



M DREAM INWORLD LIMITED

聯夢活力世界有限公司*

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8100)

2013 ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

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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; (3) all opinion 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

(Audited)

- The turnover of the Group from its continuing operations was approximately HK\$92,105,000 for the year ended 31 December 2013, representing an increase of approximately 2,126% as compared to the turnover for the year ended 31 December 2012 of approximately HK\$4,137,000.
- The Group recorded a loss attributable to owners of the Company was approximately HK\$207,410,000 for the year ended 31 December 2013, compared to the loss attributable to owners of the Company of approximately HK\$26,626,000 for the last year. The reason for the loss was mainly due to the impairment loss on goodwill of approximately HK\$257,496,000. The impairment is non-cash in nature and will not affect working capital sufficiency of the Group. The segment result of software business before the goodwill impairment for the Year was a profit of approximately HK\$55,777,000.
- Loss per share for loss attributable to owners of the Company for the year ended 31 December 2013 was HK9.52 cents.
- The Board of the Company do not recommend the payment of any dividend for the year ended 31 December 2013.

ANNUAL RESULTS

The Directors of M Dream Inworld Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (together the “Group”) for the year ended 31 December 2013 (the “Year”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

(Expressed in Hong Kong dollars)

	Note	2013 HK\$'000	2012 HK\$'000
Continuing operations			
Turnover	4	92,105	4,137
Cost of sales		(17,957)	(228)
Gross profit		74,148	3,909
Other revenue	5	1,353	2,053
Other gains and losses	7	(205,051)	(16,451)
Selling and administrative expenses		(32,226)	(14,442)
Loss from operations		(161,776)	(24,931)
Finance costs	8	(14,602)	(1,048)
Loss before taxation	9	(176,378)	(25,979)
Income tax	10	(6,798)	(359)
Loss for the year from continuing operations		(183,176)	(26,338)
Discontinued operation			
Loss for the year from discontinued operation	11	–	(288)
Loss for the year		(183,176)	(26,626)
Attributable to:			
Owners of the Company			
Loss from continuing operations		(207,410)	(26,338)
Loss from discontinued operation		–	(288)
Loss attributable to owners of the Company		(207,410)	(26,626)
Non-controlling interests			
Profit from continuing operations		24,234	–
Profit from discontinued operation		–	–
Profit attributable to non-controlling interests of the Company		24,234	–
		(183,176)	(26,626)
Loss per share			
14			
From continuing and discontinued operations			
Basic		(HK9.52 cents)	(HK2.13 cents)
From continuing operations			
Basic		(HK9.52 cents)	(HK2.11 cents)
From discontinued operation			
Basic		N/A	(HK0.02 cent)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2013

(Expressed in Hong Kong dollars)

	<i>Note</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Loss for the year		<u>(183,176)</u>	<u>(26,626)</u>
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of financial statements of overseas subsidiaries		(78)	18
Fair value loss on available-for-sale financial assets	19	(26,253)	–
Reclassification adjustment to profit or loss on impairment loss on available-for-sale financial assets	19	26,253	–
Reclassification adjustment relating to deregistration of foreign operation		–	(307)
		<u>(78)</u>	<u>(289)</u>
Other comprehensive income for the year, net of tax		<u>(78)</u>	<u>(289)</u>
Total comprehensive income for the year		<u><u>(183,254)</u></u>	<u><u>(26,915)</u></u>
Attributable to:			
Owners of the Company		(207,475)	(26,915)
Non-controlling interests		24,221	–
		<u><u>(183,254)</u></u>	<u><u>(26,915)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

(Expressed in Hong Kong dollars)

	<i>Note</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Non-current assets			
Fixed assets	15	1,017	7,901
Investment property	16	42,000	–
Intangible assets	17	56,980	3,637
Goodwill	18	500,166	2,408
Available-for-sale financial assets	19	53,778	–
		<u>653,941</u>	<u>13,946</u>
Current assets			
Trade and other receivables	20	25,783	6,291
Pledged bank deposits		621	–
Cash and cash equivalents		70,409	140,737
		<u>96,813</u>	<u>147,028</u>
Current liabilities			
Trade and other payables	21	4,932	5,194
Amount due to a director	22	–	401
Bank loan, secured	23	–	3,108
Convertible notes	24(a)	–	14,044
Performance shares	25	52,037	–
Current tax liabilities		35,034	147
		<u>92,003</u>	<u>22,894</u>
Net current assets		<u>4,810</u>	<u>124,134</u>
Total assets less current liabilities		<u>658,751</u>	<u>138,080</u>
Non-current liabilities			
Deferred tax liabilities		4,222	–
Convertible notes	24(b)	12,744	–
Performance shares	25	52,531	–
		<u>69,497</u>	<u>–</u>
NET ASSETS		<u><u>589,254</u></u>	<u><u>138,080</u></u>

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Capital and reserves		
Share capital	492,562	124,889
Reserves	61,194	13,191
	<hr/>	<hr/>
Equity attributable to owners of the Company	553,756	138,080
Non-controlling interests	35,498	–
	<hr/>	<hr/>
TOTAL EQUITY	589,254	138,080
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

(Expressed in Hong Kong dollars)

	Attributable to owners of the Company							Non- controlling interests	Total equity	
	Share capital	Share premium	Contributed surplus	Share option reserve	Convertible note equity reserve	Exchange reserve	Accumulated losses			Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
At 1 January 2012	124,889	206,661	6,426	310	–	294	(180,190)	158,390	–	158,390
Loss for the year	–	–	–	–	–	–	(26,626)	(26,626)	–	(26,626)
Other comprehensive income	–	–	–	–	–	(289)	–	(289)	–	(289)
Total comprehensive income for the year	–	–	–	–	–	(289)	(26,626)	(26,915)	–	(26,915)
Issue of convertible notes on 14 November 2012 (<i>note 24(a)</i>)	–	–	–	–	6,605	–	–	6,605	–	6,605
At 31 December 2012 and at 1 January 2013	<u>124,889</u>	<u>206,661</u>	<u>6,426</u>	<u>310</u>	<u>6,605</u>	<u>5</u>	<u>(206,816)</u>	<u>138,080</u>	<u>–</u>	<u>138,080</u>
(Loss)/profit for the year	–	–	–	–	–	–	(207,410)	(207,410)	24,234	(183,176)
Other comprehensive income	–	–	–	–	–	(65)	–	(65)	(13)	(78)
Total comprehensive income for the year	–	–	–	–	–	(65)	(207,410)	(207,475)	24,221	(183,254)
Issue of convertible notes on 31 March 2013 (<i>note 24(b)</i>)	–	–	–	–	325,290	–	–	325,290	–	325,290
Arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	26,440	26,440
Shares issued on conversion of convertible notes (<i>note 24</i>)	367,673	248,274	–	–	(318,086)	–	–	297,861	–	297,861
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(15,163)	(15,163)
Transfer to contributed surplus	–	(408,253)	408,253	–	–	–	–	–	–	–
Changes in equity for the year	<u>367,673</u>	<u>(159,979)</u>	<u>408,253</u>	<u>–</u>	<u>7,204</u>	<u>–</u>	<u>–</u>	<u>623,151</u>	<u>11,277</u>	<u>634,428</u>
At 31 December 2013	<u><u>492,562</u></u>	<u><u>46,682</u></u>	<u><u>414,679</u></u>	<u><u>310</u></u>	<u><u>13,809</u></u>	<u><u>(60)</u></u>	<u><u>(414,226)</u></u>	<u><u>553,756</u></u>	<u><u>35,498</u></u>	<u><u>589,254</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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 on 30 July 2001 and continued in Bermuda. The address of its registered office is located at Clarendon House, 2 Church Street, HM11 Bermuda. 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 computer performance software, anti-virus software, mobile phone applications and toolbar advertisement ("Software Business"); (ii) the provision of website development, e-learning products and services ("E-learning Business"); (iii) investment in securities ("Securities Investment Business"); and (iv) money lending ("Money Lending Business") during the Year.

This consolidated financial information are presented in thousands of units of ("HK\$" '000") Hong Kong dollars, unless otherwise stated.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The 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 of Hong Kong Limited.

The Group's consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, investments and performance shares which are carried at fair values. The principal accounting policies used in the preparation of these 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 year's financial statements.

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

In the current year, the Group has adopted all the new and revised 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 and prior years except as stated below.

(a) Amendments to HKAS 1 "Presentation of Financial Statements"

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new optional terminology for statement of comprehensive income and income statement that has been applied by the Group. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

(b) HKFRS 12 “Disclosure of Interests in Other Entities”

HKFRS 12 “Disclosure of Interests in Other Entities” specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities.

The adoption of HKFRS 12 only affects the disclosures relating to the Group’s subsidiaries in the consolidated financial statements. HKFRS 12 has been applied retrospectively.

(c) 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.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the consolidated financial statements. HKFRS 13 has been applied prospectively.

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.

4. TURNOVER

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

	Continuing operations		Discontinued operation		Total	
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Provision of website development, e-learning products and services	2,178	4,137	-	-	2,178	4,137
Sales of computer and mobile phone software and toolbar advertisement	89,809	-	-	-	89,809	-
Loan interest income	118	-	-	-	118	-
	<u>92,105</u>	<u>4,137</u>	<u>-</u>	<u>-</u>	<u>92,105</u>	<u>4,137</u>

5. OTHER REVENUE

	Continuing operations		Discontinued operation		Total	
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	278	1,748	-	-	278	1,748
Gain of disposal of financial assets at fair value through profit or loss	67	-	-	-	67	-
Fair value gain on financial assets at fair value through profit or loss	180	-	-	-	180	-
Income from provision of business centre services	160	240	-	-	160	240
Loan interest income	-	65	-	-	-	65
Rental income	610	-	-	-	610	-
Others	58	-	-	-	58	-
	<u>1,353</u>	<u>2,053</u>	<u>-</u>	<u>-</u>	<u>1,353</u>	<u>2,053</u>

6. 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 five reportable segments.

- Software Business (continuing operations)
- E-learning Business (continuing operations)
- Securities Investment Business (continuing operations)
- Money Lending Business (continuing operations)
- Optical display equipment, components and related technology (“Display Business”) (discontinued operation)

(a) Segment results, assets and liabilities

For the purpose of monitoring segment performances 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 assets include all tangible, intangible assets and current assets with the exception of other corporate assets.
- Segment liabilities include all current and non-current liabilities with the exception of accrued central administration cost, amount due to a director, performance shares and convertible notes.

Segment revenue reported below represents revenue generated from external customers. There were no inter-segment sales in the current year (2012: HK\$Nil).

	Continuing operations	Continuing operations	Continuing operations	Continuing operations	Discontinued operation		
	Software Business	E-learning Business	Securities Investment Business	Money Lending Business	Display Business	Unallocated	Consolidated
	2013	2013	2013	2013	2013	2013	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover							
Revenue from external customers	89,809	2,178	-	118	-	-	92,105
Results							
Segment results	(201,719)	(5,104)	(26,137)	44	-	-	(232,916)
Interest income							278
Unallocated income							82,956
Unallocated expenses							(12,094)
Loss from operations							(161,776)
Finance costs							(14,602)
Loss before taxation							(176,378)
Income tax							(6,798)
Loss for the year							(183,176)
Assets							
Segment assets	621,111	228	57,880	4,040	-	-	683,259
Unallocated assets	-	-	-	-	-	67,495	67,495
Total assets							750,754
Liabilities							
Segment liabilities	41,469	14	57	59	-	-	41,599
Unallocated liabilities	-	-	-	-	-	119,901	119,901
Total liabilities							161,500
Other segment information							
Additions to fixed assets	-	(17)	(530)	-	-	(239)	(786)
Addition to investment property	-	-	-	-	-	(41,968)	(41,968)
Amortisation of intangible assets	(8,294)	(489)	-	-	-	-	(8,783)
Depreciation	-	(45)	(67)	-	-	(362)	(474)
Development cost capitalised	(17,113)	(960)	-	-	-	-	(18,073)
Gain on disposal of subsidiaries	-	-	-	-	-	6,895	6,895
Fair value gain on performance shares	-	-	-	-	-	72,618	72,618
Impairment loss on available-for-sale financial assets	-	-	(26,253)	-	-	-	(26,253)
Impairment loss on goodwill	(257,496)	-	-	-	-	-	(257,496)
Impairment loss on intangible assets	(831)	-	-	-	-	-	(831)
Legal and professional fees	(1,564)	(31)	(12)	(12)	-	(3,001)	(4,620)
Recovery from impairment loss on trade receivables	-	-	-	-	-	37	37
Fair value gain on investment property	-	-	-	-	-	32	32

	Continuing operations	Continuing operations	Continuing operations	Continuing operations	Discontinued operation		Consolidated
	Software Business	E-learning Business	Investment Business	Securities Money Lending Business	Display Business	Unallocated	
	2012	2012	2012	2012	2012	2012	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover							
Revenue from external customers	<u>-</u>	<u>4,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,137</u>
Results							
Segment results	<u>-</u>	<u>(18,577)</u>	<u>-</u>	<u>-</u>	<u>(288)</u>	<u>-</u>	<u>(18,865)</u>
Interest income							1,813
Unallocated income							148
Unallocated expenses							<u>(8,315)</u>
Loss from operations							(25,219)
Finance costs							<u>(1,048)</u>
Loss before taxation							(26,267)
Income tax							<u>(359)</u>
Loss for the year							<u>(26,626)</u>
Assets							
Segment assets	-	10,029	-	-	-	-	10,029
Unallocated assets	-	-	-	-	-	150,945	<u>150,945</u>
Total assets							<u>160,974</u>
Liabilities							
Segment liabilities	-	1,996	-	-	-	-	1,996
Unallocated liabilities	-	-	-	-	-	20,898	<u>20,898</u>
Total liabilities							<u>22,894</u>
Other segment information							
Additions to fixed assets	-	(85)	-	-	-	(8,030)	(8,115)
Depreciation	-	(15)	-	-	(10)	(330)	(355)
Development cost capitalised	-	(1,990)	-	-	-	-	(1,990)
Gain on deregistration of a subsidiary	-	-	-	-	293	-	293
(Loss)/gain on disposal of fixed assets	-	-	-	-	(21)	47	26
Impairment loss on goodwill	-	(20,831)	-	-	-	-	(20,831)
Legal and professional fees	-	-	-	-	(43)	(3,569)	(3,612)
Recovery from impairment loss on trade receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62</u>	<u>-</u>	<u>62</u>

(b) 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, investment property, intangible assets, goodwill and available-for-sale financial assets ("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, investment property and available-for-sale financial assets, and the location of the operation to which they are allocated, in the case of intangible assets and goodwill.

	Revenues from external customers		Specified non-current assets	
	2013	2012	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
United States of America	47,277	–	–	–
Germany	3,488	–	–	–
United Kingdom	5,752	–	–	–
Hong Kong	2,296	4,137	653,941	13,874
Australia	3,547	–	–	–
Canada	3,436	–	–	–
Russia	3,225	–	–	–
Japan	2,813	–	–	–
Others (including Mainland China)	20,271	–	–	72
	<u>92,105</u>	<u>4,137</u>	<u>653,941</u>	<u>13,946</u>

7. OTHER GAINS AND LOSSES

	Continuing operations		Discontinued operation		Total	
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Foreign exchange losses	(67)	(5)	–	–	(67)	(5)
Gain on disposal of subsidiaries	6,895	–	–	–	6,895	–
Gain/(loss) on disposal of fixed assets	–	47	–	(21)	–	26
Gain on profit guarantee from acquisition of subsidiaries	–	4,235	–	–	–	4,235
Impairment loss on available-for-sale financial assets (note 19)	(26,253)	–	–	–	(26,253)	–
Impairment loss on goodwill (note 18)	(257,496)	(20,831)	–	–	(257,496)	(20,831)
Impairment loss on intangible assets (note 17)	(831)	–	–	–	(831)	–
Recovery from impairment loss on trade receivables	37	–	–	62	37	62
Fair value gain on performance shares (note 25)	72,618	–	–	–	72,618	–
Fair value gain on investment property (note 16)	32	–	–	–	32	–
Net sundry income	14	103	–	2	14	105
	<u>(205,051)</u>	<u>(16,451)</u>	<u>–</u>	<u>43</u>	<u>(205,051)</u>	<u>(16,408)</u>

8. FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans:						
— wholly repayable within 5 years	58	–	–	–	58	–
— not wholly repayable within 5 years	–	86	–	–	–	86
Effective interest on convertible notes	14,544	962	–	–	14,544	962
	<u>14,602</u>	<u>1,048</u>	<u>–</u>	<u>–</u>	<u>14,602</u>	<u>1,048</u>

9. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	Continuing operations		Discontinued operation		Total	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
(a) Staff costs (including directors' remuneration):						
Salaries, wages and other benefits	9,038	6,225	-	142	9,038	6,367
Retirement scheme contributions	257	111	-	-	257	111
	<u>9,295</u>	<u>6,336</u>	<u>-</u>	<u>142</u>	<u>9,295</u>	<u>6,478</u>
(b) Other items:						
Amortisation of intangible assets	8,783	-	-	-	8,783	-
Impairment loss on available-for-sale financial assets	26,253	-	-	-	26,253	-
Impairment loss on goodwill	257,496	-	-	-	257,496	-
Impairment loss on intangible assets	831	-	-	-	831	-
Depreciation	467	345	-	10	467	355
Auditor's remuneration	750	400	-	-	750	400
Operating lease charges:						
minimum lease payments						
— hire of office premises	547	515	-	117	547	632
— hire of other assets	-	6	-	217	-	223
Direct operating expenses of investment property that generate rental income	3	-	-	-	3	-
	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>

10. INCOME TAX

Income tax in the consolidated statement of profit or loss represents:

	Continuing operations		Discontinued operation		Total	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Current tax						
— Hong Kong Profits Tax						
Provision for the year	10,039	368	—	—	10,039	368
Overprovision in respect of prior year	(10)	(9)	—	—	(10)	(9)
— Japan						
Withholding tax for the year	58	—	—	—	58	—
	<u>10,087</u>	<u>359</u>	<u>—</u>	<u>—</u>	<u>10,087</u>	<u>359</u>
Deferred tax	<u>(3,289)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,289)</u>	<u>—</u>
	<u><u>6,798</u></u>	<u><u>359</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>6,798</u></u>	<u><u>359</u></u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profit for the year.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries in which the Group operates based on existing legislation, interpretation and practices in respect thereof.

Withholding tax in Japan, regarding the external sales for which customers are located in Japan, is charged at the appropriate current rates of taxation ruling in Japan.

11. DISCONTINUED OPERATION

On 26 November 2012, 廣泰益昌(北京)科技有限公司, a wholly-owned subsidiary of the Group, completed the deregistration from the State Administration for Industry and Commerce in the People's Republic of China ("PRC"). The business relating to optical display equipment, components and related technology carried out by the subsidiary is presented as a discontinued operation.

The results of the discontinued operation included in the loss for the year ended 31 December 2012 are set out below.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Other gains and losses	–	43
Selling and administrative expenses	–	(624)
	<u>–</u>	<u>(624)</u>
Loss before taxation	–	(581)
Income tax	–	–
	<u>–</u>	<u>(581)</u>
Gain on derecognition of discontinued operation (including HK\$307,000 reclassification of exchange reserve from equity to profit or loss on deregistration of foreign operation)	–	293
	<u>–</u>	<u>293</u>
Loss for the year from discontinued operation	<u>–</u>	<u>(288)</u>
Net cash flows from discontinued operation		
Net cash used in operating activities	–	(723)
Net cash generated by investing activities	–	3
	<u>–</u>	<u>(720)</u>

12. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2013 (2012: HK\$Nil).

13. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of approximately HK\$198,483,000 (2012: HK\$15,007,000) which has been dealt with in the financial statements of the Company.

14. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
(i) For continuing and discontinued operations		
<i>Loss</i>		
Loss attributable to owners of the Company and loss for the purpose of calculating basic loss per share	<u>(207,410)</u>	<u>(26,626)</u>
	<i>'000</i>	<i>'000</i>
<i>Number of shares</i>		
Weighted average of number of ordinary shares for the purpose of calculating basic loss per share	<u>2,179,156</u>	<u>1,248,894</u>
Basic loss per share (HK cents)	<u>(9.52)</u>	<u>(2.13)</u>
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
(ii) For continuing operations		
<i>Loss</i>		
Loss attributable to owners of the Company and loss for the purpose of calculating basic loss per share	<u>(207,410)</u>	<u>(26,338)</u>
	<i>'000</i>	<i>'000</i>
<i>Number of shares</i>		
Weighted average of number of ordinary shares for the purpose of calculating basic loss per share	<u>2,179,156</u>	<u>1,248,894</u>
Basic loss per share (HK cents)	<u>(9.52)</u>	<u>(2.11)</u>

(iii) For discontinued operation

No basic loss per share from discontinued operation is presented for the year ended 31 December 2013 as there is no discontinued operation during the year. Basic loss per share from discontinued operation for the year ended 31 December 2012 was HK0.02 cent which was calculated based on the loss attributable to owners of the Company from discontinued operation of approximately HK\$288,000 and the weighted average number of 1,248,894,000 shares in issue during the year ended 31 December 2012.

(b) Diluted loss per share

No adjustment has been made to the basic loss per share from continuing operations and discontinued operation presented for the years ended 31 December 2013 and 2012 in respect of a dilution as the impact of the convertible notes and share options outstanding had anti-dilutive effect.

15. FIXED ASSETS

The Group

	Land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Computer hardware and software <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:						
At 1 January 2012	–	181	219	34	68	502
Exchange adjustments	–	–	1	–	–	1
Additions	6,753	536	13	–	813	8,115
Disposals	–	–	(72)	(26)	–	(98)
At 31 December 2012 and 1 January 2013	6,753	717	161	8	881	8,520
Exchange adjustments	–	–	–	–	2	2
Additions	–	92	–	146	548	786
Disposal of subsidiaries	(6,753)	(628)	(161)	(154)	(139)	(7,835)
Disposals	–	(181)	–	–	–	(181)
At 31 December 2013	–	–	–	–	1,292	1,292
Accumulated depreciation and impairment:						
At 1 January 2012	–	181	120	27	7	335
Exchange adjustments	–	–	1	–	–	1
Charge for the year	168	98	41	3	45	355
Written back on disposals	–	–	(50)	(22)	–	(72)
At 31 December 2012 and 1 January 2013	168	279	112	8	52	619
Exchange adjustments	–	–	–	–	–	–
Charge for the year	112	70	14	16	262	474
Disposal on subsidiaries	(280)	(168)	(126)	(24)	(39)	(637)
Written back on disposals	–	(181)	–	–	–	(181)
At 31 December 2013	–	–	–	–	275	275
Carrying amount:						
At 31 December 2013	–	–	–	–	1,017	1,017
At 31 December 2012	6,585	438	49	–	829	7,901

The Company

Computer hardware and software *HK\$'000*

Cost:

At 1 January 2012	30
Additions	<u>728</u>

At 31 December 2012 and 1 January 2013	758
Additions	<u>4</u>

At 31 December 2013	<u>762</u>
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Accumulated depreciation:

At 1 January 2012	5
Charge for the year	<u>30</u>

At 31 December 2012 and 1 January 2013	35
Charge for the year	<u>152</u>

At 31 December 2013	<u>187</u>
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Carrying amount:

At 31 December 2013	<u><u>575</u></u>
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At 31 December 2012	<u><u>723</u></u>
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At 31 December 2012, land and buildings of the Group with a carrying amount of approximately HK\$6,585,000 were pledged to secure a bank loan granted to the Group (note 23). The relevant bank loan was repaid and the pledge was released during the year ended 31 December 2013.

16. INVESTMENT PROPERTY

	The Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	–	–
Addition on acquisition of a subsidiary	41,968	–
Fair value gain	32	–
	<hr/>	<hr/>
At 31 December	42,000	–
	<hr/> <hr/>	<hr/> <hr/>

Investment property was revalued at 31 December 2013 on the direct comparison method by reference to market evidence of recent transactions for similar properties by an independent professional valuer.

The Group's investment property at its carrying amount is analysed as follows:

	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
In Hong Kong — Medium-term leases	42,000	–
	<hr/> <hr/>	<hr/> <hr/>

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	900	–
	<hr/> <hr/>	<hr/> <hr/>

At 31 December 2013, operating lease receivables represent rental receivable by the Group for letting its property. The lease is negotiated for an average term of 2 years and rentals are fixed over the lease terms and do not include contingent rentals.

17. INTANGIBLE ASSETS

The Group

	Development costs on computer and mobile phone software <i>HK\$'000</i>	Development costs on e-learning products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
At 1 January 2012	–	1,647	1,647
Additions through internal development	–	1,990	1,990
At 31 December 2012 and 1 January 2013	–	3,637	3,637
Additions through internal development	17,113	960	18,073
Acquisition of subsidiaries	49,045	–	49,045
Disposal of subsidiaries	–	(4,597)	(4,597)
Exchange adjustments	(55)	–	(55)
At 31 December 2013	66,103	–	66,103
Accumulated amortisation and impairment losses:			
At 1 January 2012, 31 December 2012 and 1 January 2013	–	–	–
Amortisation	8,294	489	8,783
Impairment loss	831	–	831
Disposal of subsidiaries	–	(489)	(489)
Exchange adjustments	(2)	–	(2)
At 31 December 2013	9,123	–	9,123
Carrying amount:			
At 31 December 2013	56,980	–	56,980
At 31 December 2012	–	3,637	3,637

The capitalised development costs for the year ended 31 December 2013 represents the expenditure incurred for developing e-learning products, computer and mobile phone software.

The average remaining amortisation period of the computer and mobile phone software is four years.

The capitalised development costs for the year ended 31 December 2012 represented the expenditure incurred for developing e-learning products.

For the year ended 31 December 2012, there was no amortisation charge on development costs as the intangible assets were not yet available for use at 31 December 2012.

18. GOODWILL

	The Group <i>HK\$'000</i>
Cost:	
At 1 January 2012, 31 December 2012 and 1 January 2013	23,239
Disposal of subsidiaries	(23,239)
Arising on acquisition of subsidiaries	<u>757,662</u>
At 31 December 2013	<u>757,662</u>
Accumulated impairment losses:	
At 1 January 2012	–
Impairment loss	<u>20,831</u>
At 31 December 2012 and 1 January 2013	20,831
Disposal of subsidiaries	(20,831)
Impairment loss	<u>257,496</u>
At 31 December 2013	<u>257,496</u>
Carrying amount:	
At 31 December 2013	<u><u>500,166</u></u>
At 31 December 2012	<u><u>2,408</u></u>

Impairment test for cash-generating unit containing goodwill

Goodwill is allocated to the Group's cash generating unit ("CGU") identified according to the business segment as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
E-learning Business	–	2,408
Software Business	<u>500,166</u>	<u>–</u>
	<u><u>500,166</u></u>	<u><u>2,408</u></u>

E-learning Business

The recoverable amount of the CGU of E-learning Business as at 31 December 2012 was determined based on value in use calculations. These calculations used cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows beyond one-year period were then extrapolated using the estimated rates stated below.

Key assumptions used for value in use calculations:

Gross margin	81%–90%
Growth rate	2.3%–26%
Discount rate	13.4%

Management determined the budgeted gross margin and growth rate based on past performance, its expectation for market development and the geometric average growth rate of Hong Kong Government expenditure on education from 2002 to 2012. The growth rate did not exceed the long-term average growth rate for the business in which the CGU of E-learning Business segment operates. The discount rate used is pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the CGU of E-learning Business segment.

During the year ended 31 December 2012, management of the Group determined that there is impairment loss of approximately HK\$20,831,000 on its relevant CGU containing goodwill.

Software Business

On 31 March 2013, the Group acquired 50.5% of the issued share capital of Apperience Corporation (“Acquisition”). The goodwill arising from the Acquisition is allocated to the Group’s CGU of Software Business.

The recoverable amount of the CGU of Software Business as at 31 December 2013 is determined based on a value in use calculation which using cash flow projections based on financial budgets covering a five-year period approved by management with the residual period using the growth rate of 2.46%. The key assumptions used for value in use calculations stated below:

Key assumptions used for value in use calculations:

Gross margin	81%
Growth rate	2.46%
Discount rate	19.25%

Management determined the budgeted gross margin and growth rate based on past performance, its expectation for market development of anti-virus software and mobile applications. The discount rate used is pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the CGU of Software Business segment.

During the year ended 31 December 2013, management of the Group determined that there is impairment loss of approximately HK\$257,496,000 on its CGU of Software Business containing goodwill. The impairment of goodwill in relation to Software Business is largely due to the increase in the fair value of the Consideration. As disclosed in the Company’s Circular dated 23 February 2013, 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 30 September 2012 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.

As the CGU has been reduced to its recoverable amount, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Equity securities, at fair value and market value		
Listed in Hong Kong	<u>53,778</u>	<u>–</u>
Analysed as:		
Non-current assets	<u><u>53,778</u></u>	<u><u>–</u></u>

The fair values of listed securities are based on current bid prices.

At the end of the reporting period, the available-for-sale investment represented solely the shares of DX.com Holdings Limited (formerly known as EPRO Limited) which were stated at fair value with reference to the quoted market bid price in the Stock Exchange, resulted in a loss on the fair value change in the investment of approximately HK\$26,253,000 which was recognised in other comprehensive income and reflected in the “investment revaluation reserve”. The investment was determined to be impaired and the cumulative loss of approximately HK\$26,253,000 previously accumulated in the investment revaluation reserve was reclassified to profit or loss.

At 31 December 2013, the available-for-sale investment with carrying amount of approximately HK\$53,778,000 has been charged in favour of a brokerage firm as collateral for the Group’s liabilities in respect of its margin trading account.

20. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade receivables (<i>note 20(e)</i>)	19,424	1,632	–	–
Prepayments and deposits	2,547	323	208	102
Receivable from profit guarantee on acquisition of subsidiaries	–	4,235	–	–
Amounts due from brokers	3,778	–	–	–
Other receivables	34	101	–	88
	<u>25,783</u>	<u>6,291</u>	<u>208</u>	<u>190</u>

All of the trade and other receivables, apart from rental deposits of HK\$Nil (2012: HK\$23,000), are expected to be recovered or recognised as expenses within one year.

The directors considered that the fair value of trade and other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

(a) Ageing analysis

According to the credit rating of different customers and service providers, the Group allows credit periods ranged from 30 to 179 days (2012: 30 days) to its trade customers.

The ageing analysis of trade receivables (net of allowance for impairment loss) based on due date, is as follows:

	The Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	<u>18,571</u>	<u>1,031</u>
Less than 1 month past due	853	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>853</u>	<u>601</u>
	<u><u>19,424</u></u>	<u><u>1,632</u></u>

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for impairment loss on trade receivables is as follows:

	The Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	–	971
Uncollectible amounts written off	<u>–</u>	<u>(971)</u>
At 31 December	<u><u>–</u></u>	<u><u>–</u></u>

At the end of each reporting period, the Group reviews trade receivables for evidence of impairment on both individual and collective basis. The impaired trade receivables are due from customers that were in default of payments.

The Group does not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on individual or collective basis.

(c) Trade receivables that are not impaired

As of 31 December 2013, the ageing analysis of the Group's trade receivables that are past due but not impaired is as follows:

	The Group	
	2013	2012
	HK\$'000	HK\$'000
Less than 1 month past due	853	458
1 to 3 months past due	–	22
More than 3 months but less than 12 months past due	–	121
	853	601

Receivables that were past due but not impaired relate to a number of independent customers and service providers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(d) Currency denomination of trade receivables

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	The Group	
	2013	2012
	HK\$'000	HK\$'000
HK\$	4,000	1,632
US\$	14,706	–
Japanese yen	718	–
	19,424	1,632

(e) Loan receivables, secured with corporate guarantee

As of 31 December 2013, included in trade receivables was a loan to a borrower of HK\$4,000,000. The loan bears interest at a fixed rate of 8.5% per annum and will be repayable within one year. The loan was secured by an unconditional and irrecoverable corporate guarantee granted by the borrower's holding company which shares are listed on the GEM of the Stock Exchange.

21. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	370	–	–	–
Deferred income	–	1,652	–	–
Deposits received	150	–	–	–
Accrued expenses and other payables	4,412	3,542	2,294	2,970
	4,932	5,194	2,294	2,970

The ageing analysis of trade payables, based on the date of receipt of goods/services, is as follows:

	The Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 3 months	<u>370</u>	<u>–</u>

The carrying amounts of the Group's trade payables are denominated in US\$.

22. AMOUNT DUE TO A DIRECTOR

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

23. BANK LOAN, SECURED

Bank loan with repayment on demand clause has been classified as current liabilities.

The maturity profile of bank loan, based on the scheduled repayment dates set out in relevant loan agreement, is as follows:

	The Group	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	–	176
After 1 year but within 2 years	–	181
After 2 years but within 5 years	–	581
After 5 years	–	2,170
	–	3,108
Less: Amount due within one year or repayable on demand classified as current liabilities	–	(3,108)
	<u>–</u>	<u>–</u>

At 31 December 2012, bank loan of approximately HK\$3,108,000 was secured by a corporate guarantee from the Company and a mortgage on the land and buildings of the Group with a carrying amount of approximately HK\$6,585,000 (note 15). The bank loan had been fully repaid during the year ended 31 December 2013.

24. CONVERTIBLE NOTES

- (a) On 14 November 2012, the Company issued convertible notes with principal amount of HK\$20 million. The notes bear interest at 2% per annum, are unsecured and have a maturity date on 13 November 2013. The noteholder has the right to convert the notes into ordinary shares of the Company at a conversion price of HK\$0.1 per ordinary share up to 9 November 2013.

The convertible notes contain two components, liability and equity components. The fair value of the liability component at issue date was valued by an independent professional valuer using a market interest rate for an equivalent non-convertible note. The residual amount, representing the value of the equity conversion option, is included in convertible note equity reserve within equity. The effective interest rate of the liability component on initial recognition is 56% per annum.

	The Group and the Company		
	Liability	Equity	Total
	component	component	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Issue of convertible notes	13,082	6,605	19,687
Effective interest expenses	962	–	962
	<hr/>	<hr/>	<hr/>
At 31 December 2012 and 1 January 2013	14,044	6,605	20,649
Effective interest expenses	1,664	–	1,664
Interest paid	(143)	–	(143)
Conversion during the year	(15,565)	(6,605)	(22,170)
	<hr/>	<hr/>	<hr/>
At 31 December 2013	–	–	–
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

- (b) On 31 March 2013, upon completion of the acquisition of 50.5% of the issued share capital of Apperience Corporation, the Company issued zero coupon convertible notes in the aggregate principal amount of HK\$392,132,500 to vendors as partial consideration for the acquisition at an initial conversion price of HK\$0.108 per conversion share. The maturity date of the convertible notes is the date falling four years after the issue date. Noteholders shall have the right to convert the notes into ordinary shares at any time during the conversion period. If any amount due under the convertible notes is not paid when due, at the Company's sole discretion, such amount shall be redeemed by the Company by issue and delivery by the Company of a promissory note in favour of the noteholder(s) in the principal amount equal to 100% of such amount together with interest accrued on the overdue sum at the rate which is the lower of (a) HIBOR plus 1.5% per annum and (b) 4% per annum, and will due to mature on the first anniversary date of the issue of the promissory note. The terms and conditions of the convertible notes are summarised in the Company's circular dated 23 February 2013. The convertible notes contain two components, liability and equity components. The fair value of the liability component at issue date was valued by an independent professional valuer.

During the year ended 31 December 2013, the Company issued a total of 3,476,726,611 conversion shares pursuant to the exercise of the conversion right attached to the convertible notes in the aggregate principal amount of approximately HK\$375,486,000 by noteholders. At 31 December 2013, the outstanding principal amount of convertible notes issued by the Company amounted to approximately HK\$16,646,000. The liability of convertible notes represent liability component of convertible notes, which are stated initial at fair value and subsequently measured at amortised cost using the effective interest method until distinguished on conversion after deduction of the liability component of convertible notes converted by the noteholders. The effective interest rate of the liability component on initial recognition is 8% per annum.

	The Group and the Company		
	Liability	Equity	Total
	component	component	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Issue of convertible notes	282,160	325,290	607,450
Effective interest expenses	12,880	–	12,880
Conversion during the year	(282,296)	(311,481)	(593,777)
	<hr/>	<hr/>	<hr/>
At 31 December 2013	12,744	13,809	26,553
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The directors estimate the fair value of the liability component of the convertible notes at 31 December 2013 to be approximately HK\$9,440,000.

25. PERFORMANCE SHARES

Upon completion of the acquisition of 50.5% of the issued share capital of Apperience Corporation on 31 March 2013 (“Completion Date”), the Company agreed to issue additional ordinary shares of the Company (“Performance Shares”) based on target profit of Apperience Corporation, as partial consideration for the acquisition at a issue price of HK\$0.108 per performance share, the maximum number of which shall be 1,452,342,588 subject to adjustments. Performance Shares shall be allotted and issued as fully paid, within one month after audited accounts for the year ending 31 March 2014 are available (“Tranche I Performance Shares”). Performance Shares shall be allotted and issued as fully paid, within one month after audited accounts for the year ending 31 March 2015 are available (“Tranche II Performance Shares”).

As at 31 December 2013, Tranche I Performance Shares approximate to HK\$52,037,000 are classified as current liabilities while Tranche II Performance Shares approximate to HK\$52,531,000 are classified as non-current liabilities. The liability of Performance Shares represent the fair value of Tranche I Performance Shares and Tranche II Performance Shares to be issued to the vendors under the contingent consideration arrangement in the acquisition of subsidiaries. The fair value of the Performance shares was valued by an independent professional valuer at the Completion Date and at the end of financial reporting period. The gain on the fair value adjustment of Performance Shares is approximately HK\$72,618,000 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\$104,568,000 as at 31 December 2013.

The details of the calculation of the Performance shares are summarised in the Company’s circular dated 23 February 2013.

26. EVENTS AFTER THE REPORTING PERIOD

Other than those disclosed elsewhere in this announcement, the following significant events took place subsequent to the end of the reporting period:

- (i) On 5 February 2014, a direct wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement to purchase 100% of the issued share capital of a private company, which is a company incorporated in Hong Kong with limited liability and is a licensed corporation to carry on business in Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance, at consideration of HK\$6,000,000, subject to adjustment. The amount of the consideration will be satisfied by cash. As at the reporting date, the acquisition has not yet completed. Details of the transaction are set out in the Company’s announcement dated 5 February 2014.
- (ii) On 9 January 2014, the domicile of the Company was changed from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda and to adopt a memorandum of continuance and Bye-laws of the Company in compliance with Bermuda laws to replace the existing memorandum and articles of association of the Company (the “Change of Domicile”). Details of the Change of Domicile and adoption of new memorandum and of continuance and Bye-laws were set out in the circular dated 26 November 2013 and the Company’s announcements dated 10 January 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year, the Group maintained a stable development through commitment to its existing businesses.

(i) Software Business

In order to extend its reach into the information technology (“IT”) field of Software Business, the Group has completed a very substantial acquisition of 50.5% of the issued share capital of Apperience Corporation (“Apperience”) on 31 March 2013, making a strategic long-term investment for the Group.

Apperience and its subsidiaries (collectively referred to as “Apperience Group”) are principally engaged in the research, development and distribution of software for personal computer performance and anti-virus software as well as toolbar advertisement and mobile applications which are available for download by customers through internet worldwide. Its major product, Advanced SystemCare, can protect users’ personal computers from anti-virus, detect security problems and enhance the system performance.

During the Year, total revenue of the Software Business was approximately HK\$89,809,000. However, the segment result recorded a loss of approximately HK\$201,719,000. It was mainly due to the impairment loss on goodwill (“Goodwill Impairment”) of approximately HK\$257,496,000 arising from the acquisition of 50.5% of the issued share capital of Apperience which is mainly non-cash in nature and will not affect working capital sufficiency of the Group. The segment result of Software Business before the Goodwill Impairment for the year was a profit of approximately HK\$55,777,000.

(ii) E-learning Business

As the market competition increased sharply, the management will pay close attention to the e-learning market to ensure the profitability of this segment.

During the Year, the turnover of the E-learning Business was approximately HK\$2,178,000, representing a decline of 47.4% as compared to the same period in the last year which was approximately HK\$4,137,000. The segment result recorded a loss of approximately HK\$5,104,000 (2012: loss of approximately HK\$18,577,000). The reason for the loss was mainly due to a drop in turnover and an increase in the amortisation of intangible assets.

To better utilise its resources, the Group has completed the very substantial disposal of Refine Skill Limited (“Refine Skill”) and its subsidiaries at a consideration of HK\$8 million on 17 October 2013.

For the better understanding the Group's products and services, better assessing the Group's risks and returns, and making more informed judgments about the Group as a whole, the Board identified two additional operating segments which were also classified as the principal activity of the Group as following:

(iii) Securities Investment Business

The investment portfolio of the Group consists of investments in listed securities. During the Year, the total investment consideration in its securities investments, included the shares which are listed in Hong Kong and the debenture issued by a Hong Kong listed company, were approximately HK\$83,421,000. During the Year, the segment recorded a loss of approximately HK\$26,137,000 including an impairment loss on available-for-sale financial assets of approximately HK\$26,253,000. This business segment showed unusual resilience in 2013 and delivered an unfulfilled financial performance. The results of this business segment were negatively affected by the instability and uncertain stock market, as well as change in fair value of available-for-sale investments which are mainly non-cash in nature.

(iv) Money Lending Business

On 24 September 2013, Citi Profit Finance Limited, an indirect wholly-owned subsidiary of the Company, was granted a money lenders licence by the licensing court in Hong Kong pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). On 26 September 2013, the Group adopted the money lending policy and money lending procedure manual. The objectives of this policy and manual are to provide guidelines to the directors, senior management and officers of the Group in handling and/or monitoring the money lending procedures according to the Money Lenders Ordinance (Chapter 163 of the Laws of the Hong Kong).

The Money Lending Business is now a business segment of the Group and during the Year, loan interest income received under this business segment amounted to approximately HK\$118,000 and the segment recorded a gain of approximately HK\$44,000. As at 31 December 2013, the outstanding principal amount of loan receivables was approximately HK\$4,000,000. The loan bears interest at a fixed rate of 8.5% per annum and will be repayable on or before 6 June 2014. The details of loan receivables are set out in note 20(e) to this announcement.

FINANCIAL REVIEW

Turnover

For the Year under review, the turnover of the Group from its continuing operations was approximately HK\$92,105,000, representing an increase of approximately 2,126% compared to the turnover for the year ended 31 December 2012 of approximately HK\$4,137,000. The turnover for the Year was mainly contributed by the Software Business.

Gross profit

The gross profit of the Group for the Year from its continuing operations increased by 1,797% to approximately HK\$74,148,000 from approximately HK\$3,909,000 for the last year.

Loss for the Year

The consolidated loss attributable to the owners of the Company for the Year was approximately HK\$207,410,000 compared to the loss attributable to owners of the Company of approximately HK\$26,626,000 for the last year.

The consolidated loss attributable to the owners of the Company for the Year was mainly attributable to (1) the impairment loss of goodwill in relation to the acquisition of 50.5% of the issued share capital of Apperience of approximately HK\$257,496,000; (2) the effective interest incurred on the convertible notes issued by the Company to satisfy part of the consideration for the Acquisition of approximately HK\$12,880,000; and (3) the impairment loss on listed securities investment of approximately HK\$26,253,000. The above mentioned impairment loss and effective interest are non-cash adjustments and will not affect working capital sufficiency of the Group.

Impairment loss on goodwill

On 31 March 2013, the Group completed the very substantial acquisition of 50.5% of the issued share capital of Apperience at a maximum consideration (“Consideration”) payable by the Company to the vendors of the Acquisition of HK\$548,985,500 (subject to adjustment). The Consideration of HK\$548,985,500 (subject to adjustment) had been satisfied partly by the creation and issue of convertible notes in the principal amount of HK\$392,132,500 and (where applicable) 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 Performance Shares shall be 1,452,342,588 (subject to adjustments). The details of the Acquisition are set out in the Company’s announcements dated 5 December 2012 (“First Announcement”), 12 March 2013 and 1 April 2013 and the Company’s circular dated 23 February 2013 (“Circular”).

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 Performance Shares and convertible notes 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 the increase in the market price of shares of the Company, which in turn has resulted in a substantial amount of goodwill recorded in connection with the Acquisition. The impairment 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 for the period from the Completion Date to 31 December 2013. The impairments of goodwill are non-cash and accounting adjustments which will not affect the working capital sufficiency of the Group.

Liquidity, financial resources and capital structure

As at 31 December 2013, the Group's cash and cash equivalents and pledged bank deposit amounted to approximately HK\$71,030,000 (2012: HK\$140,737,000), which were principally denominated in United States dollars and Hong Kong dollars (2012: Renminbi and Hong Kong dollars).

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

On 14 November 2012, the Company issued convertible notes to Wise Action Limited, a wholly owned subsidiary of Hong Kong Education (Int'l) Investments Limited, 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 conversion share (subject to adjustment) up to (but excluding) the date falling three business days prior to the maturity date. The conversion price of HK\$0.10 per conversion share represents (1) a discount of approximately 4.76% to the closing price of HK\$0.105 per share of the Company as quoted on the Stock Exchange on 14 November 2012; and (2) a premium of approximately 11.11% over the closing price of HK\$0.09 per share as quoted on the Stock Exchange on 28 September 2012 (being the date of the subscription agreement in respect of the issue of the Convertible notes). The net price per conversion share was HK\$0.0975. The issue of the convertible notes provided the Company with immediate funding without immediate dilution of the shareholding of the then existing shareholders and, when the conversion rights attached to the convertible notes are exercised, the capital base of the Company would be enlarged. The issue of the convertible notes presented a valuable opportunity to introduce a strategic investor into the Company. The net proceeds from the convertible notes of approximately HK\$19,500,000 were used (i) as to approximately HK\$5,000,000 for financing the business of website development, e-learning products and services; and (ii) as to approximately HK\$14,500,000 for future investments in e-commerce and/or other IT related business as and when opportunities arise. 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 conversion shares are ordinary shares of the Company and rank pari passu in all respect with the shares of the Company then in issue. 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 24(a) to this announcement.

On 31 March 2013, upon completion of the acquisition of 50.5% of the issued share capital 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 announcement dated 5 December 2012 and the Company's Circular dated 23 February 2013. During the Year, the Company issued a total of 3,476,726,611 conversion shares to the converting noteholders pursuant to the exercise of

conversion right attaching to the convertible notes in the aggregate principal amount of approximately HK\$375,486,000 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 5 December 2012, 12 March 2013, 1 April 2013, 2 April 2013, 26 August 2013, 2 September 2013, 25 November 2013, 10 December 2013 and 23 December 2013 and note 24(b) to this announcement.

On 12 March 2013, an ordinary resolution to increase the authorised share capital of the Company 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 passed by the shareholders of the Company at an extraordinary general meeting. As at the date of this announcement, the authorised share capital of the Company is that 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 approximately HK\$492,562,000 divided into approximately 4,925,620,000 ordinary shares of HK\$0.10 each.

Charges on the Group's Assets

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 31 December 2013, the Group had available approximately HK\$265,000 of undrawn banking facilities.

At 31 December 2013, listed securities held by the Group with a total carrying amount of HK\$53,778,000 has been charged in favour of a brokerage firm as collateral for the Group's liabilities in respect of its margin trading account. During the Year, the Group has not used the credit limit.

Foreign exchange exposure

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

Following the completion of the acquisition of Apperience, 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 and disposal of the convertible bond

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 (stock code: 2324). The completion of the placement took place on 27 March 2013. On 27 December 2013, the Company disposed the convertible bonds to an independent third party at the consideration of approximately HK\$3,765,000. Details of the transaction are set out in the Company's announcements dated 21 March 2013 and 27 December 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 announcements dated 5 December 2012, 12 March 2013 and 1 April 2013, the Company's Circular dated 23 February 2013.

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 HK\$42 million which was settled by cash. The principal asset of the Dragon Oriental is a property in Hong Kong and the property address is Shop F, Ground Floor, Yenfu Mansion, Nos. 121–125, 129–135, 139 and 141 Hip Wo Street and Nos. 92–112 Shui Wo Street, Kowloon, Hong Kong. The property is held under medium term lease from the government of Hong Kong Special Administrative Region and is currently leased to and occupied as a clinic by a fellow subsidiary of the vendor at a monthly rental (exclusive of rates, management fees, air-conditioning charges and other outgoings and expenses) of HK\$75,000. The details of the acquisition of Dragon Oriental are set out in the Company's announcement dated 15 May 2013.

Acquisition of the shares of DX.com Holdings Limited (formerly known as EPRO Limited)

On 13 June 2013, the Group entered into an acquisition agreement for the acquisition of the 248,976,000 shares ("Acquired Shares") of DX.com Holdings Limited (formerly known as EPRO Limited) whose shares are listed on GEM of the Stock Exchange (stock code: 8086), at an aggregate consideration of approximately HK\$79,921,000. The acquisition constitutes a very substantial acquisition for the Company and is subject to approval by the shareholders of the Company and other conditions precedent and the completion of such acquisition took place on 27 August 2013. At 31 December 2013, the impairment loss on the Acquired Shares amounted to approximately HK\$26,253,000. The details of the acquisition are set out in the Company's announcements dated 13 June 2013 and 27 August 2013, the Company's circular dated 8 August 2013 and note 19 to this announcement.

Cooperation Framework agreement

On 18 December 2013, the Group entered into a cooperation framework agreement with Grandeur Industries Limited (“Grandeur”), an indirect wholly-owned subsidiary of Jia Meng Holdings Limited, the shares of which are listed on GEM (stock code: 8101) (together with its subsidiaries referred to as “Jia Meng Group”). Pursuant to the cooperation framework agreement, the Group and Grandeur intend to invest a total maximum amount of HK\$10,000,000 to develop the B2C (business-to-customer) electronic commerce business of selling Jia Meng Group’s mattress and soft bedding products to customers online.

Pursuant to the cooperation framework agreement, the Group and Grandeur intend to cooperate as follows:

1. The Group shall establish a platform for the e-commerce business and to provide the relevant technical support and consultancy services; and
2. Grandeur shall provide Jia Meng Group’s mattress and soft bedding products to the e-commerce business for the purpose of sale.

Subsequent to further negotiation between the Group and Grandeur, on 12 March 2014, the Group entered into a service agreement with Grandeur. Pursuant to the service agreement, (1) the Group shall provide the services of (i) developing the online platform for Grandeur for its B2C electronic commerce business of selling the soft bedding products identified by Grandeur; and (ii) arranging for provision of services for operating and maintaining the online platform for the service term of one year from the date of signing of the service agreement; (2) Grandeur shall be responsible for manufacturing, supplying, packaging and delivery of the soft bedding products directly to the customers after placement of orders on the online platform; and (3) Grandeur shall pay to the Group (i) a lump sum of HK\$500,000; and (ii) a sum which shall be equal to 5% of the proceeds of sales generated on the online platform for each calendar month.

The details of the cooperation framework agreement and the service agreement are set out in the Company’s announcements dated 18 December 2013 and 12 March 2014 respectively.

Acquisition of Licensed Corporation

On 5 February 2014, the Group entered into the S&P Agreement in relation to the proposed acquisition of the entire issued share capital of the target at a consideration of HK\$6 million (subject to adjustment). The target is a company incorporated in Hong Kong with limited liability and is a licensed corporation to carry on business in Type 1 (dealing in securities) regulated activity under the SFO, subject to conditions imposed by the Securities and Futures Commission of Hong Kong. The target is principally engaged in the business of introducing clients to brokerage firms and securities companies in return for commission. The acquisition of the target is subject to a number of conditions precedent. As at the date of this announcement, the acquisition has not yet completed. Details of the transaction are set out in the Company’s announcement dated 5 February 2014.

Significant disposal

Disposal of a property

On 6 June 2013, the Group has entered into a disposal agreement to dispose of the entire issued share capital of Five Stars Development Limited (“Five Stars”) and the entire amount of the shareholder’s loan owing by Five Stars to the Group on the date of completion of the disposal agreement 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.

Disposal of Refine Skill

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, at a consideration of HK\$8,000,000. Such disposal is subject to a number of conditions precedent and the completion of such disposal has taken place on 17 October 2013. The details of the disposal are set out in the Company’s announcements dated 2 July 2013 and 17 October 2013, and the Company’s circular dated 19 September 2013.

Material acquisitions and disposals

Apart from those disclosed in the sections of business review, significant investment and significant disposal disclosed above, the Group had no material acquisition or disposal during the Year.

Ageing of trade receivables and payables

The ageing of the Group’s trade receivables and payables as at 31 December 2013 are set out in notes 20(a) and 21 to this announcement respectively.

Gearing ratio

As at 31 December 2013, total assets of the Group were approximately HK\$750,754,000 (2012:HK\$160,974,000), whereas the total liabilities were approximately HK\$161,500,000 (2012: HK\$22,894,000). The gearing ratio of the Group, calculated as total liabilities over total asset, was 21.5% (2012: 14.2%).

Employee and remuneration policies

As at 31 December 2013, the Group had approximately 11 employees (2012: 43 employees) in Hong Kong and the PRC. The Group’s remuneration policy is reviewed periodically and determined by reference to market terms, company performance, individual qualifications and performance, and in accordance with the statutory requirements of the respective jurisdiction where the employees are engaged. On 24 December 2007, the share option scheme (“Share Option Scheme”) was approved by shareholders of the Company in an extraordinary general meeting. The Share Option Scheme is to enable the Company to grant option to either

Directors or employees of the Group in order to recognise and motivate their contribution, to provide incentives and to help the Group in retaining its existing employees and recruiting additional quality employees so as to provide them with a direct economic interest in attaining the long term business objectives of the Group. No options were granted under the Share Option Scheme during the Year. As at 31 December 2013, there were options to subscribe for 6,200,000 shares of the Company outstanding under the Share Option Scheme.

Contingent liabilities

As at 31 December 2013, the Directors did not consider the Group had any contingent liabilities (2012: approximately HK\$3,108,000).

Events after the reporting period

Details of the significant events after the reporting period are set out in note 26 to this announcement.

OUTLOOK

Looking forward, the Group will strive on the IT market. Even though the market of personal computers, anti-virus software and mobile applications is very competitive, the Group is still confident in expanding this business segment by implementing its long-term market strategy. Due to the fast moving IT market development, the Group will keep on enhancing its products' features to catch up with the latest trends.

Alongside the existing businesses, the Group will consider to invest in areas including e-commerce, internet finance and financial advisory services, creating new revenue sources to bring income and generate good value for shareholders in the future.

In order to enhance its revenue and profitability and maximize returns to the shareholders, it will further diversify its businesses proactively. The Group will continue to search for new potential investments opportunities, including investments in local or global securities markets and property.

OTHER INFORMATION

DIRECTORS' INTERESTS IN CONTRACTS

An information technology consultancy service agreement and a supplemental agreement thereto (collectively, the "IT Consultancy Service Agreement") have been entered into between Apperience as service recipient and Chengdu AOBI Information Technology Co., Ltd. ("PRC Company") (a company owned as to 35% by Mr. Xue Qiushi ("Mr. Xue"), who was appointed as an executive Director on 5 July 2013) 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, among others, the services in relation to the development 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 as service recipient and the PRC Company as service provider on 31 December 2012 pursuant to which the PRC Company shall provide to Apperience, among others, the development and update services for certain software of Apperience at a service fee of US\$2,600,000 for a term ended on 31 December 2013.

On 10 August 2013, the IT Consultancy Service Agreement (as supplemented by the Supplemental IT Consultancy Service Agreement) and the 2013 IT Consultancy Service Agreement were terminated.

A copyright licence agreement (“Copyright Licence Agreement”) has been entered into between Apperience as licensee and the PRC Company as licensor on 18 February 2013 pursuant to which the PRC Company shall grant to Apperience an exclusive licence to use the copyright of “Advanced SystemCare” registered in the name of the PRC Company in the PRC at nil consideration for a period from the date of the Copyright Licence Agreement to (i) the date on which the relevant copyright is transferred from the PRC Company and registered in the name of Apperience 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 Copyright Licence Agreement, IT Consultancy Service Agreement (as supplemented by the Supplemental IT Consultancy Service Agreement) and 2013 IT Consultancy Service Agreement in which Mr. Xue Qiushi (an executive Director) is interested through his shareholding in the PRC Company, none of the Directors was materially interested in any contract of significance or arrangement subsisting as at 31 December 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 Year or at any time during the Year.

Apperience has entered into a service agreement with Mr. Xue Qiushi for his appointment as the deputy president of Apperience for a term of 3 years (“Initial Term”). The service contract may be terminated by not less than 3 months notice in writing served by either party expiring at the end of the Initial Term or at any time thereafter.

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

As at 31 December 2013, save as disclosed below, none of the Directors nor chief executives of the Company had or was deemed to have any interests or short positions in the shares of the Company (“Shares”), underlying Shares or debentures of the Company or 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 (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such

provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange were as follows:

Aggregate long positions in Shares and underlying Shares of the Company

Name of the Director	Capacity in which the Shares and underlying Shares are held	Number of Shares and underlying Shares	Approximate percentage of the Company's issued share capital (Note 1)
Xue Qiushi ("Mr. Xue")	Interest in a controlled corporation and interests deemed under sections 317(1)(a) and 318 of the SFO (Note 2)	2,776,671,893	56.37%

Notes:

1. The total number of the 4,925,620,935 Shares in issue as at 31 December 2013 have been used for the calculation of the approximate percentage.
2. Ace Source International Limited ("Ace Source") (being one of the substantial shareholders of the Company whose interests are set out in the section headed "Substantial shareholders and other persons who are required to disclose their interest" in this announcement) is wholly and beneficially owned by Mr. Xue. As such, Mr. Xue is deemed to be interested in all the Shares/underlying Shares held by Ace Source pursuant to Part XV of the SFO. Based on the Director's/Chief Executive's Notice — Interests in Shares of Listed Corporation filed by Mr. Xue on 3 January 2014, among these 2,776,671,893 Shares/underlying Shares, 1,606,472,451 of which were underlying Shares with an exercise period from 31 March 2013 to 31 March 2017 and can be exercised at the exercise price of HK\$0.108 per Share.

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

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

Note: Ace Source is wholly and beneficially owned by Mr. Xue. As such, Mr. Xue is deemed to be interested in all the shares held by Ace Source in Apperience (being an associated corporation of the Company) pursuant to Part XV of the SFO.

Aggregate long position in debentures of the Company

Name of Director	Capacity in which the debentures are held	Amount of debentures
Mr. Xue	Other (<i>Note</i>)	HK\$16,646,025

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

Mr. Xue was appointed as an executive Director on 5 July 2013. 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 is interested are set out in the paragraph headed “Substantial shareholders and other persons who are required to disclose their interest” in this announcement. Mr. Xue is also the sole director of Ace Source.

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 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, being one of the vendors of Apperience Corporation), at no time during the Year 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, the existing share option scheme was approved by shareholders of the Company at an extraordinary general meeting. Such 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.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WHO ARE REQUIRED TO DISCLOSE THEIR INTEREST

As at 31 December 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 (15)</i>	<i>Notes</i>
Wise Action Limited ("Wise Action")	Beneficial owner	828,987,915	16.83%	(1)
Rosy Lane Investments Limited ("Rosy Lane")	Interest of a controlled corporation	828,987,915	16.83%	(1)
Hong Kong Education (Int'l) Investments Limited ("HK EDU INTL") (formerly known as Modern Education Group Limited)	Interest of a controlled corporation	828,987,915	16.83%	(1)
Access Magic Limited ("Access Magic")	Beneficial owner and interests deemed under sections 317(1)(a) and 318 of the SFO	2,776,671,893	56.37%	(2)
Dong Yuguo ("Mr. Dong")	Interest of a controlled corporation and interests deemed under sections 317(1)(a) and 318 of the SFO	2,776,671,893	56.37%	(2), (3)
Ace Source	Beneficial owner and interests deemed under sections 317(1)(a) and 318 of the SFO	2,776,671,893	56.37%	(4)
Wealthy Hope Limited ("Wealthy Hope")	Beneficial owner and interests deemed under sections 317(1)(a) and 318 of the SFO	2,776,671,893	56.37%	(5)
Chen Liang ("Mr. Chen")	Interest of a controlled corporation and interests deemed under sections 317(1)(a) and 318 of the SFO	2,776,671,893	56.37%	(5), (6)
Well Peace Global Limited ("Well Peace")	Beneficial owner and interests deemed under sections 317(1)(a) and 318 of the SFO	2,776,671,893	56.37%	(7)
Lian Ming ("Mr. Lian")	Interest of a controlled corporation and interests deemed under sections 317(1)(a) and 318 of the SFO	2,776,671,893	56.37%	(7), (8)

Substantial shareholders	Capacity in which the Shares and underlying Shares are held	Number of Shares and underlying Shares	Approximate percentage of the Company's issued share capital <i>Note (15)</i>	<i>Notes</i>
IDG-Accel China Growth Fund II L.P. (“IDG-Accel”)	Beneficial owner and interests deemed under sections 317(1)(a) and 318 of the SFO	2,776,671,893	56.37%	<i>(9)</i>
IDG-Accel China Investors II L.P. (“IDG-Accel Investors”)	Beneficial owner and interests deemed under sections 317(1)(a) and 318 of the SFO	2,776,671,893	56.37%	<i>(10)</i>
IDG-Accel China Growth Fund II Associates L.P. (“IDG-Accel II Associates”)	Interest of a controlled corporation	2,776,671,893	56.37%	<i>(9), (10), (11)</i>
IDG-Accel China Growth Fund GP II Associates Ltd. (“IDG-Accel GP II”)	Interest of a controlled corporation	2,776,671,893	56.37%	<i>(9), (10), (11)</i>
Zhou Quan (“Mr. Zhou”)	Interest of a controlled corporation	2,776,671,893	56.37%	<i>(9), (10), (11)</i>
Ho Chising (“Mr. Ho”)	Interest of a controlled corporation	2,776,671,893	56.37%	<i>(9), (10), (11)</i>
THL A1 Limited (“THL”)	Beneficial owner and interests deemed under sections 317(1)(a) and 318 of the SFO	2,776,671,893	56.37%	<i>(12)</i>
Tencent Holdings Limited (“Tencent”)	Interest of a controlled corporation	2,776,671,893	56.37%	<i>(12)</i>
MIH TC Holdings Limited (“MIH TC Holdings”)	Interest of a controlled corporation	2,776,671,893	56.37%	<i>(12), (13)</i>
MIH (Mauritius) Limited (“MIH Mauritius”)	Interest of a controlled corporation	2,776,671,893	56.37%	<i>(12), (13), (14)</i>
MIH Ming He Holdings Limited (“MIH Ming He”)	Interest of a controlled corporation	2,776,671,893	56.37%	<i>(12), (13), (14)</i>
MIH Holdings (Proprietary) Limited (“MIH Proprietary”) (formerly known as “MIH Holdings Limited”)	Interest of a controlled corporation	2,776,671,893	56.37%	<i>(12), (13), (14)</i>
Naspers Limited (“Naspers”)	Interest of a controlled corporation	2,776,671,893	56.37%	<i>(12), (13), (14)</i>

Notes:

- (1) Wise Action is wholly and beneficially owned by Rosy Lane. Rosy Lane is wholly owned by HK EDU INTL. Each of HK EDU INTL and Rosy Lane was deemed to be interested in all the 828,987,915 Shares held by Wise Action pursuant to Part XV of the SFO.
- (2) Access Magic was interested in 805,707,671 Shares/underlying Shares in the capacity as the beneficial owner and was deemed to be interested in 1,970,964,222 Shares/underlying Shares in accordance with sections 317(1)(a) and 318 of the SFO. Among these 2,776,671,893 Shares/underlying Shares, 1,606,472,451 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 846,999,131 Shares/underlying Shares in the capacity as the beneficial owner and was deemed to be interested in 1,929,672,762 Shares/underlying Shares in accordance with sections 317(1)(a) and 318 of the SFO. Among these 2,776,671,893 Shares/underlying Shares, 1,606,472,451 of which were underlying Shares. 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. Mr. Xue's interests in the Shares and underlying Shares of the Company are disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares or Debentures of the Company or any Associated Corporations" in this announcement.
- (5) Wealthy Hope was interested in 176,694,210 Shares/underlying Shares in the capacity as the beneficial owner and was deemed to be interested in 2,599,977,683 Shares/underlying Shares in accordance with sections 317(1)(a) and 318 of the SFO. Among these 2,776,671,893 Shares/underlying Shares, 1,606,472,451 of which were underlying announcement.
- (6) Wealthy Hope is wholly and beneficially owned by Mr. Chen. As such, Mr. Chen is deemed to be interested in all the Shares/underlying Shares held by Wealthy Hope pursuant to Part XV of the SFO.
- (7) Well Peace was interested in 176,694,210 Shares/underlying Shares in the capacity as the beneficial owner and was deemed to be interested in 2,599,977,683 Shares/underlying Shares in accordance with sections 317(1)(a) and 318 of the SFO. Among these 2,776,671,893 Shares/underlying Shares, 1,606,472,451 of which were underlying Shares.
- (8) Well Peace is wholly and beneficially owned by Mr. Lian. As such, Mr. Lian is deemed to be interested in all the Shares/underlying Shares held by Well Peace pursuant to Part XV of the SFO.
- (9) IDG-Accel was interested in 512,851,216 Shares/underlying Shares as the beneficial owner and was deemed to be interested in 2,263,820,677 Shares/underlying Shares in accordance with sections 317(1)(a) and 318 of the SFO. Among these 2,776,671,893 Shares/underlying Shares, 1,606,472,451 of which were underlying Shares.
- (10) IDG-Accel Investors was interested in 41,943,654 Shares/underlying Shares as the beneficial owner and was deemed to be interested in 2,734,728,239 Shares/underlying Shares in accordance with sections 317(1)(a) and 318 of the SFO. Among these 2,776,671,893 Shares/underlying Shares, 1,606,472,451 of which were underlying Shares.
- (11) 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.

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

- (12) Based on the corporate substantial shareholder notice filed by Tencent on 3 January 2014, THL is wholly owned by Tencent and as such, Tencent is deemed to be interested in all 2,776,671,893 Shares/underlying Shares held by its controlled corporation THL pursuant to Part XV of the SFO. THL was interested in 215,781,799 Shares/underlying Shares in the capacity of beneficial owner and 2,560,890,094 Shares/underlying Shares in other capacities. Among these 2,776,671,893 Shares/underlying Shares, 1,606,472,451 of which were underlying Shares.
- (13) Based on the corporate substantial shareholder notice filed by MIH TC Holdings on 7 January 2014, THL is wholly owned by Tencent and Tencent is 33.86% owned by MIH TC Holdings. As such, MIH TC Holdings is deemed to be interested in all the 2,776,671,893 Shares/underlying Shares held by its controlled corporations THL and Tencent pursuant to Part XV of the SFO.

- (14) Based on the corporate substantial shareholder notice filed by Naspers on 7 January 2014, THL is wholly owned by Tencent, Tencent is 33.86% owned by MIH TC Holdings, which is in turn 90% owned by MIH Mauritius. MIH Mauritius is wholly owned by MIH Ming He, which is in turn wholly owned by MIH Proprietary (formerly known as MIH Holdings Limited). MIH Proprietary is wholly owned by Naspers. Based on the above relationship, each of MIH Mauritius, MIH Ming He, MIH Proprietary and Naspers are deemed to be interested in all the 2,776,671,893 Shares/underlying Shares held by their controlled corporations pursuant to Part XV of the SFO.
- (15) The total number of the 4,925,620,935 Shares in issue as at 31 December 2013 have been used for the calculation of the approximate percentage.

Save as disclosed above, as at 31 December 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.

CHANGE OF AUDITOR

On 31 October 2013, Baker Tilly Hong Kong Limited, who acted as auditor of the Company, resigned and RSM Nelson Wheeler was appointed as the new auditor of the Company. The details of the change of auditor are set out in the Company's announcement dated 31 October 2013.

CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

The Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited will change its address from 26/F, Tesbury Centre, 28 Queens's Road East, Hong Kong to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014.

CORPORATE GOVERNANCE

The Company is committed to maintaining corporate governance of high standard and quality procedures. The Company has put in place governance practices with emphasis on the integrity to shareholders and quality of disclosure, transparency and accountability to shareholders for the sake of maximizing returns to shareholders.

In the opinion of the Directors, the Company has applied and on best effort basis complied with the code provisions set out in Appendix 15 of the GEM Listing Rules (the "Code Provision") except for Code Provision A.4.1 and A.2.1.

DIRECTORS' SECURITIES TRANSACTIONS

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 had complied with the said GEM Listing Rules during the Year.

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference. The Audit Committee's principal duties are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee currently comprises the three Independent Non-executive Directors of the Company, namely, Mr. Lam Kit Sun, Ms. Xiao Yiming and Mr. Yip Chi Fai Stevens is the chairman of the Audit Committee. The Audit Committee met on a quarterly basis during the Year. The Company's financial statements for the year ended 2013 have been reviewed and discussed by the Audit Committee before any disclosure and release of information.

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 Year.

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

Hong Kong, 21 March 2014

As at the date of this announcement, the Board consists of Mr. Chi Chi Hung, Kenneth and Mr. Xue Qiushi being the Executive Directors, and Mr. Lam Kit Sun, Mr. Yip Chi Fai Stevens and Ms. Xiao Yiming being the Independent Non-executive Directors.

This announcement will remain on the GEM website at 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 at <http://www.mdreaminworld.com.hk>.