



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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2014

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

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

* For identification purposes only

FINANCIAL HIGHLIGHTS
(unaudited)

- The turnover of the Group was approximately HK\$43,811,000 for the three months ended 31 March 2014 (“Period”) representing an increase of approximately 6,400% as compared to the turnover for the corresponding period in 2013 of approximately HK\$674,000.
- The Group recorded a net profit of approximately HK\$16,108,000 for the Period, compared to the loss for the corresponding period in 2013 of approximately HK\$262,546,000.
- The Group recorded a profit attributable to owners of the Company of approximately HK\$4,085,000 for the Period compared to the loss attributable to owners of the Company of approximately HK\$262,546,000 for the same period in last year. The profit was mainly due to the operating profit contributed by Apperience Corporation (a non-wholly owned subsidiary of the Company) and its subsidiaries, which are principally engaged in the research, development and distribution of personal computer performance software, anti-virus software, mobile applications and toolbar advertisement.
- Earnings per share for profit attributable to owners of the Company for the Period was HK0.08 cent.
- The Directors do not recommend the payment of any dividend for the Period.

RESULTS

The board of Directors (the “Board”) of M Dream Inworld Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2014 (the “Period”), together with the comparative unaudited figures for the corresponding period in 2013, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS — UNAUDITED

For the three months ended 31 March 2014

(Expressed in Hong Kong dollars)

		Three months ended 31 March	
		2014	2013
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	4	43,811	674
Cost of sales		(8,404)	(190)
Gross profit		35,407	484
Other revenue and other gains and losses	5	(5,552)	(255,817)
Selling and administrative expenses		(8,569)	(5,524)
Profit/(loss) from operations		21,286	(260,857)
Finance costs	6a	(261)	(1,689)
Profit/(loss) before taxation	6	21,025	(262,546)
Income tax	8	(4,917)	–
Profit/(loss) for the period		16,108	(262,546)
Profit/(loss) attributable to:			
Owners of the Company		4,085	(262,546)
Non-controlling interests		12,023	–
		16,108	(262,546)
Earnings/(loss) per share	9		
Basic		HK0.08 cent	(HK20.76 cents)
Diluted		HK0.07 cent	N/A

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME — UNAUDITED**

For the three months ended 31 March 2014

(Expressed in Hong Kong dollars)

	<i>Note</i>	Three months ended 31 March	
		2014	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period		16,108	(262,546)
Other comprehensive income for the period:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of financial statements of overseas subsidiaries		(22)	(11)
Fair value gain on available-for-sale financial assets	<i>12</i>	747	–
Other comprehensive income for the period, net of tax		725	(11)
Total comprehensive income for the period		16,833	(262,557)
Total comprehensive income attributable to:			
Owners of the Company		4,820	(262,557)
Non-controlling interests		12,013	–
		16,833	(262,557)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

For the three months ended 31 March 2014

(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	Investment revaluation reserve	Exchange reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	124,889	206,661	6,426	310	6,605	—	5	(206,816)	138,080	—	138,080
Loss for the period	—	—	—	—	—	—	—	(262,546)	(262,546)	—	(262,546)
Other comprehensive income for the period	—	—	—	—	—	—	(11)	—	(11)	—	(11)
Total comprehensive income for the period	—	—	—	—	—	—	(11)	(262,546)	(262,557)	—	(262,557)
Issue of convertible notes on 31 March 2013	—	—	—	—	325,290	—	—	—	325,290	—	325,290
Arising from acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	27,119	27,119
Shares issued on conversion of convertible notes	20,000	2,170	—	—	(6,605)	—	—	—	15,565	—	15,565
Changes in equity for the period	20,000	2,170	—	—	318,685	—	—	—	340,855	27,119	367,974
At 31 March 2013	144,889	208,831	6,426	310	325,290	—	(6)	(469,362)	216,378	27,119	243,497
At 1 January 2014	492,562	46,682	414,679	310	13,809	—	(60)	(414,226)	553,756	35,498	589,254
Profit for the Period	—	—	—	—	—	—	—	4,085	4,085	12,023	16,108
Other comprehensive income for the Period	—	—	—	—	—	747	(12)	—	735	(10)	725
Total comprehensive income for the Period	—	—	—	—	—	747	(12)	4,085	4,820	12,013	16,833
At 31 March 2014	492,562	46,682	414,679	310	13,809	747	(72)	(410,141)	558,576	47,511	606,087

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2014

(Expressed in Hong Kong dollars)

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 30 July 2001 and continued in Bermuda on 9 January 2014 (Bermuda time). The registered office of the Company is located at Clarendon House, 2 Church Street, HM 11, Bermuda. The principal place of business in Hong Kong is Room 515, 5/F, Town Health Technology Centre, 10–12 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories, Hong Kong.

The Company is listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The principal activity of the Company is investment holding. The Group is principally engaged in (i) research, development and distribution of personal computer performance software, anti-virus software, mobile phone applications and toolbar advertisement (“Software Business”), (ii) the provision of website development, e-learning products and services (“E-learning Business”), (iii) securities investment (“Securities Investment Business”) and (iv) money lending (“Money Lending Business”) during the Period.

This first quarterly unaudited condensed consolidated financial information is presented in thousands of units of Hong Kong Dollars (“\$’000”), unless otherwise stated. Hong Kong dollars (“HK\$”) is the Company’s functional and the Group’s presentation currency.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The Group’s 2014 first quarterly unaudited financial statements have been prepared under the historical cost convention, except for certain investment property, financial assets and liabilities which have been measured at fair values. The principal accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2013 except in relation to the new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA that are adopted for the first time for the current period’s financial statements.

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

In the current period, 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 2014. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; 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 accounting periods.

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 turnover for the periods is as follows:

	Three months ended 31 March	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Provision of website development, e-learning products and services	–	674
Sales of computer and mobile phone software and toolbar advertisement	43,624	–
Loan interest income	187	–
	<u>43,811</u>	<u>674</u>

5. OTHER REVENUE AND OTHER GAINS AND LOSSES

	<i>Note</i>	Three months ended 31 March	
		2014	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Other revenue			
Bank interest income		–	226
Fair value gain on financial assets at fair value through profit or loss		9	430
Rental income		225	–
Income from provision of business centre services		–	60
Other investment interest income		–	5
		<u>234</u>	<u>721</u>
Other gains and losses, net			
Fair value loss on performance shares	13	(5,809)	–
Foreign exchange gains		23	–
Impairment loss on goodwill		–	(256,585)
Net sundry income		–	10
Recovery from impairment loss on trade receivables		–	37
		<u>(5,786)</u>	<u>(256,538)</u>
Other revenue and other gains and losses		<u>(5,552)</u>	<u>(255,817)</u>

6. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been arrived at after charging:

	Three months ended 31 March	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(a) Finance costs:		
Interest on bank loans:		
— wholly repayable within 5 years	–	25
Effective interest on convertible notes	<u>261</u>	<u>1,664</u>
	<u><u>261</u></u>	<u><u>1,689</u></u>
(b) Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	1,122	1,876
Retirement scheme contributions	<u>30</u>	<u>42</u>
	<u><u>1,152</u></u>	<u><u>1,918</u></u>
(c) Other items:		
Amortisation of intangible assets	3,766	154
Auditor's remuneration	220	101
Depreciation	65	135
Fair value loss on performance shares	5,809	–
Impairment loss on goodwill	–	256,585
Legal and professional fees	<u>778</u>	<u>1,582</u>

7. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period's presentation. The changes included the reclassification of fair value gain on financial assets through profit or loss from other gains and losses to other revenue in the current period.

8. INCOME TAX

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

	Three months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax		
— Hong Kong Profits Tax		
Provision for the period (<i>Note 1</i>)	5,159	—
— Japan		
Withholding tax for the period (<i>Note 2</i>)	37	—
Deferred tax	(279)	—
	<u>4,917</u>	<u>—</u>

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

No provision for Hong Kong Profits Tax was required for the corresponding period in 2013 since the Group has no estimated assessable profit for that period.

Note 2: 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. Except for the withholding tax in Japan, no taxation has been provided in unaudited condensed consolidated financial statements of the subsidiaries operating outside Hong Kong for the Period.

No taxation had been provided for subsidiaries operated outside Hong Kong for the corresponding period in 2013 since the overseas subsidiaries had no estimated assessable profit for that period.

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to owners of the Company and the weighted average number of ordinary shares in issue during the Period.

	Three months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Earnings/(loss)</i>		
Earnings/(loss) attributable to owners of the Company and earnings/(loss) for the purpose of calculating basic earnings/(loss) per share	<u>4,085</u>	<u>(262,546)</u>
<i>Number of shares</i>		
Weighted average of number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	<u>4,925,620,935</u>	<u>1,264,449,880</u>
Basic earnings/(loss) per share	<u>HK0.08 cent</u>	<u>(HK20.76 cents)</u>

(b) Diluted earnings/(loss) per share

No adjustment has been made to the basic loss per share presented for the three months ended 31 March 2013 in respect of a dilution as the impact of the convertible notes and share options outstanding had anti-dilutive effect.

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the Period.

	Three months ended 31 March 2014 HK\$'000 (Unaudited)
<i>Earnings</i>	
Earnings attributable to owners of the Company and earnings for the purpose of calculating diluted earnings per share	<u><u>4,085</u></u>
<i>Number of shares</i>	
Weighted average of number of ordinary shares for the purpose of calculating diluted earnings per share	<u><u>5,641,141,991</u></u>
Diluted earnings per share	<u><u>HK0.07 cent</u></u>

10. SEGMENT REPORTING

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

- Research, development and distribution of personal computer performance software, anti-virus software, mobile phone applications and toolbar advertisement (“Software Business”)
- Website development, e-learning products and services (“E-learning Business”)
- Securities investment (“Securities Investment Business”)
- Money lending (“Money Lending Business”)

(a) Segment results

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 revenue reported below represents revenue generated from external customers. There were no inter-segment sales in the Period (2013: HK\$nil).

Information regarding the Group's reportable segments for the period ended 31 March 2014 is set out below.

	Three months ended 31 March					Consolidated 2014 HK\$'000 (Unaudited)
	Software Business 2014 HK\$'000 (Unaudited)	E-learning Business 2014 HK\$'000 (Unaudited)	Securities Investment Business 2014 HK\$'000 (Unaudited)	Money Lending Business 2014 HK\$'000 (Unaudited)	Unallocated 2014 HK\$'000 (Unaudited)	
Turnover						
Revenue from external customers	<u>43,624</u>	<u>-</u>	<u>-</u>	<u>187</u>	<u>-</u>	<u>43,811</u>
Results						
Segment results	<u>29,143</u>	<u>(74)</u>	<u>(20)</u>	<u>174</u>	<u>-</u>	<u>29,223</u>
Interest income						-
Unallocated income						225
Unallocated expenses						<u>(8,162)</u>
Profit from operations						21,286
Finance costs						<u>(261)</u>
Profit before taxation						21,025
Income tax						<u>(4,917)</u>
Profit for the Period						<u>16,108</u>
Other segment information:						
Amortisation of intangible assets	(3,766)	-	-	-	-	(3,766)
Development cost capitalised	(5,257)	-	-	-	-	(5,257)
Depreciation	-	(11)	(15)	-	(39)	(65)
Fair value loss on performance shares	-	-	-	-	(5,809)	(5,809)
Legal and professional fees	<u>(316)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(462)</u>	<u>(778)</u>

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

	Three months ended 31 March					Consolidated 2013 HK\$'000 (Unaudited)
	Software Business 2013 HK\$'000 (Unaudited)	E-learning Business 2013 HK\$'000 (Unaudited)	Securities Investment Business 2013 HK\$'000 (Unaudited)	Money Lending Business 2013 HK\$'000 (Unaudited)	Unallocated 2013 HK\$'000 (Unaudited)	
Turnover						
Revenue from external customers	-	674	-	-	-	674
Results						
Segment results	-	(578)	384	-	-	(194)
Interest income						231
Unallocated income						47
Unallocated expenses						(260,941)
Loss from operations						(260,857)
Finance costs						(1,689)
Loss before taxation						(262,546)
Income tax						-
Loss for the period						(262,546)
Other segment information:						
Additions to fixed assets	-	(9)	(590)	-	(95)	(694)
Amortisation of intangible assets	-	(154)	-	-	-	(154)
Development cost capitalised	-	(301)	-	-	-	(301)
Depreciation	-	(4)	(10)	-	(121)	(135)
Impairment loss on goodwill	-	-	-	-	(256,585)	(256,585)
Legal and professional fees	-	-	(6)	-	(1,576)	(1,582)

(b) Geographical information

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

	Three months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from external customers		
United States of America	23,209	–
Germany	1,245	–
United Kingdom	2,828	–
Hong Kong	270	674
Australia	1,642	–
Canada	1,641	–
Russia	1,661	–
Japan	1,487	–
Others (including Mainland China)	9,828	–
	43,811	674

11. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the Period (2013: nil).

12. FAIR VALUE GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

On 13 June 2013, the Group entered into an acquisition agreement for the acquisition of 248,976,000 shares ("Acquired Shares") of DX.com Holdings Limited (formerly known as EPRO Limited) (a company listed on GEM (stock code: 8086)), at an aggregate consideration of approximately HK\$79,921,000 ("Shares Acquisition"). The completion of the Shares Acquisition took place on 27 August 2013. The Acquired Shares are classified as available-for-sales securities and subsequently measured at fair value. The gain or loss arising from changes in fair value is recognised in the statement of profit or loss and other comprehensive income. The fair value gain for the Period of approximately HK\$747,000, which represents the fair value of the Acquired Shares of approximately HK\$54,525,000, based on the bid price (HK\$0.219 per Acquired Share) as at 31 March 2014, over the fair value of the Acquired Share of approximately HK\$53,778,000, based on the bid price (HK\$0.216 per Acquired Share) as at 31 December 2013. The details of Shares Acquisition are set out in the Company's announcements dated 13 June 2013 and 27 August 2013 and the Company's circular dated 8 August 2013.

13. FAIR VALUE LOSS ON PERFORMANCE SHARES

Performance shares of the Company represent shares to be issued to the vendors in the acquisition of 50.5% of the issued share capital of Apperience Corporation on 31 March 2013. The loss on the fair value adjustment of performance shares is approximately HK\$5,809,000 which represents the difference between the fair value of performance shares of approximately HK\$110,377,000 as at the 31 March 2014 and the fair value of performance shares of approximately HK\$104,568,000 as at 31 December 2013.

14. RESERVES

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

15. COMMITMENT

Capital commitment at the end of the reporting period is as follows:

	Three months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Contracted but not provided for:		
— acquisition of a subsidiary	434	—

16. EVENTS AFTER THE REPORTING PERIOD

Acquisition of a licensed corporation (Insurance and Mandatory Provident Fund schemes brokerage business)

On 28 March 2014, the Group entered into a memorandum of understanding in relation to the proposed acquisition of the entire issued share capital of a target at a consideration of HK\$868,000 (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 4 (advising on securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), subject to conditions imposed by the Securities and Futures Commission of Hong Kong. The target is currently applying for the cancellation of its licensing status as a licensed corporation to carry on business in Type 4 (advising on securities) regulated activity under the SFO. The target is also registered as a member of the Professional Insurance Brokers Association to carry out long term (including linked long term) insurance & general insurance lines of business. The target is principally engaged in insurance & Mandatory Provident Fund schemes brokerage business. The completion of the acquisition took place on 2 April 2014 and the final consideration was approximately HK\$1,033,000. Details of the acquisition were set out in the Company's announcements dated 28 March 2014 and 2 April 2014.

Investment in online shopping business

On 8 April 2014, the Group entered into a subscription agreement in relation to a proposed subscription of 77% of the issued share capital of a target upon completion at a subscription price of HK\$14,000,000. The target is a company incorporated in Hong Kong with limited liability and 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 completion of the subscription of shares took place on 23 April 2014. Details of the transaction were set out in the Company's announcements dated 8 April 2014 and 23 April 2014.

MANAGEMENT DISCUSSIONS AND ANALYSIS

BUSINESS REVIEW

Software Business

Subsequent to the completion of the acquisition of 50.5% of the issued share capital of Apperience Corporation (“Apperience”) last year, the Group has diversified its business into the information technology (“I.T.”) field of Software Business, bring in new momentum for the Group’s development. Apperience and its subsidiaries (collectively referred to as “Apperience Group”) are principally engaged in the research, development and distribution of software as well as toolbar advertisement and mobile applications. Its major product, Advanced System Care, can protect user’s personal computers from computer virus, detect security problems and enhance the system performance. The Apperience Group also derives income from the toolbar advertisement. To keep up with the ever-changing I.T. environment, Apperience Group closely monitors the I.T. trend and continuously upgrades its products.

During the Period, total revenue of the Software Business was approximately HK\$43,624,000, and the segment recorded a profit of approximately HK\$29,143,000.

Money Lending Business

Last year, 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), and the Group also 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 still at the development stage. During the Period, loan interest income under this business segment amounted to approximately HK\$187,000, and the segment recorded a gain of approximately HK\$174,000. The outstanding principal amount of loan receivables as at 31 March 2014 was HK\$11 million.

Securities Investment Business

The investment portfolio of the Group consists of investments in listed securities. During the Period, the segment recorded a minor loss of approximately HK\$20,000. However, the Group recorded fair value gain on available-for-sale financial assets of approximately HK\$747,000 for the Period.

E-learning Business

Due to keen competition in the e-learning market, the operating result is not satisfactory. The E-learning Business recorded no turnover for the Period, and the segment recorded a minor loss of approximately HK\$74,000. The management is thinking seriously about the prospect of this business segment.

FINANCIAL REVIEW

Turnover

For the Period under review, the turnover of the Group was approximately HK\$43,811,000, representing an increase of approximately 6,400% compared to the turnover for the three months period ended 31 March 2013 of approximately HK\$674,000. The turnover for the Period was mainly contributed by the Software Business.

Gross profit

The gross profit of the Group for the Period increased by 7,215% to approximately HK\$35,407,000 from approximately HK\$484,000 for the corresponding period in 2013.

Profit for the Period

The profit attributable to the owners of the Company for the Period was approximately HK\$4,085,000 compared to the loss attributable to owners of the Company of approximately HK\$262,546,000 for the three months period ended 31 March 2013. The profit for the Period was mainly contributed by the Software Business and the main reason for the loss for the three months period ended 31 March 2013 was the impairment loss on goodwill of approximately HK\$256,585,000.

Liquidity, financial resources and capital structure

As at 31 March 2014, the Group's cash and cash equivalents and pledged bank deposit amounted to totalling approximately HK\$88,658,000 (2013: HK\$174,241,000), which were principally denominated in United States dollar and Hong Kong dollar (2013: Renminbi, United States dollar and Hong Kong dollar).

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

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 net proceeds from the convertible notes of approximately HK\$19,500,000 ("Net Proceeds") should be 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. As at 31 March 2014, the Net Proceeds used for e-learning products and services of approximately HK\$1,692,000. On 23 April 2014, the investment in online shopping business of approximately HK\$14,000,000 was financed by the Net Proceeds. The details of the convertible notes were set out in the Company's announcements dated 28 September 2012, 14 November 2012 and 19 March 2013.

Reference is made to the Company's circular ("Circular") dated 23 February 2013 in relation to the very substantial acquisition of 50.5% of the issued share capital of Apperience. Capitalised terms used in this paragraph shall have the same meanings as defined in the Circular. In accordance with the Acquisition Agreement, subject to the Target Profit I being equal to or more than US\$10 million, the Company shall allot and issue, credited as fully paid, an aggregate of 726,171,294 Tranche I Performance Shares to the Vendors. Where the Target Profit I is less than US\$10 million and is a positive figure, the number of the Tranche I Performance Shares to be allotted and issued by the Company to the Vendors shall be 726,171,294 shares of the Company multiplied by the audited consolidated net profits of Apperience after taxation adjusted by Adjusted Items and divided by US\$10 million, being the target consolidated net profits of Apperience after taxation adjusted by Adjusted Items for the Target Profit Period I. Based on the preliminary review and analysis of the unaudited consolidated management accounts of Apperience for the year ended 31 March 2014, the expected Target Profit I is approximately US\$9.85 million and the expected number of Tranche I Performance Shares to be allotted and issued to the Vendors should be approximately 715 million ordinary shares of the Company. As Apperience is still in the process of preparing and finalising the audited consolidated financial report for the year ended 31 March 2014, the expected number of Tranche I Performance Shares to be allotted and issued to the Vendors and Target Profit I stated above are not based on any data or information being audited or reviewed by the auditors of the Company. Further information on the allotment and issue of Performance Shares will be disclosed in the forthcoming announcement to be issued by the Company in due course.

As at the date of this announcement, the issued share capital of the Company was HK\$492,562,093.5 divided into 4,925,620,935 ordinary shares of HK\$0.10 each.

Gearing ratio

As at 31 March 2014, the total assets of the Group were approximately HK\$777,700,000 (2013: HK\$763,006,000), whereas the total liabilities were approximately HK\$171,613,000 (2013: HK\$519,509,000). The gearing ratio of the Group, calculated as total liabilities over total assets, was 22.1% (2013: 68.1%).

Interim dividend

The Directors do not recommend to pay any interim dividend for the Period (2013: HK\$nil).

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 March 2014, the Group had available approximately HK\$448,000 of undrawn banking facilities.

At 31 March 2014, listed securities held by the Group with a total carrying amount of approximately HK\$54,525,000 has been charged in favour of a brokerage firms as collateral for the Group's liabilities in respect of its margin trading account. During the Period, the Group has not used the credit limit.

Foreign exchange exposure

During the Period, 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 last year, 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.

Financial risk

The Group's available-for-sale financial assets and performance shares which may be issued in connection with the acquisition of 50.5% of the issued share capital of Apperience are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk due to the fluctuation of share price of available-for-sale financial assets and the changes in the Company's share prices to the extent that the Company's shares underline the fair value of performance shares. The Directors regularly review the exposure to the equity security price risk on the available-for-sale financial assets.

Significant investment

Acquisition of a licensed corporation (Dealing in securities)

On 5 February 2014, the Group entered into a conditional sale and purchase agreement in relation to the proposed acquisition of the entire issued share capital of a 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 were set out in the Company's announcement dated 5 February 2014.

Material acquisitions and disposals

Apart from those disclosed in the significant investment and events after the reporting period in note 16 of the Notes to the Condensed Consolidated Financial Statements disclosed above, the Group had no material acquisition or disposal during the Period.

Employees and remuneration policies

As at 31 March 2014, the Group had approximately 10 employees (2013: 54 employees) in Hong Kong and the PRC. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, individual qualifications and performance, and in accordance with the statutory requirements of the respective jurisdiction where the employees are engaged.

On 24 December 2007, the share option scheme ("Share Option Scheme") was approved by shareholders of the Company in an extraordinary general meeting. The Share Option Scheme is to enable the Company to grant option to either Directors or employees of the Group in order to recognise and motivate their contribution, to provide incentives and to help the Group in retaining its existing employees and recruiting additional quality employees so as to provide them with a direct economic interest in attaining the long term business objectives of the Group. No options were granted under the Share Option Scheme during the Period. As at 31 March 2014, there were options to subscribe for 6,200,000 ordinary shares of the Company outstanding under the Share Option Scheme.

Contingent liabilities

As at 31 March 2014, the Directors did not consider that the Group had any contingent liabilities (2013: HK\$3,064,000).

DEALINGS FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has relied on Rules 5.48 to 5.67 of the GEM Listing Rules as the required standard of dealings in respect of 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 Period.

OUTLOOK

The Group will try to further develop its Software Business by stepping into the Asia market and enhance its product list of Software Business. The Group believes this business has the potential to grow and contribute more to the Group in the coming future.

The Group considered that the acquisition of a licensed corporation which is principally engaged in insurance and Mandatory Provident Fund schemes (“MPF”) brokerage business represents an opportunity for the Group to develop an online trading platform for insurance-related investment products. Looking forward, the Group will continually strive on the development of the insurance and MPF brokerage business.

With careful operation of the existing business mentioned above, the Group will continue to enhance its current products’ features, extend its business diversification and look for new potential investment opportunities to bring greater returns to the shareholders of the Company.

OTHER INFORMATION

DIRECTORS’ INTERESTS IN CONTRACT

A copyright licence agreement (“Copyright Licence Agreement”) has been entered into between Apperience Corporation as licensee and Chengdu AOBI Information Technology Co., Ltd. (“PRC Company”) (a company owned as to 35% by Mr. Xue Qiushi (“Mr. Xue”), an executive Director, as licensor on 18 February 2013 pursuant to which the PRC Company shall grant to Apperience Corporation an exclusive licence to use the copyright of “Advanced SystemCare” registered in the name of the PRC Company in the PRC at nil consideration for a period from the date of the Copyright Licence Agreement to (i) the date on which the relevant copyright is transferred from the PRC Company and registered in the name of Apperience Corporation in the PRC; and (ii) the date on which the copyright of “Advanced SystemCare” has been registered in the name of Apperience Corporation in the US (whichever is the earlier).

Save for the Copyright Licence Agreement in which Mr. Xue (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 March 2014 which is significant in relation to the business of the Group, nor had any Director had any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Group at the end of the Period or at any time during the Period.

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

As at 31 March 2014, 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, 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:

Aggregate long positions in shares and underlying shares of the Company

Name of the Director	Capacity in which the ordinary shares of the Company (“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:

- The total number of the 4,925,620,935 Shares in issue as at 31 March 2014 have been used for the calculation of the approximate percentage.
- Ace Source International Limited (“Ace Source”) (being one of the substantial shareholders of the Company whose interests are set out in the section headed “Interests discloseable under the Securities and Futures Ordinance (the “SFO”) and substantial shareholders and other persons interest in securities” 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 (<i>Note</i>)	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 positions 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 “Interests discloseable under the Securities and Futures Ordinance (the “SFO”) and substantial shareholders and other persons interest in securities” 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 Corporation dated 15 November 2012 and the performance shares which may be issued by the Company in accordance with the terms and conditions of such acquisition agreement in which Mr. Xue is interested (through his holding of shares in Ace Source, being one of the vendors of Apperience Corporation), at no time during the Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executives, their respective spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

On 24 December 2007, 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.

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

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

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

The details of share options granted are set out in the Company's circular and announcement dated 19 April 2011 and 19 May 2011 respectively. The details of share consolidation are set out in Company's announcements dated 13 June 2011, 15 June 2011, and 15 July 2011, the circular dated 27 June 2011, and the next day disclosure return dated 18 July 2011.

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

Substantial shareholders

As at 31 March 2014, the following persons (other than Directors or chief executives 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:

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	539,607,915	10.96%	(1)
Rosy Lane Investments Limited (“Rosy Lane”)	Interest of a controlled corporation	539,607,915	10.96%	(1)
Hong Kong Education (Int’l) Investments Limited (“HK EDU INTL”)	Interest of a controlled corporation	539,607,915	10.96%	(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)

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>
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)
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%	(9)
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%	(10)
IDG-Accel China Growth Fund II Associates L.P. (“IDG-Accel II Associates”)	Interest of a controlled corporation	2,776,671,893	56.37%	(9), (10), (11)
IDG-Accel China Growth Fund GP II Associates Ltd. (“IDG-Accel GP II”)	Interest of a controlled corporation	2,776,671,893	56.37%	(9), (10), (11)
Zhou Quan (“Mr. Zhou”)	Interest of a controlled corporation	2,776,671,893	56.37%	(9), (10), (11)
Ho Chising (“Mr. Ho”)	Interest of a controlled corporation	2,776,671,893	56.37%	(9), (10), (11)
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%	(12)
Tencent Holdings Limited (“Tencent”)	Interest of a controlled corporation	2,776,671,893	56.37%	(12)
MIH TC Holdings Limited (“MIH TC Holdings”)	Interest of a controlled corporation	2,776,671,893	56.37%	(12), (13)
MIH (Mauritius) Limited (“MIH Mauritius”)	Interest of a controlled corporation	2,776,671,893	56.37%	(12), (13), (14)

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>
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 539,607,915 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 Shares.
- (6) Wealthy Hope is wholly and beneficially owned by Mr. Chen. As such, Mr. Chen is deemed to be interested in all the Shares/underlying Shares held by Wealthy Hope pursuant to Part XV of the SFO.
- (7) 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 March 2014 have been used for the calculation of the approximate percentage.

Save as disclosed above, as at 31 March 2014, 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.

APPOINTMENT AND RESIGNATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yip Chi Fai Stevens was appointed as an independent non-executive director with effect from 2 January 2014 and his biographical details were set out in the announcement of the Company dated 2 January 2014.

Ms. Xiao Yiming was appointed as an independent non-executive director with effect from 17 January 2014 and her biographical details were set out in the announcement of the Company dated 17 January 2014.

Mr. Yu Pak Yan, Peter resigned as an independent non-executive director with effect from 29 January 2014 in order to devote more time to his business.

Ms. Chan Hoi Ling resigned as an independent non-executive director with effect from 10 February 2014 in order to devote more time to her business.

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 changed 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.

CHANGE OF DOMICILE

On 19 December 2013, the change of domicile of the Company from Cayman Islands to Bermuda by way of deregistration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda ("Change of Domicile") and to adopt memorandum of continuance and Bye-laws in connection with the Change of Domicile was approved by the shareholders of the Company at the extraordinary general meeting of the Company. The Change of Domicile and the adoption of the memorandum of continuance and Bye-laws of the Company became effective on 9 January 2014 (Bermuda time). The memorandum and articles of association of the Company ceased to be effective upon the Change of Domicile became effective on 9 January 2014 (Bermuda time). The details of the adoption of Company's memorandum of continuance and Bye-laws were disclosed in the Company's circular dated 26 November 2013 and Company's announcements dated 12 November 2013, 19 December 2013 and 10 January 2014. An updated version of the Company's memorandum of continuance and Bye-laws is available on both the websites of the Stock Exchange and the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

COMPETING INTEREST

None of the Directors or their respective associates (within the meaning of the GEM Listing Rules) has any business or interest in any business which competes or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the Period.

CORPORATE GOVERNANCE

During the Period, the Company has complied with the code provisions set out in Appendix 15 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The Audit Committee members as at the date of this announcement are Mr. Yip Chi Fai Stevens, Mr. Lam Kit Sun and Ms. Xiao Yiming. They are the independent non-executive directors of the Company. The Audit Committee's principal duties are to review and supervise the financial reporting process and internal control procedures of the Group.

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

SUFFICIENCY OF PUBLIC FLOAT

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

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

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

9 May 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, 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 “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for a minimum period of seven days from the date of its publication and on the website of the Company at <http://www.mdreaminworld.com.hk>.