On 6 June 2013, the Company has entered into a disposal agreement to dispose of the entire issued share capital of Five Stars and the Sales Loan on the completion date of disposal at an aggregate consideration of HK\$13,000,000. The principal asset of Five Stars is a property in Hong Kong. Such disposal is subject to a number of conditions precedent and the completion of such disposal has taken place on 8 August 2013. Details of this disposal are set out in the Company's announcements dated 6 June 2013 and 8 August 2013, and notes 15 to these unaudited consolidated financial statements.

Disposal of KanHan Group

On 20 June 2013, the Group entered into a disposal agreement and conditionally agreed to dispose of the entire issued share capital of Refine Skill, which is the holding company of KanHan EDU and its subsidiary, at a consideration of HK\$8,000,000. The details of the disposal are set out in the Company's announcement dated 2 July 2013, the notes 15 to these unaudited consolidated financial statements and the section of business review in this announcement.

Material acquisitions and disposals

Apart from section of business review, significant investment and significant disposal disclosed above, the Group had no material acquisition or disposal during the Period.

Employees and remuneration policies

As at 30 June 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 30 June 2013, there were options to subscribe for 6,200,000 shares of the Company outstanding under the Share Option Scheme.

Contingent liabilities

At 30 June 2013, the Company provided a corporate guarantee to Five Stars Development Limited (formerly known as Elipva (Greater China) Holdings Limited), an indirectly wholly-owned subsidiary of the Company, in relation to banking facilities to the extent of approximately HK\$3,620,000 (2012: approximately HK\$3,108,000). As at the date of this announcement, a bank loan regarding this corporate guarantee has been fully discharged and released.

DEALINGS FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

OUTLOOK

Subsequent to the completion of the acquisition of Apperience, the Group will be able to diversify its business into the information technology field of personal computers, anti-virus software and mobile applications, bring in new momentum for the Group's development. Because of the operating profit contributed by the Apperience Group, the unaudited consolidated financial results of the Company for the period three months ended 30 June 2013 recorded a significant growth, compared to the loss for the same period in the last year. In the light of the financial performance of the Apperience Group, the Group is optimistic to its business prospect and expects that revenue from the Apperience Group will become the principle source of income of the Group in the future. 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 Business.

The Group will continually 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 the shareholders of the Company. To this end, the Group will consider various ways of increasing returns, including investment in local or global securities market and property investments. The Board will take a positive but cautious and prudent approach to perform treasury management.

With careful execution of the existing business mentioned above, the Group will continue to seek for new investment opportunities and new business plan which bring value to the shareholder of the Company in the coming future.

OTHER INFORMATION

DIRECTORS' INTERESTS IN CONTRACT

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 Chengdu AOBI Information Technology Co., Ltd. ("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 Qiushi (an executive director of the Company) is interested through his holding in the PRC Company, none of the Directors was materially interested in any contract or arrangement subsisting as at 30 June 2013 which is significant in relation to the business of the 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 Group at the end of the Period or at any time during the Period. Details of such agreements are disclosed in the Company's circular dated 23 February 2013.

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

As at 30 June 2013, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance “SFO”, Chapter 571 under the Laws of Hong Kong), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Mr. Xue Qiushi was appointed as an executive Director on 5 July 2013. Ace Source International Limited (“Ace Source”) is a company wholly and beneficially owned by Mr. Xue and therefore he is deemed to be interested in all the shares and underlying shares of the Company held by Ace Source pursuant to Part XV of the SFO. Interests in shares and underlying shares of the Company in which Ace Source and Mr. Xue are interested are set out in the paragraph headed “Interests discloseable under the Securities and Futures Ordinance (the “SFO”) and substantial shareholders and other persons interest in securities” in this announcement.

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

Save for the zero coupon convertible notes issued by the Company in accordance with the acquisition agreement in relation to the acquisition of 50.5% of the issued share capital of Apperience Corporation dated 15 November 2012 and the performance shares which may be issued by the Company in accordance with the terms and conditions of such acquisition agreement in which Mr. Xue is interested (through his holding of shares in Ace Source International Limited, being one of the vendors of Apperience Corporation), at no time during the Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executives, their respective spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

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

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

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

Date of grant	Exercise period	Exercise price per share HK\$	Number of share options			Outstanding as at 30 June 2013 '000	
			Outstanding as at 1 January 2013 '000	Granted during the Period	Exercised during the Period		Lapsed during the Period
19 May 2011	20 May 2011 to 19 May 2014	0.116*	6,200*	-	-	-	6,200*

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

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

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

Substantial shareholders

As at 30 June 2013, the following persons (other than Directors or chief executive of the Company) had, or were deemed or taken to have interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of SFO were as follows:

Long positions in the Shares 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 <i>Note (17)</i>	<i>Notes</i>
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)
Xue Qiushi (“Mr. Xue”)	Interest of a controlled corporation and interests deemed under sections 317 and 318 of the SFO	4,527,643,511	221.78%	(4), (5)

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	<i>Notes</i>
			<i>Note (17)</i>	<i>Notes</i>
Wealthy Hope Limited (“Wealthy Hope”)	Beneficial owner and interests deemed under sections 317 and 318 of the SFO	4,527,643,511	221.78%	<i>(5), (6)</i>
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%	<i>(6), (7)</i>
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%	<i>(7), (8)</i>
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%	<i>(8), (9)</i>
Best Attained Holdings Limited (“Best Attained”)	Beneficial owner	1,386,226,490	67.90%	<i>(10)</i>
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%	<i>(10), (11)</i>
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%	<i>(12)</i>
IDG-Accel China Growth Fund II Associates L.P. (“IDG-Accel II Associates”)	Interest of a controlled corporation	4,527,643,511	221.78%	<i>(10), (11), (12), (13)</i>
IDG-Accel China Growth Fund GP II Associates Ltd. (“IDG-Accel GP II”)	Interest of a controlled corporation	4,527,643,511	221.78%	<i>(10), (11), (12), (13)</i>
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%	<i>(10), (11), (12), (13)</i>

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	<i>Note (17)</i>	<i>Notes</i>
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%		<i>(10), (11), (12), (13)</i>
THL A1 Limited ("THL")	Beneficial owner and interests deemed under sections 317 and 318 of the SFO	5,083,199,066	248.99%		<i>(14)</i>
Tencent Holdings Limited ("Tencent")	Interest of a controlled corporation	4,527,643,511	221.78%		<i>(14), (15), (16)</i>
MIH TC Holdings Limited ("MIH TC Holdings")	Interest of a controlled corporation	4,527,643,511	221.78%		<i>(14), (15), (16)</i>
MIH (Mauritius) Limited ("MIH Mauritius")	Interest of a controlled corporation	5,083,199,066	248.99%		<i>(14), (15), (16)</i>
MIH Holdings Limited ("MIH Holdings")	Interest of a controlled corporation	5,083,199,066	248.99%		<i>(14), (15), (16)</i>
Naspers Limited ("Naspers")	Interest of a controlled corporation	4,527,643,511	221.78%		<i>(14), (15), (16)</i>

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, Modern Education was also interested in 555,555,555 underlying Shares in the capacity as the beneficial owner.

- (2) 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) 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) Ace Source 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.
- (6) 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.
- (7) 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.
- (8) 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.
- (9) 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.
- (10) Best Attained was interested in 1,386,226,490 underlying Shares in the capacity as the beneficial owner.
- (11) 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.

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.

- (12) 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.
- (13) 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.

- (14) 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.
- (15) By virtue of the relationships as described in note (16) below, 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.

- (16) 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.
- (17) The total number of the issued Shares of the Company as at 30 June 2013 (that is 2,041,486,915 Shares) has been used for the calculation of the approximate percentage.

Save as disclosed above, as at 30 June 2013, so far as is known to the Directors, there is no other person who had, or were deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of SFO.

RECENT CHANGE OF COMPANY SECRETARY

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 Siu Cheong (“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.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

COMPETING INTEREST

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

CORPORATE GOVERNANCE

During the Period, the Company has complied with the code provisions set out in Appendix 15 of the GEM Listing Rules except for the deviation from code provision A.4.1 and A.2.1 which are explained below.

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

Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Since the former Chief Executive Officer of the Company, Mr. Ng Kay Kwok, retired on 24 May 2013, Mr. Chi Chi Hung, Kenneth, the Chairman of the Board, has temporarily taken up the role as Chief Executive Officer of the Company for a transitional period with a view to identifying a suitable candidate. Subsequently on 5 July 2013, the Company appointed Mr. Xue Qiushi, as an Executive Director and the Chief Executive Officer of the Company, and the Company has duly complied with the Code Provision A.2.1 on 5 July 2013.

AUDIT COMMITTEE

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

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

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

9 August 2013

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

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