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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)

DISCLOSEABLE TRANSACTION: INVESTMENT IN ONLINE SHOPPING BUSINESS AND GRANT OF OPTION

THE SUBSCRIPTION AGREEMENT

On 8 April 2014, the Investor (a wholly-owned subsidiary of the Company) entered into the Subscription Agreement with the Existing Shareholders and the Target, pursuant to which the Investor has conditionally agreed to subscribe for, and the Target has conditionally agreed to issue, the Subscription Shares at the Subscription Price of HK\$14,000,000. The Subscription Shares will represent 77% of the issued share capital of the Target (as enlarged by the issue of the Subscription Shares) upon Completion. The Subscription Price shall be satisfied by the Investor in the following manner:

- (a) HK\$2,000,000 of the Subscription Price to be paid by the Investor to the Target in cash as the Deposit and part payment of the Subscription Price within three Business Days after the signing of the Subscription Agreement; and
- (b) the balance of HK\$12,000,000 to be paid by the Investor to the Target in cash at the Completion.

The Target is principally engaged in online retail and advertising business under the name of “Funshare.com”. The website provides an online shopping platform, through which, the Target promotes and markets the goods and services of certain third party suppliers or providers for a fixed commission.

The Target, pursuant to the Subscription Agreement, granted to the Option to Existing Shareholder B which entitles the Existing Shareholder B to subscribe for Shares of the Target or its holding company as more particularly described in the paragraph headed “The Subscription Agreement — Post-Completion Matters — Option to Existing Shareholder B” below.

* For identification purposes only

IMPLICATIONS UNDER THE GEM LISTING RULES

As the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the Subscription are more than 5% but less than 25%, the Subscription constitutes a discloseable transaction for the Company under the GEM Listing Rules and is subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

Upon Completion, the Target will become a 77%-owned subsidiary of the Company and Existing Shareholder B, in his capacity as a director of Target and a substantial shareholder of Target, will become a connected person of the Company. For so long as the Target remains as a subsidiary of the Company, the exercise of the Option by Existing Shareholder B will constitute a connected transaction of the Company and a deemed disposal by the Company. The Company will comply with the applicable requirements under the GEM Listing Rules for such transaction.

On 8 April 2014, the Investor (a wholly-owned subsidiary of the Company) entered into the Subscription Agreement with the Existing Shareholders and the Target, pursuant to which the Investor has conditionally agreed to subscribe for, and the Target has conditionally agreed to issue, the Subscription Shares at the Subscription Price of HK\$14,000,000, upon and subject to the terms and conditions of the Subscription Agreement.

THE SUBSCRIPTION AGREEMENT

Major terms of the Subscription Agreement are set out below.

Date

8 April 2014

Parties

- (a) the Investor;
- (b) the Existing Shareholders; and
- (c) the Target.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Target and each of the Existing Shareholders (who are also the ultimate beneficial owner of the Target) are Independent Third Parties.

Subject matter

The Investor has conditionally agreed to subscribe for, and the Target has agreed to issue and allot, the Subscription Shares at the Subscription Price of HK\$14,000,000.

As at the date of this announcement, (i) the Target is owned as to 50% by Existing Shareholder A and as to 50% by Existing Shareholder B; and (ii) the Target is indebted to each of the Existing Shareholders a certain amount of loan, which (other than an amount of HK\$4,000,000 owing to Existing Shareholder A which will be repaid by the Target in cash after Completion) will be capitalised before Completion. After such Capitalisation, the shareholding of the Existing Shareholders will remain at 50%:50%.

Subject to the fulfilment or waiver of the Conditions Precedent, the Target will allot and issue the Subscription Shares to the Investor free from all encumbrances and together with all rights attaching thereto, which will rank pari passu in all respects among themselves and with all the Target Shares in issue on the Completion Date.

The Subscription Shares will represent approximately 77% of the issued share capital of the Target upon the Completion (as enlarged by the allotment and issue of the Subscription Shares).

Subscription Price

The Subscription Price in the sum of HK\$14,000,000 shall be satisfied by the Investor in the following manner:

- (a) HK\$2,000,000 (“**Deposit**”) of the Subscription Price to be paid by the Investor to the Target in cash as the deposit and part payment of the Subscription Price within three Business Days after the signing of the Subscription Agreement; and
- (b) the balance of HK\$12,000,000 to be paid by the Investor to the Target in cash at the Completion.

If the Completion does not take place on or before the Long Stop Date, the Target shall, within two Business Days after the Long Stop Date, pay to the Investor a sum which is equal to the Deposit without interest.

The Subscription Price will be financed by the proceeds from the issue of the 2% coupon unsecured convertible notes due in the year 2013 by the Company in November 2012.

The Subscription Price was determined after arm’s length negotiations between the parties to the Subscription Agreement on normal commercial terms and are determined with reference to the market conditions, customer base, the business and performance of the Target.

Conditions Precedent

Completion is conditional upon the satisfaction or waiver of the following conditions:

- (a) the Capitalisation having completed;
- (b) there having been no breach of any of the warranties given by the Existing Shareholders and the Target at or at any time before Completion; and

- (c) the Investor being reasonably satisfied with the results of the due diligence exercise (whether legal, accounting, financial, operational or other aspects that the Investor considers necessary) on the Target and the related business assets, liabilities, activities, operations, prospects which the Investor thinks reasonably necessary and appropriate to conduct.

The satisfaction of Condition Precedent (b) is capable of being waived by the Investor. Save as aforesaid, none of the other Conditions Precedent is capable of being waived by any party.

If any of the Conditions Precedent are not fulfilled or waived at or before 5:00 p.m. on the Long Stop Date, all rights and obligations of the parties under the Subscription Agreement shall cease and terminate, save for certain provisions relating to the Deposit, confidentiality and governing law.

Completion

Completion will take place on the third Business Day after the last outstanding Condition Precedent (other than the Condition(s) Precedent which can only be satisfied at Completion) shall have been fulfilled or (if applicable) waived (or such other date as the Investor and the Target shall agree in writing).

Target will become a 77%-owned subsidiary of the Company upon Completion.

Post-Completion matters

Subject to Completion, at the request of the Target Board which is made within 24 months after Completion, the Existing Shareholders shall, up receipt of such request by the Target Board, collectively transfer, at nil consideration, such number of Target Shares representing not more than 3 per cent. of the Target Shares in issue immediately after Completion to such employees of the Target as the Target Board may determined.

Composition of the Target Board

Upon Completion, the Target will enter into a new employment contract with Existing Shareholder B, pursuant to which Existing Shareholder B would continue to be employed by the Target as the chief executive officer and the director of the Target for an initial term of two years commencing from the Completion Date. Following the Completion Date, the Target Board will comprise a maximum number of five members, namely the Existing Shareholders and three individuals nominated by the Investor.

Option to Existing Shareholder B

An option (“**Option**”) is granted to Existing Shareholder B at nil consideration. Such Option is exercisable by Existing Shareholder B in the event that the Target or its direct or indirect holding company owning the entire issued share capital (“**Listing Applicant**”) of the Target applies for listing on the Stock Exchange (“**Listing**”) within five years after Completion, subject to (i) the compliance with the requirements under the GEM Listing Rules, or as appropriate, the Listing Rules, by the Company and (ii) the compliance with all applicable requirements by the Listing Applicant as may be imposed by the Stock Exchange

and the Securities and Futures Commission of Hong Kong from time to time by the Listing Applicant and provided that Existing Shareholder B is the chief executive and a director of the Listing Applicant at the time when he exercises his Option, Existing Shareholder B shall be entitled to subscribe for either (a) 5% (if the profit of the Listing Applicant is solely derived from the Target) or (b) X% as calculated by the formula set out below (if the profit of the Listing Applicant is not solely derived from the Target), of the then issued share capital of the Listing Applicant immediately prior to the Listing (“**Subscribed Listco Shares**”) at a subscription price per share which is equal to 50% of the offer price of the shares of the Listing Applicant in connection with the Listing provided that (aa) such subscription shall be completed prior to the issue of the prospectus of the Listing Applicant in relation to the Listing (“**Prospectus**”) and (bb) the Option can only be exercised once prior to the issue of the Prospectus and such Option, if exercised, must be in respect of all the Subscribed Listco Shares. For the avoidance of doubt, such Option shall lapse upon the earlier of (i) the fifth anniversary of Completion and; (ii) the issue of Prospectus if such Option are not exercised.

$$X = \frac{\text{Average net profit of the Target for the three years prior to the Listing}}{\text{Average net profit of the Listing Applicant for the three years prior to the Listing}} \times 5\%$$

Existing Shareholder B undertakes to the Target and the Investor that, in the event that Existing Shareholder B exercises his rights to subscription for the Subscribed Listco Shares, he shall not transfer or dispose of (a) any of such Subscribed Listco Shares within a period of one year after Listing; (b) two-thirds of such Subscribed Listco Shares within a period of two years after Listing; and (c) one-third of such Subscribed Listco Shares within a period of three years after Listing. For the avoidance of doubt, Existing Shareholder B is free to transfer or dispose of all such Subscribed Listco Shares three years after Listing.

INFORMATION OF THE TARGET

The Target is principally engaged in online retail and advertising business under the name of “Funshare.com”. The website provides an online shopping platform, through which, the Target promotes and markets the goods and services of certain third party suppliers or providers for a fixed commission.

Set out below is a summary of certain unaudited financial information of the Target for the two years ended 31 December 2013:

	Year ended 31 December 2012 <i>Approximately</i>	Year ended 31 December 2013 <i>Approximately</i>
Revenue	HK\$10,973,000	HK\$13,263,000
Net loss before and after taxation	HK\$1,629,000	HK\$1,779,000

Revenue of the Target mainly represented commission income of the Target.

The unaudited total assets value and net liabilities of the Target as at 31 December 2013 are approximately HK\$4,831,000 and HK\$9,698,000 respectively.

It is expected that after the Capitalisation, the net liabilities value of the Target will not be more than HK\$5,166,498.90.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Group is principally engaged in (1) research, development and distribution of personal computer performance software, anti-virus software, mobile phone applications and toolbar advertisement, (2) provision of website development services, e-learning products and services, (3) investment in securities and (4) money lending business.

The Directors consider that the entry into the Subscription Agreement and the Subscription thereunder represents an opportunity for the Group to extend its business to the online shopping business.

The Directors also consider that the Subscription will bring a horizontal expansion to the Group in terms of sales channels and customer base. It is expected that the Group will benefit from accessing to the users of the online purchase platform of the Target by promoting the Group's products to potential customers, as well as the synergistic effect created with the existing customer base of Apperience Corporation (a non-wholly owned subsidiary of the Company) and its subsidiaries.

The Directors are of the view that the Subscription is in the interests of the Company and the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

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Upon Completion, the Target will become a 77%-owned subsidiary of the Company and Existing Shareholder B, in his capacity as a director of Target and a substantial shareholder of Target, will become a connected person of the Company. For so long as the Target remains as a subsidiary of the Company, the exercise of the Option by Existing Shareholder B will constitute a connected transaction of the Company and a deemed disposal by the Company. The Company will comply with the applicable requirements under the GEM Listing Rules for such transaction.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“Business Day”	a day (excluding Sunday and any day on which a tropical cyclone warning no.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. to 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business
“Capitalisation”	the capitalisation of certain loan owed by the Target to the Existing Shareholders by way of capitalisation issue of the 1,147 Target Shares to each of the Existing Shareholders prior to the Completion
“Company”	M Dream Inworld Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which are listed on GEM
“Completion”	the completion of the Subscription
“Completion Date”	the third Business Day after the last outstanding Condition Precedent (other than the Condition Precedent which can only be satisfied at Completion) having been fulfilled or waived (or such other date as the Investor and the Target shall agree in writing) on which Completion is to take place
“Condition(s) Precedent”	the condition(s) precedent to the Completion pursuant to the Subscription Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Shareholder A”	Mr. Mok Kwan Yat, who is a director and shareholder of the Target as at the date of this announcement
“Existing Shareholder B”	Mr. Cheng Wai Cheung, Herman, who is a director and shareholder of the Target as at the date of this announcement
“Existing Shareholders”	collectively, Existing Shareholder A and Existing Shareholder B
“GEM”	the Growth Enterprise Market of the Stock Exchange

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Investor”	Lucky Famous Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 April 2014 (or such later date as the Investor, the Existing Shareholders and the Target may agree in writing)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the Subscription of a total of 7,700 Subscription Shares by the Investor in accordance with the terms of the Subscription Agreement
“Subscription Agreement”	the agreement entered into among the Investor, the Existing Shareholders and the Target dated 8 April 2014, in relation to, among other matters, the Subscription
“Subscription Price”	an aggregate of HK\$14,000,000 for the subscription of the Subscription Shares
“Subscription Shares”	the 7,700 new Target Shares to be allotted and issued by the Target to the Investor at the Completion at the Subscription Price
“Target”	Lujolujo Asia Limited, a company incorporated in Hong Kong with limited liability
“Target Board”	the board of directors of the Target
“Target Shares”	the ordinary shares of HK\$1.00 each of the Target

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

Hong Kong, 8 April 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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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>.